

St Edmundsbury Borough Council Draft Statement of Accounts 2010/11



Green Flag Park Awards 2010/11

Contents

About us	3
Introduction from the Chief Executive and Portfolio Holder for Resources and Efficiency	4
Statement of Responsibilities for the Statement of Accounts	5
Financial Commentary by the Chief Finance Officer	6
Explanatory Foreword by the Chief Finance Officer	14
Core Financial Statements	17
Movement in Reserves Statement	18
Comprehensive Income and Expenditure Statement	19
Balance Sheet	20
Cash Flow Statement	21
Notes to the Accounts	
Schedule of Notes to the Core Financial Statements	22
Notes to the Core Financial Statements	23
Supplementary Financial Statements	89
The Collection Fund	90
Notes to the Collection Fund Income and Expenditure Account	92
Accounting Policies	95
Explanation of the Terms used in the Statement of Accounts	111
Environmental Statement	117
Annual Governance Statement	129



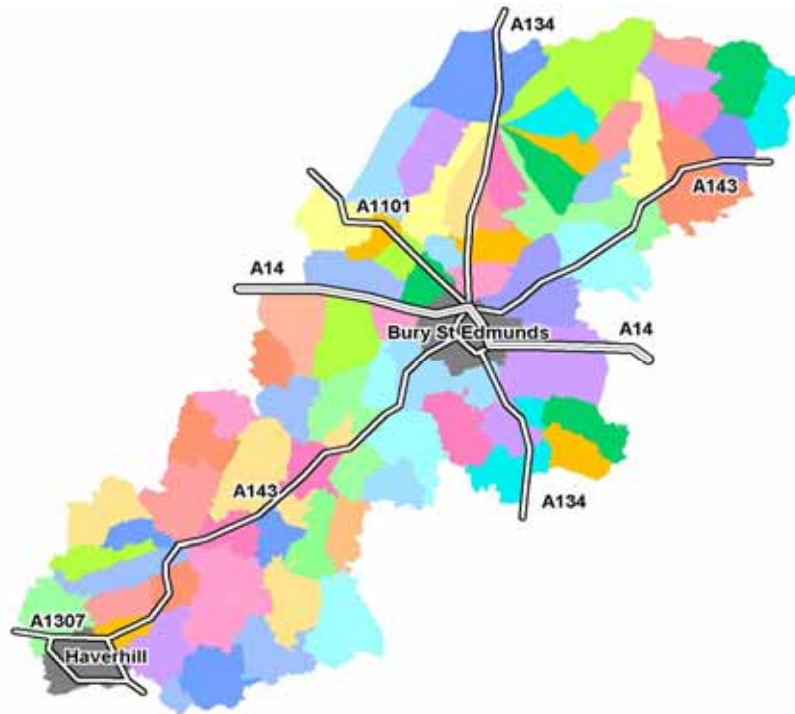
Skyline, Bury St Edmunds

ST EDMUNDSBURY - ABOUT US

St Edmundsbury is a borough council located in West Suffolk, with 81 rural parishes set in quintessential countryside, and two main towns, one a heritage gem and the other a thriving modern town.

St Edmundsbury has built a strong sense of place, shared by its West Suffolk neighbours.

Historic Bury St Edmunds benefits from strong tourism, attracted by the heritage, cultural life, open spaces and independent traders, all actively promoted by the Council. The Apex, owned and managed by the Council, has been a phenomenal addition to the town since it opened in October 2010, and has been acclaimed Europe-wide as an extraordinary performance space.



Meanwhile, our investment in Haverhill over the last few years has resulted in significant improvements to the social infrastructure of the town, including the completion of a multiplex cinema, refurbished leisure centre, community football facility, and some key inward investment, all of which reflects the energy and vitality of a town where 40% of residents are young people.

Leveraging investment is key to the Council's strategy for supporting its fragmented rural communities. We have set up rural initiative funding arrangements that allow community organisations to draw on a wide range of funding sources through match and top up funding.

St Edmundsbury is strongly committed to playing our part in the green agenda. In December 2010, one of our public car parks became the first in Suffolk to offer charging points for electric vehicles, allowing electric car drivers to park and plug in. In a further move to reduce carbon emissions, we will soon open a dedicated car park for low emission cars. We also won two awards during the year for innovative vehicle fleet management, recognising our efforts and the range of initiatives we have introduced to reduce business mileage by 10%.

The Council is made up of 45 Councillors and is Conservative controlled. It operates under a Leader and Cabinet style of governance.

INTRODUCTION FROM THE CHIEF EXECUTIVE AND PORTFOLIO HOLDER FOR RESOURCES AND EFFICIENCY

The past year has been financially challenging for St Edmundsbury, as it has for many people living and working in our borough. That we have delivered so much - from finishing major projects such as the Apex in Bury St Edmunds and the Queen Street improvements in Haverhill, to supporting many important rural activities - while at the same time making savings of £1.6 million, is a tribute to the skills, dedication and hard work of our Councillors and staff.

Over the past year we have helped local businesses to create jobs, increased the attractiveness of our towns so more people spend their money in the local economy instead of further afield, and provided first class cultural and leisure facilities and other services which all help the quality of life for people throughout the borough.

We collect council tax for ourselves and also for Suffolk County Council, the Police Authority and town and parish councils. St Edmundsbury's share of a typical council tax bill in 2010/11 was about £175, following our decision to freeze council tax for the second time in three years, in order to support our residents through difficult financial times.

The pages which follow present the overall financial position of the Council for the year ended 31st March 2011. This is the first year that we have been required to account using International Financial Reporting Standards (IFRS) and there are some significant changes as a result, which are explained throughout each section of the accounts. The Council manages its affairs to ensure the economic and effective use of resources and safeguarding of its assets. This is essential if we are to continue to play a leading role in the community and provide high quality services for the benefit of our residents. This task is shared by all Councillors and staff. As Chief Executive Officer and Portfolio Holder for Resources and Efficiency, we play a particular role in ensuring financial stewardship.

For the second year we have included an Environmental Statement (on page 117), which sets out our performance against a range of environmental targets. St Edmundsbury has a strong track record in sustainability and we are proud to be one of the first councils in the country to demonstrate our commitment through the inclusion of this report in our Statement of Accounts.

Signed:

Geoff Rivers
Chief Executive Officer

Cllr Dave Ray
Portfolio Holder for Resources and Efficiency



STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The 2010/11 accounts have been produced in accordance with International Financial Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom.

The Council's Responsibilities

The Council is required to:

- (i) make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- (ii) manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (iii) approve the audited Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts.

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

- (i) selected suitable accounting policies and then applied them consistently;
- (ii) made judgements and estimates that were reasonable and prudent;
- (iii) complied with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting (the code);
- (iv) kept proper and up to date accounting records;
- (v) taken reasonable steps to prevent and detect fraud and other irregularities.

Certification of the Statement of Accounts

This Statement of Accounts presents a true and fair view of the financial position of the Council at the 31st March 2011 and its income and expenditure for the year then ended.

Signed: Liz Watts
Chief Finance Officer

Date: 30th June 2011
27th September 2011

Christopher Spicer
Mayor

Date: 27th September 2011

FINANCIAL COMMENTARY BY THE CHIEF FINANCE OFFICER

Financial Commentary on the Year

The 2010/11 financial year was marked by continued financial uncertainty, which has had a range of impacts on the Council. I explain these in the following commentary. Whilst we have weathered the financial storm well to date, the impact of the public sector cuts, announced in the Government's Comprehensive Spending Review in December 2010, will be significant.

Below is an explanation of our revenue, capital and reserves movements in the year 2010/11, and a summary of the Pension and Treasury Management activities.

1. Revenue Income and Expenditure

The revenue account (known as the General Fund) is used to fund our day-to-day services. We receive significant income from government departments, fees and charges and various other sources to carry out particular areas of work. However, our overall expenditure is greater than these sources of income, and the difference is made up by government grants, council tax and the use of reserves. This section sets out:

- ~ a comparison of the 2010/11 budget and actual expenditure
- ~ an explanation of the main variances
- ~ an explanation of how we paid for our services.
- ~ a comparison of the General Fund to the Statement of Accounts.

Comparison of the 2010/11 budget and actual expenditure

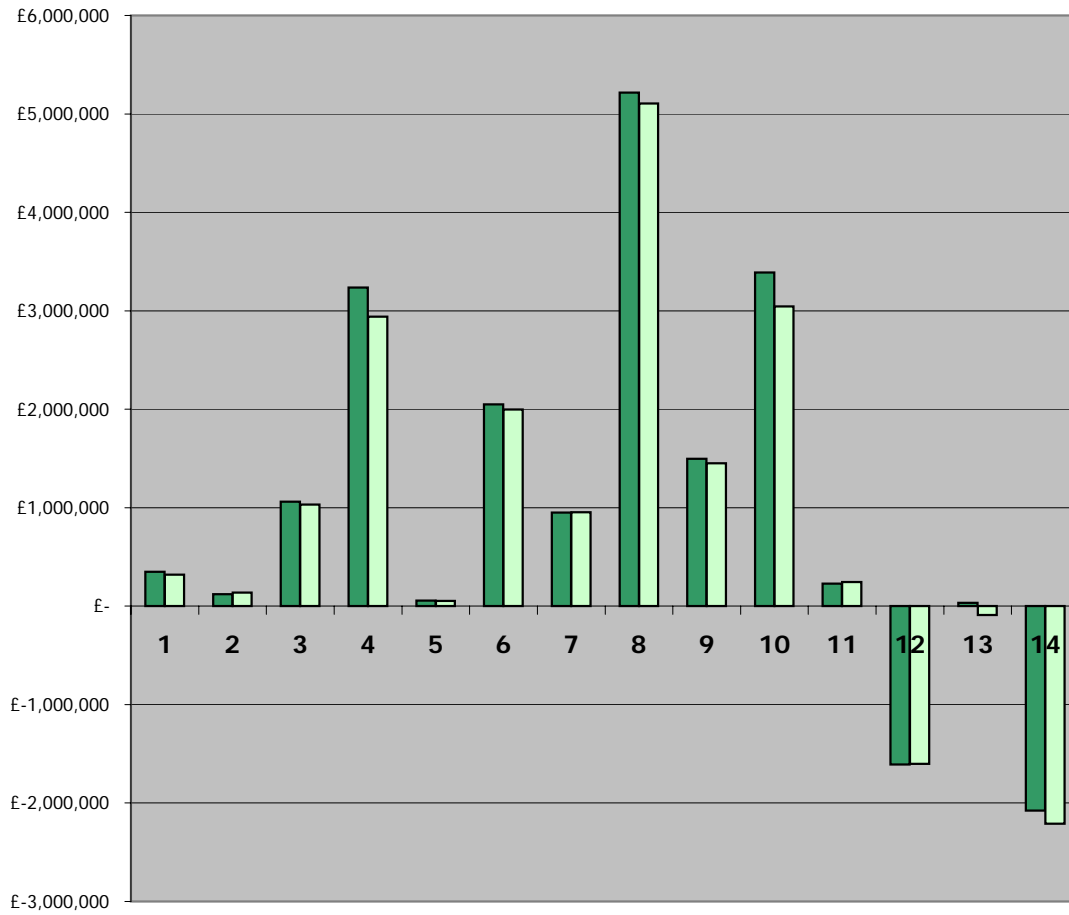
The Council set a net expenditure budget for 2010/11 of £13.895m. The actual net expenditure for the year was £13.048m, resulting in a budget underspend for the year of £0.847m.

	£'000
Council's net budget 2010/11	13,895
Actual net expenditure 2010/11	13,048
Budget underspend	847

The Council budgeted to draw £0.204m from the General Fund reserve, but the budget underspend for the year resulted in an actual increase in the General Fund Reserve of £0.643m.

The following table shows budgeted and actual net expenditure on Council services during the year.

Comparison of the 2010/11 budget and actual expenditure



- 1 Chief Executives Office inc. communication
- 2 Mayoralty
- 3 Legal & Democratic Services
- 4 Financial Services, ICT, Revs and Bens, Procurement
- 5 Emergency Planning
- 6 Health & Housing
- 7 Neighbourhood Management and Development
- 8 Leisure Services
- 9 Planning
- 10 Waste Management
- 11 Economic Development
- 12 Engineering
- 13 Property Services
- 14 Corporate Property

2010/2011 Budget
 2010/2011 Actual

The main variances

The main reasons for the budget underspend are set out in the table below. They combine a range of underspends (the first 8 rows) and overspends (the next 3 rows) resulting in the net underspend of £0.847m.

Major Variances to Budget	(Under-spend)/ Overspend
	£000
Waste and street scene services operational costs underspend	(220)
Industrial, commercial and shop rent income above budget	(203)
Salary increase of 1% included in estimates, but not required	(155)
Car parking - income above budget and non-domestic rate refunds	(90)
West Suffolk House underspend	(83)
Computer costs underspend	(46)
Housing benefits salary overspend, computer costs and printing/stationery underspend	(44)
Athenaeum, salaries and utilities underspend	(42)
Apex, increased service charges and cost of opening programme	55
Undeveloped land external fees	55
Highways agency transfer to Suffolk County Council, residual costs - one off	145
Other net variances (individually less than £40,000)	(219)
Total Net Variance	(847)

Most of the above variances are due to specific issues and factors arising during the 2010/11 financial year and corrective action was taken during the course of 2010/11 to address overspends where possible. Where variances are likely to impact on future years they have been taken into account in setting the 2011/12 budgets.

How we paid for our services

The Council's net expenditure on services (i.e. after allowing for income from fees and charges and government departments) is funded by government grants (revenue support grant and redistribution of business rates), and the council tax, with the balance being transferred to the Council's General Fund Reserve.

	Actual 2010/11	
	£000	£000
Net expenditure on services		13,048
Funded by:		
Council Tax	(6,614)	
Government Grant	(7,077)	
		(13,691)
Surplus transferred to General Fund		(643)

Comparing the General Fund to the Statement of Accounts

As I have noted above, the budget for 2010/11 was underspent by £0.847m and, as a result, instead of drawing £0.204m from our General Fund reserve, we were able to increase our General Fund balance by £0.643m. This compares to a net surplus on the Comprehensive Income and Expenditure Statement of £5.156m (page 19). The substantial difference between these two figures relates to the fact that while the Comprehensive Income and Expenditure Statement is prepared in accordance with International Financial Reporting Standards, the Council is required to raise council tax on different accounting principles.

The Movement in Reserves Statement (page 18) provides a reconciliation between surplus on the provision of services (as shown in the Comprehensive Income and Expenditure Statement) and the movement on the General Fund balance during the year. In 2010/11 charges to the Comprehensive Income and Expenditure Statement totalling £5.179m were reversed out. Further details regarding the nature of these adjustments is provided in note 6 to the accounts, Adjustments between Accounting Basis and Funding Basis under Regulations (pages 32 and 33). The most significant adjustments for 2010/11 include:

- **Retirement benefits** - The cost of employee pensions included in the Comprehensive Income and Expenditure Account is based on annual valuations undertaken in accordance with International Accounting Standards (IAS19), whereas the Council's General Fund is charged the actual amounts payable to the pension fund in the year, which is determined on the basis of a triennial actuarial valuation. The two valuation bases can produce markedly different annual pension charges. For 2010/11 the net difference between these two valuations was £9.725m. Further details regarding the Council's pension fund position is provided in section 4 below.
- **Depreciation charges and impairment losses** - The Council is required to make charges to the Comprehensive Income and Expenditure Statement for the depreciation of its assets (i.e. charges reflecting the reduction in value of assets during the period due to wear and tear, age etc.) and for impairment losses (i.e. reflecting the reduction in value of assets during the period due to changes in general market values or physical damage etc.). For 2010/11 the total value of depreciation and impairment charges to the Comprehensive Income and Expenditure Statement was £6.978m. These accounting charges are not passed onto the council taxpayer and are therefore reversed out of the General Fund.
- **Capital grants and contributions applied** - Under International Financial Reporting Standards, capital grants received by the Council (e.g. developer contributions and improvement grants) for which the grant conditions have been met, are required to be credited to the Comprehensive Income and Expenditure Statement. For 2010/11 the value of this credit was £2.567m.
- **Revenue expenditure funded from capital under statute** - There are categories of expenditure (e.g. home improvement grants) that are chargeable to the Comprehensive Income and Expenditure Statement which the Council is permitted by statute to fund from capital (i.e. as opposed to from the General Fund). For 2010/11 the total value of this charge to the Comprehensive Income and Expenditure Statement was £1.096m.

2. Capital Income and Expenditure

Capital income and expenditure includes transactions related to the following activities:

- buying or selling land or property
- building new property
- improving our existing properties
- providing grants to others for any of the above activities.

This section sets out:

- *a comparison of the 2010/11 capital budget and actual expenditure*

- an explanation of where our capital income came from in 2010/11.

The Council is committed to a significant programme of investment in capital projects. The original capital budget for 2010/11 was £16.894m, but this was revised upwards towards the end of the financial year to £17.498m. This upwards revision was primarily made as a result of a supplementary increase in the budget for The Apex. Actual capital spending during 2010/11 amounted to £7.651m (including £0.274m on the purchase of vehicles and plant which was not in the capital programme). The following table shows the main items of capital expenditure and how these compared to the budgeted capital programme. It should be noted that the table does not include the complete spend on any one project, but rather, the spend (and budgeted spend) during 2010/11. Therefore overspends and underspends on any individual project reflect only an overspend or underspend in the year, rather than on the project as a whole.

Capital Programme 2010/11	2010/11		
	Actual	Revised Budget	Variance (Under)/Overspend
	£000	£000	£000
Improvement grants	880	1,306	(426)
Affordable Housing Schemes	134	1,602	(1,468)
Apex (Public Venue, Cattle Market)	3,708	4,145	(437)
Haverhill Leisure Centre improvement works	(14)	60	(74)
Haverhill Community Football	511	439	72
Growth Area Initiatives	25	4,740	(4,715)
Cattle Market redevelopment (car parking)	288	323	(35)
West Suffolk House	24	227	(203)
Major planned building maintenance	11	531	(520)
Car Parking - School Yard	818	744	74
Environmental Enhancements	354	1,121	(767)
Total of other schemes	638	2,260	(1,622)
Total capital programme	7,377	17,498	(10,121)
Purchase of vehicles and plant (using earmarked reserves)	274		
Total capital spending	7,651		

The capital expenditure was financed from usable capital receipts (£4.849m), revenue reserves (£0.152m) and grants and contributions (£2.650m).

Capital receipts arising for the Council's planned capital disposals programme for 2010/11 totalled £0.978m against budgeted disposals for the year of £1.126m, a shortfall of £0.148m.

3. Reserves

The Council has a track record of sound financial management. An integral part of our financial strategy is to ensure that our usable reserves are maintained at a healthy level. We maintain a number of reserves, which are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2010/11 the total value of the Council's usable revenue and capital reserves decreased from £28.100m (at 1 April 2010) to £24.125m (at 31 March 2011), a net reduction of £3.975m.

Revenue Reserves:

General Fund Reserve - provides the day-to-day cash flow cover for the Council and accommodates the inevitable mismatches that arise between cash inflows and outflows. The opening balance at 1 April 2010 was £2.676m and the closing balance at 31 March 2011 was £3.319m an increase of £0.643m.

The demand on reserves changes over time and it is appropriate to review allocations on an annual basis. The Council has previously determined that the level of the General Fund Reserve should not fall below £1.75m. As in previous years, the Council can use balances above this minimum to help support future expenditure on services, and maintain sustainable levels of council tax, at a time of severe budgetary constraint.

Earmarked Reserves - enable the Council to manage the funding of expenditure that may vary between financial years (e.g. the purchase of vehicles and plant) and to reduce risk by providing a degree of contingency funding where the future level of expenditure may be uncertain (e.g. the Self Insurance Reserve). Earmarked reserves are also used to hold revenue funds that have been allocated for specific purposes when the year of expenditure may vary. The opening balance on earmarked reserves at 1 April 2010 was £12.516m. Net movements during the year resulted in a decrease in earmarked reserves of £0.666m leaving a closing balance on earmarked reserves of £11.850m.

The 2011/12 Budget and Council Tax Setting report provided information on indicative transfers to and between earmarked reserves, based on an estimated year end underspend of £0.194m. It was agreed to transfer this underspend in its entirety to the General Fund in order to support revenue expenditure and reduce the level of council tax. As Chief Finance Officer, I have delegated authority to make these transfers, in consultation with the Portfolio Holder for Resources and Efficiency. As reported above, the actual year end underspend was £0.847m, and following approval of the Statement of Accounts, I will make this transfer to the General Fund Reserve. I continue to review the adequacy and appropriateness of individual earmarked reserves in consultation with the Portfolio Holder for Resources and Efficiency, and report any transfers to or between reserves to the Performance and Audit Committee and Cabinet.

Capital Reserves

Usable Capital Receipts Reserve - capital receipts arise primarily from the disposal of Council assets and are used to help fund the Council's capital expenditure programme. Capital receipts cannot be used to help fund revenue expenditure, and therefore have to be accounted for separately from the General Fund reserve. The opening balance at 1 April 2010 was £12.452m and the closing balance at 31 March 2011 was £8.583m, a net decrease in capital reserves during the period of £3.869m.

Capital Grants Unapplied Reserve - International Financial Reporting Standards require that where conditions attached to capital grants and contributions have been met, but the grant is unspent, then the balance of the grant should be held in a Capital Grants Unapplied reserve. The opening balance at 1 April 2010 was £0.456m and the closing balance at 31 March 2011 was £0.373m, a net reduction £0.083m.

The table below summarises the make-up of the Reserves. Full details of the Reserves are provided in the Movement in Reserves Statement (page 18).

Reserves	Balance at 1 April 2010	Balance at 31 March 2011	Movement Increase / (Decrease)
	£000	£000	£000
Revenue Reserves			
General Fund Reserve	2,676	3,319	643
Earmarked reserves	12,516	11,850	(666)
Total revenue reserves	15,192	15,169	(23)
Capital Reserves			
Capital Receipts Reserve	12,452	8,583	(3,869)
Capital Grants Unapplied Reserve	456	373	(83)
Total capital reserves	12,908	8,956	(3,952)
Total usable revenue and capital reserves	28,100	24,125	(3,975)

4. Pension Fund

The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. The actuarial position of the Pension Fund, and the levels of individual employer contributions to the fund, are reviewed on a triennial basis. The last triennial valuation was undertaken as at 31 March 2010 and, as expected, showed a marked deterioration in Fund performance due primarily to the sharp decline in investment returns over the period. In the Council's case, the fund deficit increased from £1.46m in March 2007 to £15.88m in March 2010. This valuation has been used as the basis for determining the Council's Pension Fund employer contribution rates for the three year period 2012/13 to 2014/15, which are to increase by 1% per annum throughout this period, as part of a longer term strategy for clearing the Fund deficit.

In addition to the full triennial valuation, annual scheme valuations based on national and International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. These valuations are undertaken on a different basis from the triennial actuarial valuation, and provide a snapshot of the fund at a given point in time, taking into account all current and projected future pension commitments. As such the IAS 19 accounting figure can differ significantly from the triennial actuarial valuation, which provides a more reliable assessment of the fund's actual position and is the valuation used to determine the scheme's funding strategy and contribution rates.

As at 31 March 2010, the Council's IAS19 pension valuation disclosed an overall fund deficit of £50.77m. However, the 31 March 2011 IAS19 valuation shows a marked improvement in the fund's position, due partly to the Chancellor's announcement in the June 2010 emergency budget that public sector pension increases will in future be linked to the Consumer Price Index (as opposed to the higher Retail Price Index) and also to improved projections on investment returns. As a result of these factors, the projected Fund deficit has decreased from £50.77m to £21.53m, improving the Council's balance sheet position, and charges to the Council's surplus/deficit on the provision of services for 2010/11, to show a net gain of £7.69m, compared to a net charge of £3.14m for 2009/10.

It must be emphasised that these changes in the Pension Fund's reported IAS19 deficit position have no immediate impact on the General Fund or the Borough's council tax payers, as the contribution rates to the Suffolk County Council pension fund are determined by the triennial actuarial review and not the IAS19 valuations.

5. Treasury Management

There has been no let up in the historically low interest rates which have significantly impacted the Council's investment income. Budgeted investment income for 2010/11 was £566,000 (£14.91 per Band D property), representing a target investment rate of 1.5%. Actual investment income achieved during the 2010/11 financial year was £541,825, an underachievement in investment income of £24,175. This represented an average rate of return for the year of 1.28%.

The Council has benefitted from establishing a Treasury Management Sub-Committee during 2010/11, which is a sub committee of the Performance and Audit Scrutiny Committee. This has ensured that three key councillors are directly involved in the detailed assessment of our treasury management and investment strategy, reviewing performance throughout the year, and reporting to Cabinet and Council as appropriate.

Looking ahead to 2011/12, the future for interest rates remains bleak. The majority of our remaining longer term investments matured during 2009/10, and it is a challenge to find attractive rates which deliver the required level of security. Our budgeted income from investments for 2011/12 is £457,000 (which is equivalent to £11.97 for each Council Tax Band D property). The target investment rate for the year remains unchanged at 1.5%.

The statements which follow set out a detailed picture of the Council's finances, under the new International Financial Reporting Standards. Adoption of the standards has resulted in some significant changes compared to previous years, and readers of these accounts should feel free to contact me or any member of the Finance team if they require any further explanation.

Liz Watts MA, MBA, ACCA, CPFA
Chief Finance Officer

EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

The accounts comprise the following Core and Supplementary financial statements:

Core Financial Statements

The principal accounting statements, referred to as the Core Statements, are explained below.

- **Movement in Reserves Statement (Page 18)**

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

- **Comprehensive Income and Expenditure Statement (Page 19)**

This statement shows the accounting cost in the year of providing services in accordance with IFRS, 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.

- **Balance Sheet (Page 20)**

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the date of the Balance Sheet. 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 reserves are usable reserves, i.e., those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that 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 reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

- **Cash Flow Statement (Page 21)**

The Cash Flow Statement shows the changes in cash and cash equivalents 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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. 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.

Supplementary Statement

- **The Collection Fund (Page 90)**

The Collection Fund is an agent's statement that reflects the statutory obligations for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers, and the distribution between St Edmundsbury Borough Council, Suffolk County Council, Suffolk Police Authority and the Government's Non Domestic Rates Pool.

Annual Governance Statement

The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to prepare and publish an Annual Governance Statement (AGS). Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Governance comprises the systems, processes, cultures and values by which the Council is directed and controlled and through which it is accountable to, engages with, and where appropriate, leads communities.

Main Changes During 2010/11

The 2007 HM Treasury Budget report announced that UK Public Sector organisations would in future be required to adopt International Financial Reporting Standards (IFRS) in the presentation of their annual accounts. The reasons for moving to IFRS based accounting were to ensure that public sector financial statements continue to follow best commercial practice, and to allow better international comparisons to be made. These financial statements are the first to be produced by the Council on an IFRS basis.

Previous years' financial statements have been prepared in accordance with UK 'Generally Accepted Accounting Principles' (UK GAAP). There are a number of areas in which the accounting treatment differs significantly between UK GAAP and IFRS. The main areas of change applicable to this Council are as follows:

- a. **Presentation of financial statements** - IFRS adoption has resulted in considerable changes to the presentation of the financial statements, with new statements and amended layouts.
- b. **Accounting Policies** - these have been reviewed in the light of IFRS requirements.

- c. **Property, Plant and Equipment (Fixed Assets)** - IFRS involves significant changes in the way the Council accounts for its fixed assets, including changes in the way in which assets are classified and valued within the accounts. IFRS also requires that larger assets are broken down into their major components, each of which need to be accounted for as separate assets.
- d. **Employment benefits** - IFRS requires adjustments to be made to the accounts to reflect outstanding staff annual leave entitlements and similar items that are carried forward from one financial year to another.
- e. **Grants and Contributions** - grants and contributions received by the Council are required to be reclassified, and separately accounted for, dependent upon the nature of any outstanding conditions attached to their award.
- f. **Cash and Cash Equivalents** - new definitions apply to the classification of cash and cash equivalent balances.

Market, Bury St Edmunds



Core Financial Statements

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

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2009	(2,632)	(12,674)	(22,099)	(490)	(37,895)	(67,149)	(105,044)
<u>Movement in reserves during 2009/10</u>							
(Surplus)/deficit on the provision of services	5,591				5,591		5,591
Other Comprehensive Income and Expenditure					-	26,373	26,373
Total Comprehensive Income and Expenditure	5,591	-	-	-	5,591	26,373	31,964
Adjustments between accounting basis and funding basis under regulations (note 6)	(5,477)		9,647	34	4,204	(4,204)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	114	-	9,647	34	9,795	22,169	31,964
Transfer to/from Earmarked Reserves (note 7)	(158)	158			-		-
(Increase)/Decrease in 2009/10	(44)	158	9,647	34	9,795	22,169	31,964
Balance at 31 March 2010 carried forward	(2,676)	(12,516)	(12,452)	(456)	(28,100)	(44,980)	(73,080)
<u>Movement in reserves during 2010/11</u>							
(Surplus)/deficit on the provision of services	(5,156)				(5,156)		(5,156)
Other Comprehensive Income and Expenditure					-	(31,487)	(31,487)
Total Comprehensive Income and Expenditure	(5,156)	-	-	-	(5,156)	(31,487)	(36,643)
Adjustments between accounting basis and funding basis under regulations (note 6)	5,179		3,869	83	9,131	(9,131)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	23	-	3,869	83	3,975	(40,618)	(36,643)
Transfer to/from Earmarked Reserves (note 7)	(666)	666			-		-
(Increase)/Decrease in Year	(643)	666	3,869	83	3,975	(40,618)	(36,643)
Balance at 31 March 2011 carried forward	(3,319)	(11,850)	(8,583)	(373)	(24,125)	(85,598)	(109,723)

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.

	2010/11			2009/10		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	9,004	(7,277)	1,727	8,604	(6,852)	1,752
Cultural, environmental, regulatory and planning services	19,931	(5,378)	14,553	21,591	(4,795)	16,796
Highways and transport services	7,770	(3,951)	3,819	4,157	(4,044)	113
Other housing services	27,645	(25,974)	1,671	25,610	(24,002)	1,608
Corporate and democratic core	2,097	(3)	2,094	1,802	(6)	1,796
Non distributed costs	(11,176)	(4)	(11,180)	1,021	(272)	749
Support and Other Services	202	(710)	(508)	1,845	(211)	1,634
Cost of Services	55,473	(43,297)	12,176	64,630	(40,182)	24,448
Other Operating Expenditure (note 9)			723			926
Financing and Investment Income and Expenditure (note 10)			(855)			(2,044)
Taxation and Non Specific Grant Income (note 11)			(17,200)			(17,739)
(Surplus)/Deficit on Provision of Services (note 28)			(5,156)			5,591
(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(11,917)			(1,081)
(Surplus) on revaluation of available for sale financial assets (note 24)			(51)			(111)
Actuarial (gains)/losses on pension assets/liabilities (note 40)			(19,519)			27,565
Other Comprehensive (Income) and Expenditure			(31,487)			26,373
Total Comprehensive (Income) and Expenditure			(36,643)			31,964

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council as at the date of the balance sheet. 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 reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that 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 reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

		31st March 2011	31st March 2010	1st April 2009
	Note	£'000	£'000	£'000
Property, Plant and Equipment	12	105,101	94,024	86,545
Investment Property	13	79	77	262
Intangible Assets	14	62	45	46
Long Term Investments	16	403	352	10,285
Long Term Debtors	19	714	735	372
Long Term Assets		106,359	95,233	97,510
Short Term Investments	16	27,156	27,637	27,427
Assets Held for Sale	21	157	2	1,404
Inventories	17	221	284	290
Short Term Debtors	18	5,895	7,020	5,976
Cash and Cash Equivalents	20	5,828	8,117	9,600
Current Assets		39,257	43,060	44,697
Short Term Creditors	22	(6,677)	(7,446)	(11,215)
Provisions	23	(199)	(199)	-
Current Liabilities		(6,876)	(7,645)	(11,215)
Provisions	23	(200)	(200)	(200)
Other Long Term Liabilities	40	(21,530)	(50,774)	(22,187)
Capital Grants Receipts in Advance	34	(7,287)	(6,594)	(3,561)
Long Term Liabilities		(29,017)	(57,568)	(25,948)
Net Assets		109,723	73,080	105,044
Usable Reserves		(24,125)	(28,100)	(37,895)
Unusable Reserves	24	(85,598)	(44,980)	(67,149)
Total Reserves		(109,723)	(73,080)	(105,044)

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. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. 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.

	2010/11	2009/10
	£'000	£'000
Net (surplus)/deficit on the provision of services	5,156	(5,591)
Adjustments to net surplus or deficit on the provision of services for non cash movements	(105)	20,361
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(4,046)	(14,998)
Net cash flows from Operating Activities	1,005	(228)
Net cash flows from Investing Activities (note 26)	(3,905)	(164)
Net cash flows from Financing Activities (note 27)	611	(1,091)
Net increase or decrease in cash and cash equivalents	(2,289)	(1,483)
Cash and cash equivalents at the beginning of the reporting period	8,117	9,600
Cash and cash equivalents at the end of the reporting period (note 20)	5,828	8,117

SCHEDULE OF NOTES TO THE CORE FINANCIAL STATEMENTS

- 1 Transition to IFRS
- 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted: Heritage Assets
- 3 Critical Judgements in Applying Accounting Policies
- 4 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty
- 5 Material Items of Income and Expense
- 6 Adjustments between Accounting Basis and Funding Basis under Regulations
- 7 Transfers to/from Earmarked Reserves
- 8 Trust Funds
- 9 Other Operating Expenditure
- 10 Financing and Investment Income and Expenditure
- 11 Taxation and Non Specific Grant Income
- 12 Property, Plant and Equipment
- 13 Investment Properties
- 14 Intangible Assets
- 15 Portfolio of Assets
- 16 Financial Instruments
- 17 Inventories
- 18 Short Term Debtors
- 19 Long Term Debtors
- 20 Cash and Cash Equivalents
- 21 Assets Held for Sale
- 22 Short Term Creditors
- 23 Provisions
- 24 Unusable Reserves
- 25 Cash Flow Statement - Operating Activities
- 26 Cash Flow Statement - Investing Activities
- 27 Cash Flow Statement - Financing Activities
- 28 Amounts Reported for Resource Allocation Decisions
- 29 Trading Operations
- 30 Agency Services
- 31 Councillors' Allowances
- 32 Officers' Remuneration
- 33 External Audit Costs
- 34 Grant Income
- 35 Related Parties
- 36 Capital Expenditure and Capital Financing
- 37 Leases
- 38 Impairment Losses
- 39 Termination Benefits
- 40 Defined Benefit Pension Schemes
- 41 Contingent Liabilities
- 42 Contingent Assets
- 43 Nature and Extent of Risks Arising from Financial Instruments
- 44 Exceptional items - Change from Retail Prices Index to Consumer Prices Index for Pensions Inc

NOTES

1 Transition to International Financial Reporting Standards (IFRS)

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

The main impact on the restated accounts is to the net worth of the authority as shown in its Balance Sheet and to the deficits on the provision of services in the Comprehensive Income and Expenditure Statement, although the latter has no impact on the Council's General Fund balance as the adjustments are reversed out via the Movement in Reserves Statement. The changes are summarised in the tables below.

Balance Sheet	31st March 2010 £'000	1st April 2009 £'000
Net worth of authority - original	68,886	103,612
Restatements for IFRS:		
Capital grants - Government grants deferred transferred to the Capital adjustment account (1)	4,058	1,550
Capital grants - grants without conditions transferred to Capital grants unapplied (1)	456	547
Accrual for short-term accumulating compensated absences (2)	(200)	(200)
Non Current Assets - Reclassification (3)	(120)	(465)
Net worth of authority - restated	73,080	105,044

Comprehensive Income and Expenditure Account	2009/10 £'000	2008/09 £'000
Deficit on provision of services - original	8,233	12,738
Restatements for IFRS:		
Non Current Assets - revaluation and impairment adjustment(3)	(225)	(402)
Capital grants - removal of Government grants deferred (1)	103	90
Capital grants - credit capital grants where conditions have been satisfied (1)	(2,520)	(1,049)
Deficit on provision of services - restated	5,591	11,377

Explanation of main differences

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

Government Grants (1)

Under the Code, grants and contributions for capital schemes are recognised as income and credited to the Comprehensive Income and Expenditure Statement when they become receivable, as long as conditions have been met. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund. The Code also requires that the conditions attached to capital grants and contributions should be reviewed and the treatment in the accounts varied depending upon the status of those conditions:

- If conditions exist which may result in part or all of the grant or contribution being repaid then it is classed as a Capital Grant Receipts in Advance (CGRIA) and held as a long term liability in the Balance Sheet.
- If no conditions exist then the grant or contribution is credited to a new usable capital reserve called Capital Grants Unapplied.
- If there are no conditions, or if there is reasonable assurance that the conditions will be met, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement and reversed out to either the Capital Adjustment account (if the money has been spent) or to Capital Grants Unapplied (if the money remains unspent). This reversal is done via the Movement in Reserves Statement.

The revised treatment of capital grants and contributions had the effect of moving £1.55m at 1 April 2009 and £4.058m as at the end of 2009/10 from Government Grants Deferred to the Capital Adjustment Account. In addition, a new reserve has been created to allocate grant where no conditions exist and the money has not been spent: the Capital Grant Unapplied Reserve has a balance of £0.547m and £0.456m in the restated balance sheets at 31 March 2009 and 31 March 2010 respectively.

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

Short-term accumulating compensated absences (2)

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council.

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

Accounting for accumulated annual leave and flexible working allowances has been accommodated within the restated Balance Sheets by increasing long term provisions as at 31 March 2009 and 31 March 2010 by £200,000, with corresponding balances included within a new unusable reserve, the Accumulated Absences Adjustment Account. As the assessed value of the accrual remained substantially unaltered during this period, no further accounting entries through the Comprehensive Income and Expenditure Account have been necessary.

Non Current Assets (3)

Reclassification

Under the Code, there are a number of changes in the way the Council accounts for its property, plant and equipment assets. Previously the statutory accounts contained categories of 'Investment Properties' and 'Surplus Assets held for Disposal' but under the Code these balances have to be re-categorised into 'Assets Held for Sale,' 'Investment Properties' and 'Other Land and Buildings', each of which is explained in the following paragraphs.

Assets Held for Sale - Under the Code, assets are re-categorised as Assets Held for Sale when they meet the requirement of being available for sale which are that the:

- asset must be available for immediate sale in its present condition subject to the terms and conditions that are usual and customary for sales of such assets (or disposal groups)
- sale must be highly probable and the appropriate level of management must be committed to a plan to sell the asset with an active programme initiated to locate a buyer
- asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- sale must be expected to be completed within one year from the date of classification
- action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- value of the assets should be the lower of the value before being reclassified as held for sale or market value less cost to sell.

The Council has had to identify separately the value of those assets which it planned to sell in the 12 months following the current accounting period. The current value of these assets has had to be transferred out of fixed assets, and included in the current assets part of the Balance Sheet, under a new line entitled 'assets held for sale'. Following a review of the Council's property portfolio it was determined that there was a plan to sell assets with a value of £1.404m at 1 April 2009 and £0.002m at the end of 2009/10.

Investment Property – Under the Code, all property that is held solely to gain income or for capital appreciation is classed as Investment Property. All property in this category is held at fair value and is not depreciated and is held at the lower of original carrying value or fair value less cost to sell. Investment properties are held on the Balance Sheet at fair value and no balance is held on the Revaluation Reserve account as this balance is transferred to the Capital Adjustment Account. The amount transferred to investment property as at 1 April 2009 was £0.185m and there was no further transfer in 2009/10.

Assets not fitting the criteria of assets held for sale or investment properties have been classed as other land and buildings.

Revaluation and Impairment Adjustments

Under the Code, gains or losses resulting from the revaluation or impairment of assets are normally adjusted via the Revaluation Reserve, the exceptions being:

- where there is a downward valuation, and there is no (or insufficient) balance on the revaluation reserve for the asset, the balance of the loss is charged to the Surplus or Deficit on the Provision of Services
- conversely where there is an upward valuation which reverses a previous revaluation / impairment loss that had been charged to the Surplus or Deficit on the Provision of Services, all or part of the gain is credited to the Surplus or Deficit on the Provision of Services (up to the amount of the previously recognised loss).

Previously a distinction was made between impairments attributable to a fall in prices and those relating to consumption of economic benefit; with losses relating to the latter being charged to the Income and Expenditure Account regardless of any previous revaluation gains held within the Revaluation Reserve. Under the Code, the accounting treatment for all impairments is the same. The restatements under IFRS have resulted in the reversal of these previous impairment losses (£402,000 2008/9 and £225,000 2009/10).

Cash and cash equivalents

Under the Code new definitions apply to the classification of cash and cash equivalent balances. In accordance with the Code, a new policy has been adopted on cash so that short term investments with a term of three months or less are classified as cash and cash equivalents. This has resulted in £3.006m at 1 April 2009 and £1.000m at the end of 2009/10 being transferred from short term investments to cash and cash equivalents. These adjustments do not affect the overall net worth of the Council.



Queen Street Gates, Haverhill

2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted: Heritage Assets

The new Code with application for the financial year 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements. Whilst full adoption of the standard is not required in the 2010/11 financial statements, nevertheless the Council is required to disclose information relating to the potential impact of the accounting change on the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the Council mainly relate to collections of pictures, horology and general historic items exhibited or stored within the Council's museums (i.e. West Stow and Moyses Hall museums), but also includes artwork (pictures and sculptures) displayed in public buildings, parks and open spaces, civic regalia, and historic buildings and monuments (including, for example the historic ruins of Abbey in Bury St Edmunds).

The Council's heritage assets are not currently recognised in the financial statements as no information is available on the cost of the assets. However, the Council's heritage services maintain detailed inventories of all artefacts and exhibits, and periodic independent valuations are undertaken for insurance purposes (last valuations undertaken in 2005 by Bonhams Auctioneers and Valuers).

The Code will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements. Heritage assets are to be measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets compared to other tangible assets and this will mean that the Council is able to recognise its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise these assets on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values).

The insured value of the Council's heritage assets as at 1 April 2010 is £8.9m. As these assets have not been recognised in the 31 March 2011 and previous Balance Sheets, the increase in the value of assets will require a corresponding increase in the Revaluation Reserve. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence there will be no charge for depreciation for these assets.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in pages 95 to 110 , the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- (i) There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that any of its assets might be impaired as a result of a need to close facilities or reduce levels of service provision.
- (ii) On 1st April 2005, the Council entered into a 15 year contract with Abbeycroft Leisure for the operation of its two leisure centres, the athletics track and the management of the bookings of other sports facilities. Abbeycroft Leisure is a company limited by guarantee, with charitable status. The Council does not have control of the company and has therefore determined that the company is not a subsidiary of the Council (see also note 35 – Related Parties).
- (iii) On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. On 9th April 2008 St Edmundsbury Borough Council formed a joint committee with Forest Heath District Council with the objective of delivering joint working arrangements within the two Councils' Waste Management and Street Scene Services. The Council has determined that both of these joint committees are accounted for as 'joint arrangements not involving an entity' i.e. each authority accounts for its share of costs and assets (see also note 35 – Related Parties).
- (iv) The Council has undertaken a review of the potential outcome of significant legal claims by or against the Council, full details of which are provided in notes 41 and 42, Contingent Liabilities and Contingent Assets.
- (v) The Council has determined that there is no requirement to make provision for the possible impairment of investments. The Council did not have any money placed with Icelandic banks at the time of their collapse and has never lost any money on deposits with banks or other financial institutions. As such the Council has determined that there is no requirement to make provision for the possible impairment of investments (see also note 43 – Nature and Extent of Risks Arising from Financial Instruments).

4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Property, Plant and Equipment	The Council's portfolio of properties is subject to a five year rolling programme of valuation reviews which also provides for the valuation of new properties and revaluation of existing properties where there has been a change of use or significant change in the condition of the property (eg following major improvements or enhancements) or evidence of a material and permanent change in the property market. This programme also includes estimation of the useful remaining lives of the assets.	Valuation and impairment reviews may have a significant impact on the carrying value of assets held on the Council's Balance Sheet, and are vulnerable to changes in market conditions particularly during periods of market volatility. Revaluation gains for 2010/11 total £9.436m and impairment losses total £0.882m.

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Depreciation	Depreciation is charged on all Council assets, except investment properties and properties held for sale, and is calculated on a straight line basis over the estimated remaining useful lives of the asset, up to a maximum period of 60 years. Where there are material assets with significant components (e.g. plant and equipment) that have significantly different useful lives and/or depreciation methods to the remainder of the asset, these components are subject to separate valuation and depreciation. For the purposes of this exercise, generally the Council will only consider accounting for an asset on a component basis where the cost or value of that asset is material, i.e. exceeds £1.5m. Exceptionally, component accounting may be considered where the cost or valuation of the assets is less than £1.5m, if there is clear evidence that this would lead to a material misstatement in the Council's Financial Statements.	Changes in the valuation of assets and their estimated remaining useful lives have an impact on depreciation charges within the Comprehensive Income and Expenditure Accounts and the carrying value of assets within the Balance Sheet. It is estimated that the annual depreciation charge for buildings would increase by £130,000 for every year that useful lives had to be reduced. The componentisation of material assets also impacts upon the level of depreciation charges. For 2010/11, the first year in which the Council has been required to componentise material assets, componentisation of assets has increased depreciation charges by approximately £250,000.

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
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 consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example: <ul style="list-style-type: none"> • a 0.5% increase in the discount rate assumption over and above current projections would increase employer liability by approximately £9.5m • a 1 year increase in average member life expectancy would increase employer liability by about £3.1m • a 0.5% increase in salary rates would increase employer liability by about £2.1m • a 0.5% increase in the Pension Increase Rate would increase employer liability by about £6.9m

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Arrears	At 31 March 2011, the Council had a sundry debt balance of £6.94m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2010/11 of £1.046m would be appropriate. However, factors such as the current economic climate may impact on the actual level of bad debts experienced by the Council.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.046m to be set aside as an allowance.

5 Material Items of Income and Expense

The Code requires disclosure of the nature and amount of any material assets acquired or liabilities incurred during the year. During 2010/11 the Council completed the Apex, a new £18.2m music, entertainment, business and community venue in Bury St Edmunds.



Performance at the Apex, Bury St Edmunds

6 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the 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.

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(6,978)			6,978
Movements in the market value of Investment Properties	2			(2)
Amortisation of intangible assets	(13)			13
Capital grants and contributions applied	2,567			(2,567)
Revenue expenditure funded from capital under statute	(1,096)			1,096
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	747	(978)		231
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Capital expenditure charged against the General Fund balance	152			(152)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			83	(83)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		4,849		(4,849)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(9)	9		
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(1)	1		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(12)		
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):				
Transfer to the Capital Receipts Reserve upon receipt of cash				12

2010/11	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	7,691			(7,691)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,034			(2,034)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	83			(83)
Total Adjustments	5,179	3,869	83	(9,131)



Dalek in Buttermarket, Bury St Edmunds, promoting the Keeping Time exhibition at Moyse's Hall Museum

2009/10 comparative figures	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(7,494)			7,494
Amortisation of intangible assets	(35)			35
Capital grants and contributions applied	3,223			(3,223)
Revenue expenditure funded from capital under statute	(984)			984
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	490	(2,334)		1,844
Capital expenditure charged against the General Fund balance	291			(291)
Adjustment primarily involving the Capital Grants Unapplied Account:				
Application of grants to capital financing transferred to the Capital Adjustment Account			34	(34)
Adjustments primarily involving the Capital Receipts Reserve:				
Use of the Capital Receipts Reserve to finance new capital expenditure		11,999		(11,999)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1)	1		
Transfer from Deferred Capital Receipts Reserve upon receipt of cash		(19)		
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):				
Transfer to the Capital Receipts Reserve upon receipt of cash				19
Adjustments primarily involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	(3,141)			3,141
Employer's pensions contributions and direct payments to pensioners payable in the year	2,119			(2,119)
Adjustments primarily involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	55			(55)
Total Adjustments	(5,477)	9,647	34	(4,204)

7 Transfers to/from Earmarked Reserves

This note sets out the amounts held in earmarked reserves to provide financing for future expenditure plans, including transfers into and out of each reserve during the financial year.

	Balance at 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance at 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000
General Fund:							
Museums - Gershom Parkington Bequest reserve	(514)	8	(13)	(519)	22	(7)	(504)
Museums - other reserves	(114)	76	(31)	(69)	4		(65)
Environmental improvements	(32)	8		(24)	1		(23)
Building repairs	(1,398)	1,018	(1,062)	(1,442)	875	(1,035)	(1,602)
Self insured reserve	(191)	103		(88)	61	(150)	(177)
Wheeled bins	(291)	75		(216)	85		(131)
Car park reserve	(10)	63	(277)	(224)	107		(117)
Planning services reserve	(384)	183	(513)	(714)	258	(61)	(517)
Vehicle and plant	(3,296)	355	(1)	(2,942)	411	(137)	(2,668)
Mechanical office equipment	(773)	81		(692)	84	(118)	(726)
Computer equipment	(99)	4		(95)	57	(48)	(86)
Special pension reserve	(487)	59		(428)	116		(312)
Income from private developers	(462)	57	(16)	(421)	423	(100)	(98)
Revenue costs arising from capital projects	(731)	364	(341)	(708)	35	(274)	(947)
VAT reserve	(212)	453	(929)	(688)			(688)
Monuments and memorials repairs reserve	(64)	9		(55)	9		(46)
Building control fee reserve	(69)	104	(36)	(1)	81	(80)	-
Haverhill Master Plan reserve	(99)	20	(46)	(125)	20		(105)
Communications reserve	(16)	16		-			-
Economic development reserve	(596)	251	(51)	(396)	131		(265)
Housing benefit reserve	(624)		(164)	(788)		(371)	(1,159)

The purposes of each of the above earmarked reserves are explained briefly below:

Museum reserves - are for the purchase of new exhibits, exhibition and display equipment and conservation of existing collections.

Environmental improvements - covers expenditure and grant payable to third parties for the repair and maintenance of historic buildings and monuments. Some of the reserve also relates to work on schemes for improvement in conservation and industrial areas.

Building repairs - is money set aside for significant repairs and improvements to public buildings and investment properties, including energy conservation measures.

Self insured reserve - is money set aside to provide funds to finance higher insurance excesses in the future in order to reduce annual premiums.

Wheeled bins - is money set aside for the purchase of replacement bins used for trade and domestic refuse collection.

Car park reserve - is used to fund improvements and exceptional items of expenditure, in the Council's car parks.

Planning services reserve - is money set-aside to finance planning related initiatives.

Vehicle and plant - is for the purchase of replacement vehicles and plant.

Mechanical office equipment - is money set aside to purchase significant replacement items of office equipment.

Computer equipment - is money set aside to purchase computer equipment.

Special pension reserve - is to repay part of the pension fund deficit referred to in note 40 to the accounts and fund expenditure arising from departmental restructuring.

Income from private developers - is for money set aside from developers' contributions to finance engineers' fees which will be incurred in future financial years.

Revenue costs arising from capital projects - is used to fund revenue costs associated with the Council's capital programme.

VAT reserve - has been set up to fund possible unrecoverable VAT and related expenses and charges.

Monuments and memorials repairs reserve - has been set up to finance the inspection and making safe of gravestones in Bury St Edmunds and Haverhill cemeteries.

Building control fee reserve - the Council is required to set up a building control fee reserve from surpluses made from fees to enable it to spread surpluses and deficits on building control fees over a three year period.

Haverhill Master Plan reserve - is to finance feasibility work on schemes provided for in the capital programme.

Communications reserve - was to finance additional work in informing the public of the implications arising from major schemes included in the capital programme. This reserve is now closed.

Economic development reserve - contains funds received from the Local Authority Business Growth Incentive Scheme - LABGI. (LABGI grant is awarded to councils for successfully encouraging enterprise and employment in their local area).

Housing benefit reserve - is used to cover year-on-year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.

Interest equalisation reserve - is to mitigate against possible adverse fluctuations in the interest rates received from the Council's investments.

Public Service Village section 106 agreement - is to finance the Council's share of the expenditure relating to the planning conditions attached to West Suffolk House.

Concessionary fares - is used to cover potential additional costs arising from the implementation and operation of the national concessionary fares scheme.

Cattle market venue - is to cover fixtures and fittings that are outside the capital works and to support future years marketing and programming of events.

Outdoor leisure facilities - is to finance the maintenance of outdoor sports facilities (e.g. West Suffolk Athletics track).

Leisure centres - is to finance the costs arising from major maintenance/improvement works to the leisure centres.

Rural areas action plan - in 2006/07 the Council received LAA 1 Performance Reward grant, which was placed in this reserve to finance any revenue costs arising from the implementation of the new Rural Areas Action Plan.

LGR legal expenses reserve - is to finance costs relating to defending the establishment of a West Suffolk unitary authority.

Election reserve - is to finance the cost of local elections.

Invest to save reserve - is used to finance up front costs of delivering the Council's shared services agenda.

Procurement reserve - is used to replenish any shortfall in budgets arising once planned procurement activities have been completed, should the tender process deliver less saving than expected.

8 Trust Funds

The Council acts as trustees for the three trust funds shown below. These do not represent assets of the Council and they have not been included in the balance sheet.

	Balance at 31st March 2010	Income	Expendi- ture	Balance at 31st March 2011
	£	£	£	£
West Stow Anglo-Saxon Village Trust	(8,987)	(65,996)	66,503	(8,480)
Gershom Parkington Memorial Trust	(10,847)	(138)		(10,985)
94th Bomb Group Memorial Association	(15,822)	(202)	116	(15,908)
	(35,656)	(66,336)	66,619	(35,373)

There are no formal investments for the trust funds, but notional interest is credited from the General Fund, based on the average rate of interest earned on the Council's own investments of 1.28%. This amounted to:

	2010/11
	£
West Stow Anglo-Saxon Village Trust	(250)
Gershom Parkington Memorial Trust	(138)
94th Bomb Group Memorial Association	(202)
	(590)

West Stow Anglo-Saxon Village Trust

The West Stow Anglo-Saxon Village Trust was set up in 1976 to manage the site of the reconstructed Anglo-Saxon village and to employ staff to continue the reconstructions. It is a registered charity, number 272897.

In 1992 the Trust entered a formal partnership with the Borough Council whereby the Council would employ all the staff and undertake the practical work of the Trust on its behalf in return for a service charge equivalent to the admission charges levied for entry to the village. The Trust oversees policy matters and the archaeological integrity of all works undertaken on the site at West Stow.

Gershom Parkington Memorial Trust

The Gershom Parkington Memorial Trust was inaugurated on 24th June 1983. It is a registered charity, number 286836.

The Trust exists to advance the education of the public in understanding the development and history of horology, and in furtherance of this objective:

- to acquire, repair and donate to the John Gershom Parkington Collection time measuring instruments (clocks) and equipment used in connection therewith;
- to organise exhibitions, publish leaflets, raise funds and receive donations;
- to contribute money to the Borough Council for the purpose of adding to or enhancing the Collection.

94th Bomb Group Memorial Association Fund

The fund was established on 25th September 1990 by agreement between the Council and the 94th Bomb Group Memorial Association.

The purpose of the fund was to provide a home for the funds of the Association prior to its official winding up in the USA, which was expected due to the advancing age of its membership.

The initial donation (from the Association) was £6,600 for the purposes of:

- the general maintenance, as necessary, of the American War Memorial in the Abbey Gardens, Bury St Edmunds;
- the beautification of the Appleby Rose Garden and the replacement of trees and shrubs in that area;
- such other purposes as may be mutually agreed between the Association and the Council.

9 Other Operating Expenditure

	2010/11 £'000	2009/10 £'000
Parish council precepts	1,453	1,311
Payments to the Government Housing Capital Receipts Pool	1	1
(Gains)/losses on the disposal of non-current assets	(731)	(386)
Total	723	926

10 Financing and Investment Income and Expenditure

	2010/11 £'000	2009/10 £'000
Pensions interest cost and expected return on pensions assets	1,205	1,838
Interest receivable and similar income	(525)	(1,573)
(Gains) on trading operations (note 29)	(1,535)	(2,309)
Total	(855)	(2,044)

11 Taxation and Non Specific Grant Income

	2010/11 £'000	2009/10 £'000
Council tax income	(8,150)	(7,826)
Non domestic rates	(6,180)	(5,693)
Revenue Support Grant	(897)	(1,314)
Area Based Grant	(36)	(23)
Housing and Planning Delivery Grant		(306)
Capital grant and contributions	(1,937)	(2,577)
Total	(17,200)	(17,739)

12 Property, Plant and Equipment

Movements on Balances

Movements in 2010/11:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2010	850	72,030	6,368	1,189	2,989	18,457	101,883
Additions		1,148	422	285		4,282	6,137
Reclassification from AUC		21,423	509	572		(22,504)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	169	11,098			177		11,444
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(3,492)			35		(3,457)
Derecognition - Disposals		(200)	(349)				(549)
Derecognition - Other		(98)			(10)	(3)	(111)
Assets reclassified (to)/from Held for Sale	(155)	(5)					(160)
Other movements in Cost or Valuation		(927)			(210)		(1,137)
At 31 March 2011	864	100,977	6,950	2,046	2,981	232	114,050

Accumulated Depreciation and Impairment	Vehicles, Plant, Furniture & Equipment						Total Property, Plant and Equipment
	Council Dwellings	Other Land and Buildings	Furniture & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	(50)	(3,808)	(3,935)	(67)			(7,860)
Depreciation charge	(14)	(2,407)	(654)	(58)			(3,133)
Depreciation written out to the Revaluation Reserve	26	914					940
Depreciation written out to the Surplus/Deficit on the Provision of Services		509					509
Impairment losses/(reversals) recognised in the Revaluation Reserve		134			(210)		(76)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		(806)					(806)
Derecognition - Disposals			319				319
Derecognition - Other		16					16
Eliminated on reclassification to Assets Held for Sale	5						5
Other movements in Depreciation and Impairment		927			210		1,137
At 31 March 2011	(33)	(4,521)	(4,270)	(125)	-	-	(8,949)
Net Book Value							
At 31 March 2011	831	96,456	2,680	1,921	2,981	232	105,101
At 31 March 2010	800	68,222	2,433	1,122	2,989	18,457	94,023

Comparative Movements in 2009/10:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Cost or Valuation						
At 1 April 2009	850	69,925	6,475	821	3,416	11,455	92,942
Additions		468	355	368		13,075	14,266
Reclassification from AUC		5,979	60			(6,039)	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve		1,247			167		1,414
Derecognition - Disposals		(600)	(384)				(984)
Derecognition - Other			(93)				(93)
Other movements in Cost or Valuation		(4,989)	(45)		(594)	(34)	(5,662)
At 31 March 2010	850	72,030	6,368	1,189	2,989	18,457	101,883
Accumulated Depreciation and Impairment							
At 1 April 2009	(37)	(2,727)	(3,609)	(28)	-		(6,401)
Depreciation charge	(13)	(1,665)	(689)	(39)	-		(2,406)
Depreciation written out to the Revaluation Reserve		66					66
Depreciation written out to the Surplus/Deficit on the Provision of Services		478			-		478
Impairment losses/(reversals) recognised in the Revaluation Reserve		(331)			-		(331)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services		(4,508)	(45)				(4,553)

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Derecognition - Disposals		9	342				351
Derecognition - Other		359	21				380
Other movements in Depreciation and Impairment		4,511	45		-		4,556
At 31 March 2010	(50)	(3,808)	(3,935)	(67)	-	-	(7,860)
Net Book Value At 31 March 2010	800	68,222	2,433	1,122	2,989	18,457	94,023

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 50 years
- Other Land and Buildings - 1 to 60 years
- Vehicle, Plant, Furniture & Equipment - 0 to 20 years
- Infrastructure - 15 to 50 years

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £3,905,000. Similar commitments at 31 March 2010 were £17,013,000, of which the major commitments are:

- Nowton Park Visitors centre - £525,000
- Bury Community Football Project - £1,775,000

Effects of Changes in Estimates

In 2010/11, the Council made a material change to its accounting estimates for Property, Plant and Equipment:

- During 2010/11 the method of valuation for the Lower Level car park was changed from DRC to profits basis. As a result the depreciation charge of £11,016 for 2010/11 was £58,751 lower than it would have been if the valuation method had not been changed. The impact of this change will carry forward into 2011/12 and future years.

Revaluations

The Council carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). Vehicles, plant, furniture, and equipment are valued at historic cost as proxy for current value.

- In accordance with RICS's UK Valuation Standards - Valuation of local authority assets (UK, Appendix 5)
- Subject to any assumptions that the Code requires, fair value is the same as market value (UK 5, 1.6)
- Pending clarification by IASB on the application of fair value to PPE, the Code requires land and buildings to be valued as fair value - asset in existing use (UK 5, 3.3)
- Investment Property is valued as fair value - market value (UK 5, 5.2 and 5.3).

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000
Carried at historical cost			6,950		6,950
Valued at fair value as at:					
31 March 2011	533	72,960		2,981	76,474
31 March 2010		13,542			13,542
31 March 2009		5,628			5,628
31 March 2008	181	1,874			2,055
31 March 2007	150	6,973			7,123
Total Cost or Valuation	864	100,977	6,950	2,981	111,772

13 Investment Properties

The following items of income and expenditure have been accounted for in the Comprehensive Income and Expenditure Statement under 'Financing and Investment Income and Expenditure'.

	2010/11	2009/10
	£'000	£'000
Rental income from investment property	(4)	(4)
Net gain	(4)	(4)

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

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

	2010/11	2009/10
	£'000	£'000
Balance at start of the year	77	262
Disposals		(185)
Net gains from fair value adjustments	2	
Balance at end of the year	79	77



Hollands Road, Haverhill

14 Intangible Assets

To the extent that the software is not an integral part of a particular IT system (and therefore accounted for under Property, Plant and Equipment), the Council accounts for its software as intangible assets. These are purchased licenses and a website and do not include internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the software suites used by the Council range from 5 to 15 years. The website useful life is 20 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £12,802 charged to revenue in 2010/11 was charged to the owner service and then recharged as an overhead across service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year was as follows:

	2010/11 Purchased Assets £'000	2009/10 Purchased Assets £'000
Balance at start of year:		
• Gross carrying amount	191	157
• Accumulated amortisation	(146)	(111)
Net carrying amount at start of year	45	46
Additions:		
• Purchases	30	34
Amortisation for the period	(13)	(35)
Net carrying amount at end of year	62	45
Comprising:		
• Gross carrying amount	221	191
• Accumulated amortisation	(159)	(146)
	62	45

15 Portfolio of Assets

The Council owns a wide range of assets, which include the following:

	31st March 2011 Number of assets	31st March 2010 Number of assets
Operational Buildings		
Council offices including Tourist Information Centre/shopmobility	3	3
Public halls	3	3
Depots, workshops and cemeteries	4	4
Museums including museum storage	2	2
Bus stations	2	2
Car parks	19	16
Public conveniences	6	6
Country parks, gardens and nature reserves	4	4
Monuments	1	1
Leisure centres and athletics track (leased to Abbeycroft Leisure)	3	3
Land and buildings leased for social activities, including Community Centres	16	16
Land and buildings used for sport and recreation	25	24
Non-operational assets		
Shopping parades and commercial ground leases	38	39
Individual and grouped factories, including starter units and ground leases	9	9
Residential, including affordable housing units and service tenancies	19	18
Community assets and infrastructure		
Open space, highways and footpaths (recently constructed)	124	121
Land awaiting development (surplus land and buildings)		
Total number of assets	18	20
Total area of surplus land (hectares)	11.62	17.30

In addition, the council owns community assets such as public open spaces and museum exhibit, see note 2, heritage assets)

16 Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	7	7	27,156	27,637
Available-for-sale financial assets	396	345		
Total investments	403	352	27,156	27,637
Debtors - Financial Instruments	714	735	3,741	5,481
Creditors - Financial Instruments	-	-	(6,242)	(7,234)

Fair Values of Assets and Liabilities

In these disclosure notes, financial instruments are also required to be shown at fair value. The fair value of the investments is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments due in the future, in today's terms.

The fair values calculated are as follows:

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Long-term investments	7	7	7	7
Short-term investments	27,156	27,225	27,637	27,721
	27,163	27,232	27,644	27,728

In overall terms, the fair value of the investments is £69,671 more than the book value at 31 March 2011.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future profit (based on economic conditions at 31 March 2011) attributable to the commitment to receive interest above current market rates.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Further details of debtors and creditors can be found in notes 18, 19 and 22.

17 Inventories

	Consumable Stores		Maintenance Materials		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£'000	£'000	£'000	£'000	£'000	£'000
Balance outstanding at start of year	184	185	100	105	284	290
Purchases	1,169	720	12	17	1,181	737
Recognised as an expense in the year	(1,150)	(734)	(14)	(21)	(1,164)	(755)
Written off balances		(3)	(79)		(79)	(3)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1)	16		(1)	(1)	15
Balance outstanding at year-end	202	184	19	100	221	284

18 Short Term Debtors

	31 March 2011	31 March 2010
	£'000	£'000
Central government bodies	2,254	1,615
Other local authorities	716	1,823
Other entities and individuals	3,971	4,534
	6,941	7,972
Provision for bad debts:		
Council tax payers	(72)	(75)
Other	(974)	(877)
Total	5,895	7,020

19 Long Term Debtors

	31 March 2011	31 March 2010
	£'000	£'000
Other Long Term Debtors:		
Car loans to employees	18	23
Car leasing scheme	28	33
Deferred sale of surplus property	380	380
Mortgages & long term loans	288	299
Total	714	735

20 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions, repayable without penalty, on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

	2010/11	2009/10
	£'000	£'000
Cash held by the Council	2,828	4,115
Cash equivalents	3,000	4,002
Total	5,828	8,117

21 Assets Held for Sale

	Current		Non-Current	
	2010/11	2009/10	2010/11	2009/10
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	2	1,404	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	155	2		-
Assets sold		(1,404)		
Balance outstanding at year-end	157	2	-	-

22 Short Term Creditors

	31 March 2011	31 March 2010
	£'000	£'000
Central government bodies	(673)	(464)
Other local authorities	(90)	(284)
Other entities and individuals	(5,914)	(6,698)
Total	(6,677)	(7,446)

23 Provisions

	Long Term Provisions	Short Term Provisions
	£'000	£'000
Balance at 1 April 2010	200	199
Additional provisions made in 2010/11	-	-
Amounts used in 2010/11	-	-
Unused amounts reversed in 2010/11	-	-
Unwinding of discounting in 2010/11	-	-
Balance at 31 March 2011	200	199

Long term provisions - relates to accumulated compensated staff absences

Short term provisions - relates to a structural defect claim in respect of a previously owned asset

24 Unusable Reserves

	31st March 2011	31st March 2010	1st April 2009
	£'000	£'000	£'000
Revaluation Reserve	(14,287)	(2,582)	(2,353)
Available for Sale Financial Instruments Reserve	(345)	(294)	(183)
Capital Adjustment Account	(91,946)	(92,399)	(86,737)
Deferred Capital Receipts Reserve	(668)	(679)	(318)
Pensions Reserve	21,530	50,774	22,187
Collection Fund Adjustment Account	(82)	1	55
Accumulated Absences Account	200	200	200
Total Unusable Reserves	(85,598)	(44,979)	(67,149)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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 Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11	2010/11	2009/10
	£'000	£'000	£'000
Balance at 1 April		(2,582)	(2,353)
Upward revaluation of assets	(13,039)		(1,750)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	731		356
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(12,308)	(1,394)
Difference between fair value depreciation and historical cost depreciation		602	60
Accumulated gains on assets sold or scrapped		1	1,105
Balance at 31 March		(14,287)	(2,582)

[Available for Sale Financial Instruments Reserve](#)

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

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

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	(294)	(183)
Upward revaluation of investments	(51)	(111)
Balance at 31 March	(345)	(294)

[Capital Adjustment Account](#)

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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

	2010/11	2010/11	2009/10
	£'000	£'000	£'000
Balance at 1 April		(92,399)	(86,737)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
• Charges for depreciation and impairment of non-current assets	6,979		7,719
• Revaluation (gains)/losses on Property, Plant and Equipment	(212)		237
• Amortisation of intangible assets	13		35
• Revenue expenditure funded from capital under statute	1,096		984
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	230		1,134
	<u>8,106</u>		<u>10,109</u>
Adjusting amounts written out of the Revaluation Reserve			(225)
Net written out amount of the cost of non-current assets consumed in the year		8,106	9,884
Capital financing applied in the year:			
• Use of Capital Receipts Reserve to finance new capital expenditure	(4,849)		(11,999)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,567)		(3,222)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(83)		(34)
• Capital expenditure charged against the General Fund balance	<u>(152)</u>		<u>(291)</u>
		(7,651)	(15,546)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2)	
Balance at 31 March		<u>(91,946)</u>	<u>(92,399)</u>

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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	50,774	22,187
Actuarial (gains) or losses on pensions assets and liabilities	(19,519)	27,565
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(7,691)	3,141
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,034)	(2,119)
Balance at 31 March	21,530	50,774

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 Council 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.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	(679)	(318)
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(380)
Transfer to the Capital Receipts Reserve upon receipt of cash	11	19
Balance at 31 March	(668)	(679)

Collection Fund Adjustment Account

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

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	1	55
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(83)	(54)
Balance at 31 March	(82)	1

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, i.e. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	200	200
Settlement or cancellation of accrual made at the end of the preceding year	-	-
Amount accrued at the end of the current year	-	-
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-
Balance at 31 March	200	200

25 Cash Flow Statement - Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£'000	£'000
Interest received	506	1,907
Total	506	1,907

26 Cash Flow Statement - Investing Activities

	2010/11	2009/10
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(7,316)	(18,109)
Purchase of short-term and long-term investments	-	(500)
Other payments for investing activities	40	34
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	729	2,341
Proceeds from short-term and long-term investments	500	10,000
Other receipts from investing activities	2,142	6,070
Net cash flows from investing activities	(3,905)	(164)

27 Cash Flow Statement - Financing Activities

	2010/11	2009/10
	£'000	£'000
Billing Authorities - Council Tax and NNDR adjustments	611	(1,091)
Net cash flows from financing activities	611	(1,091)

28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment 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 services.

The income and expenditure of the Council's service areas recorded in the budget reports for the year was as follows:

Income and Expenditure by services	2010/11							
	Fees, charges & other service income	Government grants	Total Income	Employee expenses	Other service expenses	Support services recharges	Total Expenditure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Finance</i>	(1,103)	(186)	(1,289)	1,267	2,427	(534)	3,161	1,871
<i>Local Tax Collection</i>	(163)	(6,894)	(7,057)		6,586	1,559	8,145	1,087
<i>Revenues & Benefits</i>	(41)	(25,274)	(25,314)	1,441	25,078	(598)	25,921	607
<i>Interest</i>	(578)		(578)		4	11	14	(564)
<i>E-Services & ICT</i>	(202)		(202)	730	436	(968)	197	(5)
Chief Finance Officer Total	(2,087)	(32,355)	(34,441)	3,438	34,531	(531)	37,438	2,996
Customer Services				124	9	(133)	-	-
Chief Executives	(12)		(12)	227	61	(6)	283	271
Corporate Directors	-			240	31	(271)	-	-
Communications	(2)		(2)	135	38	(141)	32	30
Strategy & Performance	(8)		(8)	131	3	(126)	8	-
Corporate Review Programmes	-					17	17	17
Mayoralty	(6)		(6)	51	56	30	137	131
Human Resources	(50)		(50)	691	47	(676)	62	12
Legal & Democratic Services	(43)		(43)	841	116	119	1,076	1,033
Chief Executive's Office Total	(2,208)	(32,355)	(34,563)	5,879	34,891	(1,717)	39,053	4,490
Emergency Planning					38	16	53	53
Health & Housing	(369)	(748)	(1,117)	1,558	453	500	2,511	1,394
Neighbourhood Management and Development	(188)	(1)	(188)	300	635	218	1,153	965
Leisure Services	(1,586)	(52)	(1,638)	1,727	4,461	568	6,757	5,119
Community Directorate Total	(2,143)	(800)	(2,943)	3,585	5,587	1,302	10,475	7,532

	2010/11							
	Fees, charges & other service income	Government grants	Total Income	Employee expenses	Other service expenses	Support services recharges	Total Expenditure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Planning	(2,015)	(17)	(2,032)	1,511	1,179	809	3,498	1,467
Waste Management	(9,184)		(9,184)	4,333	7,592	282	12,207	3,024
Economic Development	(197)		(197)	232	214	(8)	438	241
Engineering (including car parks)	(3,982)		(3,982)	896	1,833	(343)	2,386	(1,596)
Property Services	(631)		(631)	418	1,942	(1,586)	774	143
Corporate Property	(2,874)		(2,874)	239	498	(67)	670	(2,204)
Economy & Environment Directorate								
Total	(18,883)	(17)	(18,900)	7,629	13,259	(914)	19,974	1,074
Total	(23,234)	(33,172)	(56,406)	17,094	53,737	(1,328)	69,502	13,096

Income and Expenditure by services	2009/10 Comparative Figures							
	Fees, charges & other service income	Government grants	Total Income	Employee expenses	Other service expenses	Support services recharges	Total Expenditure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Finance</i>	(1,115)	(300)	(1,415)	1,250	2,509	(528)	3,231	1,816
<i>Local Tax Collection</i>	(169)	(6,472)	(6,641)		6,239	1,659	7,898	1,256
<i>Revenues & Benefits</i>	(9)	(23,373)	(23,381)	1,447	23,252	(623)	24,076	695
<i>Interest</i>	(1,566)		(1,566)		464	7	471	(1,095)
<i>E-Services & ICT</i>	(138)		(138)	752	279	(893)	138	
Chief Finance Officer Total	(2,997)	(30,145)	(33,142)	3,449	32,743	(378)	35,814	2,673
Customer Services	(3)		(3)	136	5	(138)	3	-
Chief Executives				274	147	(118)	303	303
Corporate Directors	(1)		(1)	263	22	(284)	1	-
Communications	(31)		(31)	136	60	(127)	69	38
Strategy & Performance				236	17	(252)	-	-
Corporate Review Programmes					(4)	17	13	13
Mayoralty	(1)		(1)	48	47	31	126	124
Human Resources	(99)		(99)	778	91	(743)	126	27
Legal & Democratic Services	(72)		(72)	794	139	237	1,171	1,099
Chief Executive's Office Total	(3,204)	(30,145)	(33,349)	6,113	33,267	(1,755)	37,625	4,276
Emergency Planning	-	-		-	38	16	54	54
Health & Housing	(361)	(628)	(989)	1,524	393	452	2,368	1,379
Neighbourhood Management and Development	(458)	(3)	(461)	280	834	183	1,297	836
Leisure Services	(1,980)	(49)	(2,029)	1,632	4,605	570	6,808	4,779
Community Directorate Total	(2,800)	(680)	(3,479)	3,436	5,869	1,221	10,526	7,047
Planning	(1,566)	(348)	(1,914)	1,542	1,140	809	3,491	1,577
Waste Management	(9,645)	55	(9,591)	4,609	8,046	217	12,872	3,281
Economic Development	(398)	(41)	(439)	228	405	50	683	244
Engineering (including car parks)	(3,742)	(41)	(3,783)	1,045	1,806	(438)	2,413	(1,370)
Property Services	(2,314)		(2,314)	691	1,745	(1,596)	840	(1,474)
Corporate Property	(2,886)		(2,886)	253	585	(40)	798	(2,087)
Economy & Environment Directorate Total	(20,551)	(375)	(20,926)	8,368	13,727	(998)	21,097	171
Total	(26,555)	(31,200)	(57,755)	17,917	52,863	(1,532)	69,249	11,494

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

This reconciliation shows how the figures in the analysis of income and expenditure by services relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11	2009/10
	£'000	£'000
Net expenditure in the service Analysis	13,096	11,494
Net expenditure of services and support services not included in the Analysis		
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(3,340)	7,458
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	2,420	5,496
Cost of Services in Comprehensive Income and Expenditure Statement	12,176	24,448

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	2010/11							
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
Fees, charges & other service income	(23,234)			12,573		(10,661)	(3,232)	(13,893)
Interest and investment income				536		536	(525)	11
Income from council tax						-	(8,150)	(8,150)
Government grants and contributions	(33,172)					(33,172)	(9,050)	(42,222)
Total Income	(56,406)	-	-	13,109	-	(43,297)	(20,957)	(64,254)
Employee expenses	17,094		(10,931)	(3,638)		2,525	1,205	3,730
Other services expenses	53,737			(6,182)		47,555	1,697	49,252
Support Service recharges	(1,328)			(858)		(2,186)		(2,186)
Depreciation, amortisation and impairment			7,591			7,591		7,591
Interest Payments						-		-
Precepts & Levies				(11)		(11)	1,453	1,442
Payments to Housing Capital Receipts Pool						-	1	1
Gain or Loss on Disposal of Fixed Assets						-	(731)	(731)
Total Expenditure	69,502	-	(3,340)	(10,689)	-	55,473	3,625	59,098
Surplus or deficit on the provision of services	13,096	-	(3,340)	2,420	-	12,176	(17,332)	(5,156)

	2009/10 comparative figures							
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(26,555)			15,686		(10,869)	(3,219)	(14,088)
Interest and investment income				1,581		1,581	(1,573)	8
Income from council tax						-	(7,826)	(7,826)
Government grants and contributions	(31,200)			306		(30,894)	(9,913)	(40,807)
Total Income	(57,755)	-	-	17,573	-	(40,182)	(22,531)	(62,713)
Employee expenses	17,917		(544)	(3,990)		13,383	1,838	15,221
Other services expenses	52,863			(7,110)		45,753	910	46,663
Support Service recharges	(1,532)			(969)		(2,501)		(2,501)
Depreciation, amortisation and impairment			8,002			8,002		8,002
Interest Payments				(8)		(8)		(8)
Precepts & Levies						-	1,311	1,311
Payments to Housing Capital Receipts Pool						-	1	1
Gain or Loss on Disposal of Fixed Assets						-	(386)	(386)
Total Expenditure	69,249	-	7,458	(12,077)	-	64,630	3,674	68,304
Surplus or deficit on the provision of services	11,494	-	7,458	5,496	-	24,448	(18,857)	5,591

29 Trading Operations

The Council has a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units are as follows:

		2010/11		2009/10	
		£'000	£'000	£'000	£'000
Industrial, Commercial and Shops	Income	(2,818)		(2,780)	
	Expenditure	1,359		584	
	Surplus		(1,459)		(2,196)
Provision Markets	Income	(414)		(439)	
	Expenditure	338		326	
	Surplus		(76)		(113)
Trade Refuse Collection	Income	(1,186)		(932)	
	Expenditure	990		915	
	Surplus		(196)		(17)
Net surplus on trading operations:			(1,731)		(2,326)

Of the £1.731m surplus on trading operations, £0.196m is allocated to the Council's refuse collection service, since trade refuse is an integral part of this service. The remaining £1.535m is allocated to 'Other Operating Expenditure' (see below and note 10):

	2010/11	2009/10
	£'000	£'000
Net surplus on trading operations	(1,731)	(2,326)
Services to the public included in Expenditure of Continuing Operations	196	17
Net surplus credited to Other Operating Expenditure	(1,535)	(2,309)

30 Agency Services

The Council manages Suffolk County Council's on-street parking, through our Car Parks team. During 2010/11 the Council also carried out highways-related work, mainly in Bury St Edmunds, under a service agreement on behalf of Suffolk County Council. Work was for general and structural maintenance, but excluded gritting and lighting. The cost of work was reimbursed in line with the agreement. The net expenditure is part of Highways, Roads and Transport costs.

	2010/11	2010/11	2009/10	2009/10
	£'000	£'000	£'000	£'000
Work undertaken on behalf of Suffolk County Council				
On-Street Car Parking				
Income from parking fees		(863)		(752)
Expenditure				
Running expenses	26		101	
Administration	258		261	
		284		362
Net surplus paid to Suffolk County Council		(579)		(390)
Highways Services Agreement				
Income				
Maintenance	(963)		(1,164)	
Administration	(323)		(370)	
Other	(10)		(11)	
		(1,296)		(1,545)
Expenditure				
Council roads - maintenance	1,138		1,129	
Administration	290		340	
		1,428		1,469
Net loss/(surplus) arising on the agency arrangement		132		(76)

31 Councillors' Allowances

The Council paid the following amounts to members of the council during the year. As part of the mayoral function, the mayor has a personal allowance of £4,300 to spend within their year of office. Within this, any amounts reimbursed for *personal* expenses have been included in the following schedule. Other expenditure (for example donations by the mayor to charity) have not.

	2010/11	2009/10
	£	£
Basic allowance - councillors	233,280	233,955
Special responsibility - councillors	72,536	74,036
Basic allowance - non-councillors, Standards Committee	939	957
Special responsibility - non-councillors, Standards Committee	1,035	1,038
Expenses*	16,929	16,439
Total	324,719	326,425

* Expenses include mileage, travel and subsistence paid to all members, and any *personal* expenditure incurred by the mayor using their allowance.

32 Officers' Remuneration

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

		Salary (including fees and allowances)	Expenses Allowances (a)	Benefits in Kind (eg car allowances) (b)	Pension Contribution	Total
		£	£	£	£	£
Chief Executive Officer	2010/11	126,357	1,273		20,955	148,585
Chief Executive Officer	2009/10	122,940	1,704		19,793	144,437
Corporate Director Economy & Environment	2010/11	83,119		2,415	13,780	99,314
Corporate Director Economy & Environment	2009/10	83,377		2,415	13,415	99,207
Corporate Director Community	2010/11	73,400		1,048	12,172	86,620
Corporate Director Community - Note 1	2009/10	70,407		380	11,335	82,122
Head of Planning & Economic Development	2010/11	52,964		1,551	8,781	63,296
Head of Planning & Economic Development - Note 2	2009/10	68,589		2,147	11,043	81,779
Head of Environmental Health & Housing	2010/11	68,418	1,265		11,343	81,026
Head of Environmental Health & Housing	2009/10	68,589	1,342		11,043	80,974
Head of Property & Engineering Services	2010/11	66,725		2,660	11,065	80,450
Head of Property & Engineering Services	2009/10	66,908		2,097	10,772	79,777
Head of Legal & Democratic Services	2010/11	66,725			11,065	77,790
Head of Legal & Democratic Services	2009/10	66,908			10,772	77,680

		Salary (including fees and allowances) £	Expenses Allowances (a) £	Benefits in Kind (eg car allowances) (b) £	Pension Contribution £	Total £
Head of Human Resources & Organisational Development - note 3	2010/11	60,540			10,039	70,579
Head of Human Resources & Organisational Development - note 3	2009/10	57,868			9,316	67,184
Head of Waste, Street Scene Services & Projects	2010/11	66,749		2,115	11,065	79,929
Head of Waste, Street Scene Services & Projects	2009/10	65,432		2,913	10,532	78,877
Head of Finance, ICT, Revenues & Benefits, Procurement & Audit	2010/11	65,281			11,065	76,346
Head of Finance, ICT, Revenues & Benefits, Procurement & Audit	2009/10	63,222			10,292	73,514
Head of Leisure	2010/11	64,924		4,657	10,819	80,400
Head of Leisure	2009/10	63,916		4,209	10,292	78,417
Head of Neighbourhood Management & Development	2010/11	54,901			9,105	64,006
Head of Neighbourhood Management & Development	2009/10	53,157			8,557	61,714

The Council's other employees receiving more than £50,000 total remuneration for the year (including expenses and benefits but excluding employer's pension contributions) fell into the following categories and numbers of employees:

Remuneration band	2010/11 Number of employees	2009/10 Number of employees
£50,000 to £54,999 - note 4	4	4
£55,000 to £59,999 - note 5	3	4
£60,000 to £64,999	1	1

These bandings only include the remuneration of employees which have not been disclosed individually.

Notes

- a Expenses allowances include the lump sum payment made in relation to essential car users and the taxable element of mileage allowance payments
 - b Benefits in kind includes only employee lease cars.
 - c During 2009/10 financial year, the Senior Management structure was reviewed - Cabinet paper A155 on 29 July 2009 refers.
-
- 1 The postholder vacated the post of Assistant Chief Executive on 20th September 2009 and immediately took up the post of Corporate Director Community Services. The post of Assistant Chief Executive was subsequently disestablished.
 - 2 The postholder vacated this post on 9th January 2011 and the post remained vacant for the remainder of 2010/11.
 - 3 With effect from 1st January 2011, the current postholder's hours increased from 32 to 35 per week, and with effect from 14th June 2010 this officer has been shared with Forest Heath District Council.
 - 4 With effect from 31st January 2011, one officer within this banding is being shared with Forest Heath District Council.
 - 5 One post within this banding transferred to Suffolk County Council on 1st February 2011.

33 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2010/11	2009/10
	£'000	£'000
Fees payable to the Audit Commission - Code of Audit Practice Work	93	109
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	54	70
Fees payable to the Audit Commission - National Fraud Initiative	1	1
Total	148	180



Children's Festival, Haverhill

34 Grant Income

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

	2010/11	2009/10
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Non-ringfenced government grants:		
Revenue Support Grant	(897)	(1,314)
Area Based Grant	(36)	(23)
Housing and Planning Delivery Grant		(306)
Capital grants and contributions:		
Public building contribution - Centros Miller	(576)	(1,120)
School Yard Car Park - Centros Miller	(744)	
Football foundation grant	(31)	(405)
Developer contribution - Tesco		(300)
Public venue grant - EEDA	(295)	(250)
Menta business centre grant - EEDA		(120)
Other grants and contributions	(291)	(382)
Total	(2,870)	(4,220)
Credited to Services		
Revenue grants and contributions:		
Housing benefit administration grant	(497)	(508)
Council tax benefit administration grant	(241)	(240)
NNDR Cost Of Collection allowance	(166)	(165)
Concessionary bus fares	(186)	(300)
Other grants and contributions	(154)	(172)
Capital grants and contributions:		
Disabled facilities grant	(274)	(364)
Regional housing pot grant - decent homes	(222)	(193)
Other grants and contributions	(134)	(89)
Total	(1,874)	(2,031)

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

	31 March 2011	31 March 2010
	£'000	£'000
Capital Grants Receipts in Advance		
Growth area initiative grant (DCLG)	(4,706)	(3,697)
Other grants	(661)	(728)
Developer contribution - Asda	(1,051)	(1,104)
Developer contribution - Centros Miller	(495)	(578)
Developer contribution - other	(374)	(487)
Total	(7,287)	(6,594)

35 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council 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 Council.

Related Party 1: Central Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details on grants received from government departments are set out in the Comprehensive Income and Expenditure Account, note 11. Grant receipts outstanding at 31 March 2011 are shown in note 34.

The Council has a statutory agreement with Central Government to collect non-domestic rates on its behalf. Under this arrangement the Council has collected £41,458,000 in 2010/11 (£40,921,000 in 2009/10). At 31 March 2011 the Council held non-domestic rate debtors on behalf of Central Government of £1,510,000. The total sums collected are shown in the Collection Fund (see page 90).

Related Party 2: Abbeycroft Leisure Trust

On 1st April 2005, the Council entered into a 15 year contract with Abbeycroft Leisure for the operation of its two leisure centres, the athletics track and the management of the bookings of other sports facilities. Abbeycroft Leisure is a company limited by guarantee, with charitable status. It is run by a board of trustees, and the Council has the power to nominate up to two trustees, as long as the number nominated does not equal or exceed 20% of the total number of trustees.

The contract involved the transfer of leisure centre staff and leasing the leisure centres and athletics track to the trust at a peppercorn rent in return for a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid quarterly in advance. The Council is consulted on the business plans of Abbeycroft Leisure prior to the agreement of a management fee to the Company. A management fee amounting to £389,800 was paid to the trust in 2010/11 compared to £697,000 in 2009/10.

Related Party 3: Suffolk County Council & Forest Heath District Council

On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. The agreement between the Councils anticipates each authority sharing costs on a 50/50 basis. On 9th April 2008 St Edmundsbury Borough Council formed a joint working committee with Forest Heath District Council with the objective of delivering joint working arrangements within the two Councils' Waste Management and Street Scene Services.

These joint committees are accounted for as 'joint arrangements not involving an entity' i.e. each authority accounts for its share of costs and assets. The amounts of the Council's share of expenditure incurred by the West Suffolk House Joint Committee are included within the Council's Comprehensive Income and Expenditure account and Balance Sheet. No expenditure has yet been incurred in respect of the waste management joint committee.

Related Party 4: Representation On Outside Bodies

A number of Councillors serve on outside bodies which receive some form of support from the Council. This support predominately is financial but occasionally it can be in other forms. These bodies are listed below:

Abbeycroft Leisure Trust
Brecks Partnership
Bury St Edmunds Art Gallery
Bury St Edmunds Citizens Advice Bureau
Bury St Edmunds Volunteer Centre
Bid 4 Bury
Bury St Edmunds YMCA
Choose Suffolk
Dedham Vale and Stour Valley
East Of England Government Association
Greater Cambridge Partnership
Haverhill Citizens Advice Bureau
Haverhill Town Council Leisure & Arts Committee
Haverhill Volunteer Centre
Local Government Association
Suffolk Rail Policy Group
Suffolk Sport
Theatre Royal Board of Management
West Stow Anglo-Saxon Village Trust

Related Party 5: Suffolk County Council and Suffolk Police Authority

The Council has a statutory agency agreement with Suffolk County Council and the Suffolk Police Authority to collect council tax on their behalf to meet their precepts. Under this arrangement the Council has collected £48,859,000 in 2010/11 (£47,470,000 in 2009/10) on their behalf. At 31 March 2011 the Council held debtors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £715,000. The total sums collected for Suffolk County Council, Suffolk Police and St Edmundsbury Borough Council are shown in the Collection Fund (see page 90). The Comprehensive Income and Expenditure Account, Balance Sheet and Cashflow Statements show the council tax collected on behalf of the Council but excludes the agency transactions.

Transactions involving members or senior officers of the Council

During 2010/11 there were no material related party transactions involving members or senior officers of the Council.

36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2009/10
	£'000	£'000
<i>Capital investment:</i>		
Property, Plant and Equipment	6,137	14,268
Intangible Assets	30	34
Assets written out to capital adjustment account	387	260
Revenue Expenditure Funded from Capital under Statute	1,096	984
	7,650	15,546
<i>Sources of finance:</i>		
Capital receipts	(4,848)	(11,999)
Government grants and other contributions	(2,020)	(2,610)
Revenue Expenditure Funded from Capital under Statute - grants	(630)	(646)
Direct revenue contributions	(152)	(291)
<i>Closing Capital Financing Requirement</i>	(7,650)	(15,546)



The arc, Bury St Edmunds

37 Leases

Council as Lessor

Operating Leases

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

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

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

	31 March 2011	31 March 2010
	£'000	£'000
Not later than one year	2,565	2,668
Later than one year and not later than five years	8,492	8,968
Later than five years up to the max length of all leases	100,750	101,521
	111,807	113,157

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. In 2010/11 £64,400 in contingent rents was receivable by the Council (2009/10 £45,230).



"On the Spot" Break Dancing, Haverhill

38 Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £1.137m in relation to a range of assets. There are 16 assets where impairments have been made for amounts varying from £2k to £219k. The reasons for the impairments vary. However typically they stem from situations where the previous use of the asset has now changed and the valuation has had to be reduced as a consequence. The impairment has been charged to the cost of services in the Comprehensive Income and Expenditure Statement, or charged to Revaluation Reserve as shown below.

	Charged to Revaluation Reserve	Charged to Revenue	Total Impairment
	£'000	£'000	£'000
Other land and building			
96 Risbygate Street		51	51
Open space - Bedingfeld Way		219	219
Woodlands Hotel		107	107
Shop 13 Harewood Terrace		7	7
1 West Front		6	6
2 West Front		7	7
Coach House, Angel Hill	7		7
3 West Front		6	6
Car Park - Relief Road		116	116
Car Park - Former Tennis Club		162	162
Car park - School Yard East		11	11
Car park - School Yard West		23	23
Changing Rooms - Gainsborough		2	2
Nowton Nursery		75	75
The Guildhall - Theatre Royal		128	128
	7	920	927
Surplus assets			
Former Eastgate Nursery site	210		210
	210	-	210
	217	920	1,137

39 Termination Benefits

The Council terminated the contracts of 11 employees in 2010/11 and paid residual monies to one other employee who had left in a previous financial year. The total value of these termination payments was £63,048.

40 Defined Benefit Pension Schemes

Participation in the Pension Scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Suffolk County Council - this is a funded, defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
• Current service cost	2,506	1,243
• Past Service cost	(11,424)	49
• Settlements and curtailments	22	11
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	6,573	5,585
• Expected return on scheme assets	(5,368)	(3,747)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(7,691)	3,141

	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Actuarial gains and (losses)	19,519	(27,565)
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	19,519	(27,565)
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	7,691	(3,141)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers' contributions payable to scheme	2,035	2,119
The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is losses of £31,033,000.		

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):		Funded liabilities: Local Government Pension Scheme	
		2010/11	2009/10
		£'000	£'000
Opening balance 1 April		(128,104)	(81,282)
Current service cost		(2,506)	(1,243)
Interest cost		(6,573)	(5,585)
Contributions by scheme participants		(778)	(793)
Actuarial gains and (losses)		16,548	(43,215)
Benefits paid		4,039	3,802
Unfunded benefits paid		257	272
Past service costs		11,424	(49)
Curtailments		(22)	(11)
Closing balance at 31 March		(105,715)	(128,104)
Reconciliation of fair value of the scheme (plan) assets:		Local Government Pension Scheme	
		2010/11	2009/10
		£'000	£'000
Opening balance 1 April		77,330	59,095
Expected rate of return		5,368	3,747
Actuarial gains		2,970	15,650
Employer contributions		1,778	1,847
Contributions by scheme participants		778	793
Unfunded benefits contributions		257	272
Benefits paid		(4,039)	(3,802)
Unfunded benefits paid		(257)	(272)
Closing balance at 31 March		84,185	77,330

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 rate interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The estimated actual return on scheme assets in the year was 7.2% (2009/10 33.1%).

Scheme History	Year to 31 Mar '11	Year to 31 Mar '10	Year to 31 Mar '09	Year to 31 Mar '08	Year to 31 Mar '07
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities in the LGPS	(105,715)	(128,104)	(81,282)	(83,285)	(91,190)
Fair value of assets in the LGPS	84,185	77,330	59,095	78,141	83,294
Surplus/(deficit) in the LGPS	(21,530)	(50,774)	(22,187)	(5,144)	(7,896)

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £105,715,000 has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £21,530,000. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £1,929,000.

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. Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4 years	20.8 years
• Women	23.3 years	24.1 years
Longevity at 65 for future pensioners:		
• Men	23.7 years	22.3 years
• Women	25.7 years	25.7 years
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Expected return on assets	6.7%	7.0%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum - pre-April 2008 service	25%	25%
Take-up of option to convert annual pension into retirement lump sum - post-April 2008 service	63%	63%

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

	Local Government Pension Scheme	
	31 March 2011	31 March 2010
	%	%
Equity investments	69	68
Bonds	18	20
Property	9	9
Cash	4	3
	100	100

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	Year to 31 Mar '11	Year to 31 Mar '10	Year to 31 Mar '09	Year to 31 Mar '08	Year to 31 Mar '07
	%	%	%	%	%
Differences between the expected and actual return on assets	3.5	20.2	(40.0)	(12.2)	(0.9)
Experience gains/(losses) on liabilities	(5.3)	(0.1)	-	(1.3)	(0.1)

41 Contingent Liabilities

Insurance: In 1993 Municipal Mutual Insurance (MMI), our insurer at that time, stopped accepting new business. MMI and its policy holders, including local authorities, set up a scheme of arrangement to allow for the orderly treatment of the outstanding liabilities of the company. Under the scheme, MMI can reclaim, from policy holders, part of any sums paid out against MMI insurance claims since 1993. The maximum amount that could potentially be subject to reclaim is estimated to be £210,000. The risk of this happening is currently assessed as low.

42 Contingent Assets

VAT on Car Parking Charges: The Council have outstanding claims against HMRC for VAT which has been paid in respect of off-street car parking charges, but which may be refunded to the Council pending the outcome of a joint legal test case begun in 2006 by four local authorities (the Isle of Wight Council, West Berkshire Council, Mid-Suffolk District Council and South Tyneside Metropolitan Borough Council). The matter has been referred to the High Court, having previously been considered by the VAT and Duties Tribunal and the European Court of Justice. The value of claims submitted to date is £4.1m and covers the period July 1999 to March 2011. There is a potential for future on-going reductions in VAT payments to the value of about £0.6m per annum.

VAT Compound Interest Claim: A recent High Court decision in the Cars 'Group Litigation Order' (GLO) indicated that, in certain circumstances, compound interest may be claimed from HMRC where VAT has previously been overpaid as a result of HMRC error. This matter is currently subject to consideration by the Court of Appeal. A claim has been lodged by the Council which has been stood over behind this Court of Appeal case. In addition to seeking compound interest in respect of past refunds made by HMRC, the claim also covers the future potential refund of VAT paid on off-street car parking. The outcome of these claims is difficult to predict, but based on overpayments already refunded by HMRC the estimated value of the Council's claim is in the region of £330,000.

43 Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks. These key risks are:

- **Credit risk** - the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** - the possibility that the Council might not have funds available to meet its commitments to make payments
- **Market risk** - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

Overall procedures for managing risk

The Council's treasury management staff work actively to minimise the Council's exposure to the unpredictability of the financial markets, and to protect the financial resources available to fund services. The Council has written principals for overall risk management that are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Sector and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the **CIPFA Treasury Management Code of**
- by the adoption of a **Treasury Policy Statement** and treasury management clauses within the **Council's Constitution**;
- by approving annually in advance **prudential and treasury indicators** for the following three years limiting its maximum and minimum exposure to fixed and variable rates and investments maturing beyond one year; and
- by approving an **investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the Annual Treasury Management and Investment Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported during the year, as is a mid-year update.

These policies are implemented by the Treasury Management team. The Council maintains written principals for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Council's **Annual Treasury Management and Investment Strategy**, which requires that deposits are only made with high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury management advisors (Sector Treasury Services) or, for non rated building societies, subject to their meeting minimum financial criteria (based on asset base size and financial performance). The annual strategy also considers maximum amounts and time limits in respect of each financial institution.

The Council's original lending criteria for 2010/11 was set out in the Annual Treasury Management and Investment Strategy 2010/11, which was approved by Cabinet on 10 February 2010 (paper A496 refers). The criteria were subject to a formal review by the Council during the year, in December 2010 (paper B334 refers). This review slightly relaxed the Council's credit-worthiness criteria after significant tightening had occurred during 2009/10 in response to the unprecedented nature of the banking crisis. This change increased the number of organisations with which the Council can place investments. The table below shows the credit criteria applicable at 1 April 2010 and 31 March 2011:

Rated Banks & Institutions

Sector Treasury Services Colour Code	Credit Criteria 1 April 2010	Credit Criteria 31 March 2011
Purple	Maximum 20% of portfolio (approx £9m) for maximum of 2 years	£10m for maximum of 2 years (subject to max 30% of portfolio)
Orange	£6m for maximum of 1 year	£9m for maximum of 2 years (subject to max 30% of portfolio)
Red	£5m for maximum of 6 months	£8m for maximum of 1 year (subject to max 25% of portfolio)
Green	£3m for maximum of 3 months	£4m for maximum of 6 months (subject to max 20% of portfolio)
Blue (nationalised / substantially owned by the UK)	£9m for maximum of 1 year	£9m for maximum of 1 year

Rated Building Societies

Sector Treasury Services Colour Code	Credit Criteria 1 April 2010	Credit Criteria 31 March 2011
Red	£5m for maximum of 1 year	£8m for maximum of 1 year (subject to max 25% of portfolio)
Green	£3m for maximum of 1 year	£4m for maximum of 1 year (subject to max 20% of portfolio)

Non-Rated Building Societies

Asset Base **	Credit Criteria 1 April 2010	Credit Criteria 31 March 2011
Asset base > £2,500m	£3m for maximum of 6 months	no change
Asset base > £1,000m	£2.5m for maximum of 6 months	no change

* In order to simplify the complex system of commercial credit ratings, Sector has developed a system of colour codings which reflect the relative strengths of individual banking institutions. Details of these colour codings are provided in the Council's Annual Treasury Management and Investment Strategy.

** Further restrictions on non-rated building societies include a requirement for societies to be covered by the Government's banking support package, as well being subject to a credit report from an independent credit reporting organisation (Dun & Bradstreet).

The full Annual Treasury Management and Investment Strategy for 2010/11 is available on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk based on past experience and current market conditions. The Council did not have any money placed with Icelandic banks at the time of their collapse and has not lost any money on deposits with banks or other financial institutions (e.g. building societies).

	Amount at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollecta- bility at 31 March 2011	Estimated maximum exposure at 31 March 2010
	£'000	%	%	£'000	£'000
	A	B	C	(A x C)	
Deposits with banks and other financial institutions	32,604	0	0	-	-
Customers of the Council	12,464	0.13	0.13	16	25
				16	25

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits with banks and other financial institutions.

Of the £6,609,000 total debt outstanding at 31 March 2011, £1,691,939 has exceeded its due date for payment, and is analysed by age as follows:

	31 March 2011	31 March 2010
	£'000	£'000
Less than three months	1,156	2,029
Three to six months	247	227
Six months to one year	82	28
More than one year	207	164
	1,692	2,448

Liquidity risk

The Council manages its liquidity position through the risk management procedures outlined above (i.e. the setting and approval of prudential indicators and the approval of the Annual Treasury Management and Investment Strategy), as well as through a **comprehensive cash flow management system**, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council is debt free and its financial plans (set out in the Medium Term Financial Strategy) seek to ensure that sufficient funds are maintained to cover annual expenditure commitments. In the event of an unexpected cash requirement the Council has sufficient balances to cover day-to-day cash flow needs. If necessary the Council is able to borrow funds from the money markets and the Public Works Loans Board. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments.

All sums owing are due to be paid in less than one year.

Market risk

Maturity risk

Maturity risk arises from the possibility that the Council may be required to renew a financial instrument on maturity at disadvantageous interest rates or terms. This risk is managed by maintaining a range of financial instruments with different institutions with different durations and maturity dates.

The approved treasury limits for investments placed for more than one year in duration are also a key parameter used to address this risk. As at 31 March 2011, the Council had no investments placed for a period of more than one year.

Interest rate risk

Interest rate risk arises from the Council's exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall.

Changes in interest receivable on variable rate 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 that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest receivable on variable rate investments of £65,800. The impact of a 1% fall in interest rates would be an identical reduction in interest receivable.

Price risk

The Council does not generally invest in equity shares but does have historic shareholdings to the value of £396,000. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As a general guide a 5% movement (positive or negative) in the value of these shares would result in a £19,800 gain or loss.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

44 Exceptional Items - Change from Retail Prices Index to Consumer Prices Index for Pensions Increases

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has contributed to reducing the Council's Pension Fund deficit from £50.77m to £21.53m (a reduction of £29.24m). This has been recognised as an actuarial gain in accordance with guidance set down in UITF Abstract 48, since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability. There is no impact upon the General Fund.



Parking spaces for electric cars, parkway multi-storey car park, Bury St Edmunds

Nowton Park, Bury St Edmunds



Collection Fund

THE COLLECTION FUND

The Collection Fund is managed and administered by St Edmundsbury Borough Council as the Billing Authority, on behalf of the council taxpayers and business ratepayers within the borough. All sums raised from council tax and business rates are paid into the Collection Fund, together with relevant government grants. Payments out of the Fund include contributions to the National Non Domestic Rate Pool and precept payments to Suffolk County Council, Suffolk Police Authority, St Edmundsbury Borough Council and Town and Parish Councils.

INCOME AND EXPENDITURE ACCOUNT	2010/11	2010/11	2009/10
	£'000	£'000	£'000
Income			
Council Tax			
Council tax	(50,914)		(49,518)
Council tax benefits - contribution from General Fund	<u>(6,399)</u>		<u>(5,994)</u>
		(57,313)	(55,512)
NNDR collected		(41,458)	(40,921)
Total Income		<u>(98,771)</u>	<u>(96,433)</u>
Expenditure			
Precepts and demands - note 3			
Suffolk County Council	42,758		41,573
Suffolk Police Authority	6,101		5,897
St Edmundsbury Borough Council	<u>8,104</u>		<u>7,809</u>
		56,963	55,279
Non-domestic rates			
Payment to pool	40,944		40,498
Cost of collection allowance	166		165
Interest on NNDR refunds	<u>31</u>		<u>75</u>
		41,141	40,738
Bad and doubtful debts - note 4			
Write Offs			
Council Tax	65		65
NNDR	<u>201</u>		<u>252</u>
		266	317
Change in Provisions for Bad Debts			
Council Tax	(35)		42
NNDR	<u>116</u>		<u>(69)</u>
		81	(27)
Distribution of surplus brought forward			
Suffolk County Council	(195)		(195)
Suffolk Police Authority	(28)		(27)
St Edmundsbury Borough Council	<u>(36)</u>		<u>(38)</u>
		(259)	(260)
Total Expenditure		<u>98,192</u>	<u>96,047</u>
Movement on Fund Balance		(579)	(386)

	2010/11	2010/11	2009/10
	£'000	£'000	£'000
COLLECTION FUND SUMMARY			
Deficit at beginning of the year		7	393
(Surplus) for the year		(579)	(386)
(Surplus)/Deficit at end of the year - see note 6		<u>(572)</u>	<u>7</u>



Moreton Hall, Bury St Edmunds

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands using 1st April 1991 house values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Suffolk County Council, Suffolk Police Authority, and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted for reliefs, exemptions and discounts, converted by a specified proportion to the number of Band D equivalent properties; 37,955 for 2010/11). This basic amount of council tax for a Band D property (£1,462.50 for 2010/11) is multiplied by the proportion specified for each other band to give the individual amount due per band.

In accordance with the new accounting policy introduced this year the Council's arrangements for the collection of Council Tax on behalf of Suffolk County Council and the Suffolk Police Authority are treated as a statutory agency agreement and the amounts involved are excluded from the Council's core Financial Statements. The Collection Fund continues to show the statutory transactions for the account including those on behalf of Suffolk County Council and the Suffolk Police Authority.

	Total Equivalent Number of Dwellings after Discounts, Exemptions and Reliefs	Proportion of Band D Charges	Band D Equivalents
Band A	4,055	6/9	2,703
Band B	15,214	7/9	11,833
Band C	8,214	8/9	7,301
Band D	6,471	9/9	6,471
Band E	3,850	11/9	4,706
Band F	1,716	13/9	2,479
Band G	1,353	15/9	2,256
Band H	103	18/9	206
	<u>40,976</u>		<u>37,955</u>

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies amounts, 41.4p in 2010/11 (48.5p in 2009/10) and 40.7p for small businesses in 2010/11 (48.1p in 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of the business premises by the relevant amount. The Council is responsible for collecting rates due from the ratepayers in its area and pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums received on the basis of a fixed amount per head of population.

The total non-domestic rateable value for the Council's area at 31st March 2011 was £112,239,867 (31st March 2010: £ 96,771,390).

3 Precepts/Demands

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Suffolk County Council		42,758		41,573
Suffolk Police Authority		6,101		5,897
St Edmundsbury Borough Council:				
Borough Council purposes	6,651		6,499	
Haverhill Town Council	720		601	
Bury Town Council	185		188	
Parish Councils	548		521	
		8,104		7,809
		56,963		55,279

4 Provision for Bad and Doubtful Debts

	2010/11		2009/10	
	C/Tax	NNDR	C/Tax	NNDR
	£'000	£'000	£'000	£'000
Balance at beginning of year	(530)	(210)	(488)	(279)
Contribution from Collection Fund	(30)	(317)	(107)	(183)
Arrears written off	65	201	65	252
Balance at end of year	(495)	(326)	(530)	(210)

5 Previous Years' Surplus or Deficit

Any estimated surplus or deficit on the Collection Fund at the end of the year must be taken into account in setting future years' council taxes by those authorities precepting upon the fund. These are then paid to or deducted from the precepting authorities.

6 Collection Fund Balance

On the basis of anticipated collection levels, the fund balance at the end of the financial year will be distributed as follows:

	2010/11	2009/10
	£'000	£'000
Suffolk County Council	(429)	5
Suffolk Police Authority	(61)	1
St Edmundsbury Borough Council	(82)	1
Deficit/(Surplus) at end of the year	(572)	7



Rwanda Peace Basket at Christmas Fayre

Children's Festival, Abbey Gardens



Accounting Policies

ACCOUNTING POLICIES

Accounting Policies

This section of the accounts sets out the accounting policies used in compiling the accounts. Any technical terms are explained in the glossary at page 112.

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

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

B 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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. As the Council is debt free, no interest is payable on borrowings.
- 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (e.g. in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 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.

D 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 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.

E 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 fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision 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.

F Construction Contracts

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

G Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those that fall due wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g., cars) for current employees, and are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

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 Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements 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 one pension scheme, the Local Government Pensions Scheme, administered by Suffolk County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.4% based on the yield available on a basket of AA rated bonds (iBoxx Sterling Corporate AA over 15 years).
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value.
- The change in the net pensions liability is analysed into seven components:
 - 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 arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- contributions paid to the Suffolk 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

H Events After the Reporting Period

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

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

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

I Exceptional Items

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

J 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 initially measured at fair value and carried at their amortised cost.

The Council's financial liabilities are classified as either "Current Liabilities" or "Long Term Liabilities". Current liabilities are items that are due immediately or in the short term. They arise when the Council receives goods or services directly from a creditor or supplier, or in circumstances where there is a bank overdraft. Long term liabilities represent amounts falling due after more than one year and include liabilities relating to the Council's defined pension scheme.

During 2010/11 the Council retained its debt free status.

K 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 (e.g. investments with financial institutions)
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments (e.g. company shares).

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 most of 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.

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 rate of interest 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 Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. 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 as the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the 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).

L Foreign Currency Transactions

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.

M 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 Council 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 Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

Area Based Grant

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

N 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 (eg., software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

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. 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 relevant 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

O Interests in Companies and Other Entities

The Council has no interest in companies and other entities that have the nature of subsidiaries, associates or joint ventures.

P Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventories held by the Council include wheeled bins, fuel and vehicle spares.

Q 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Investment properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

R Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

S Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue provision 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 benefitting 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 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. 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 (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease liability (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 will be 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 paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

T Overheads and Support Services

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

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation,
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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

U Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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.

The following de minimis levels are applied:

- Land and buildings - all land and buildings are included
- Operational vehicles and plant - £1,000 de minimis
- Other assets - £10,000 de minimis

Expenditure below the stated de minimis thresholds, and expenditure that secures but does not extend the previously assessed standard of performance of an asset (eg repairs and maintenance) is charged directly to service revenue accounts.

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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- vehicles, plant and equipment are measured at historic cost as a proxy for current value.
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

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

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

Where decreases in value are identified, the revaluation loss is accounted for by:

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

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

Impairment

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

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

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

Where an impairment loss is subsequently reversed, 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.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. When an asset is reclassified as held for sale the date of reclassification is deemed to be 1 April. The asset is revalued immediately before reclassification 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Investment properties are not permitted to be reclassified to or from 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and can only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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 basis of a straight line allocation over the useful life of the asset.

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. The Council only accounts for an asset on a component basis of the cost or valuation if that asset exceeds £1.5m unless there is clear evidence that this would lead to a material misstatement in the Council's financial statements

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.

V 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 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.

W 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 and charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

X Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but 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 (for example, improvement grants made to individuals and capital expenditure on assets not owned by the Council). Where the Council has determined to meet the cost of this expenditure from existing capital resources, 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.

Y VAT

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



Organ Club, Southgate Community Centre

Angel Hill, Bury St Edmunds



Explanation of the terms used in the Statement of Accounts

EXPLANATION OF THE TERMS USED IN THE STATEMENT OF ACCOUNTS

Accruals basis

Adjustments made to the accounts to ensure that:-

- (a) Expenditure includes the cost of:
- goods and services received before the year end but not paid for;
 - salaries and wages incurred for the year;
 - interest due but not paid.
- (b) Income includes:
- income from customers which was due before the end of the year but not received;
 - council and non-domestic rates due but not received;
 - external interest due but not received.

Actuarial gains and losses

Changes in actuarial loss or gain happen because:

- things that the actuary thought would happen by the last valuation did not; or
- the actuary's assumptions have changed.

Actuarial valuation

An actuarial valuation measures a pension fund's ability to meet its long-term liabilities (future costs). The actuary looks at the likely increase in the value of the fund and the probable payments out of the fund. The difference between the two is the amount that the Council has to pay into the fund.

Actuary

A statistician who calculates future risks from an analysis of past events. A pension actuary reviews projections of pension fund assets and liabilities based on an analysis of expected future investment returns, fund contributions and payment liabilities.

Added years' benefits

Amounts paid by the employer for a person who has taken early retirement in order to make up their pension to the equivalent of the pension they would have received had they retired at the normal retirement age.

Amortised Cost

The amortised cost of a financial asset or financial liability is:

- the amount at which the asset or liability is measured at initial recognition (usually "cost");
- minus any repayments of principal;
- minus any reduction for impairment or uncollectability; and
- plus or minus the cumulative amortisation of the difference between that initial amount and the maturity amount.

Budget

A statement of the Council's spending plans for a financial year, which starts on 1st April and ends on 31st March.

Capital Adjustment Account

The Capital Adjustment Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements. It also includes revaluation adjustments that arose before 1 April 2007, the write down of the historical cost of fixed assets as they are consumed by depreciation and/or impairments, or written off on disposal, set against the resources that have been set aside to finance capital expenditure. The account cannot be used to support council tax or finance capital expenditure.

Capital expenditure

Spending on assets that have a long term value, for example, land, buildings, computers and vehicles.

Capital receipts

Income from selling assets that have a long term value.

CIPFA/LASAAC

The Chartered Institute of Public Finance and Accountancy (CIPFA)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) joint committee are responsible for producing the Code of Practice on Local Authority Accounting (the Code).

Community assets

These assets include public areas such as parks and open spaces.

Contingent Asset

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent liability

Either:

- (a) a possible obligation arising from past events (which will be confirmed only if particular events - that are not totally within the Council's control - happen at some point in the future); or
- (b) a present obligation arising from past events, where the actual amount of the obligation cannot be measured with enough reliability.

Corporate and democratic core

Spending relating to the need to co-ordinate and account for all the services the Council provides.

Creditors

Individuals or organisations to whom the Council owes money.

Current assets

Short-term assets such as stocks, debtors and bank balances.

Current liabilities

Short-term liabilities which are due to be paid in less than one year, such as bank overdrafts and money owed to suppliers.

De minimis

The term used to describe the lower limit of a transaction, below which no action is required.

Debtors

Individuals or organisations who owe the Council money.

Defined Benefit Pension Scheme

An employer sponsored pension scheme where employee benefits are based on a formula such as salary history and duration of employment.

Depreciation

The decrease in the value of an asset due to use, age or its becoming out of date.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to pay, but which are awarded under the council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

Earmarked reserves

Money set aside to provide financing for expenditure that may vary between financial years or is to provide a degree of contingency funding where future expenditure levels are uncertain.

Effective Interest Rate

Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Fair Value

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument (e.g. an equity shareholding) in another entity.

Fixed assets

An item which is intended to be used for several years such as a building or a vehicle.

Government grants

Financial contribution from the government, government agencies and other similar organisations.

Gross spending

The cost of providing services, before allowing for government grants and other income.

Impairment

A reduction in the value of a fixed asset, as shown in the balance sheet, to reflect its true value. Impairment can be caused either by a consumption of economic benefits (e.g., physical damage) or by a general fall in prices.

Inventories

Goods bought which have not been used.

Long-term investments

Money invested with financial institutions for periods greater than 1 year.

Materiality

Materiality sets the threshold for determining whether an item is relevant. The Accounting Standards Board's Statement of Principles explains materiality as follows: *"An item of information is material to the financial statements if its misstatement or omission might reasonably be expected to influence the economic decisions of users of those financial statements, including their assessments of management's stewardship. Whether information is material will depend on the size and nature of the item in question judged in the particular circumstances of the case"*.

Net book value

The amount at which fixed assets are included in the balance sheet. This means their original cost or current value less the amount allowed for wear and tear.

Net spending

The cost of providing services, after allowing for government grants or other income relating to those services.

Non Current Assets

An asset which is not easily converted into cash, or not expected to become cash within the year, e.g. fixed assets and intangible assets.

Outturn

Outturn is the actual amount spent at the end of the period, as compared to the amount that was budgeted to be spent.

Pension provision

The employer-based pension provision is a national Defined Benefit scheme (also known as final salary scheme). With this type of scheme the employees' pension rights do not depend on investment returns or the value of underlying investments when the person retires. In effect, the employer risks the investments not performing in line with expectations (but benefits from lower employer contributions when investments do outperform their expected level).

Provision

A provision is money that has been set aside in the accounts for liabilities or losses that are due, but where the amount due or the timing of the payment is not known with any certainty.

Prudence

Accounts are prepared in line with the Prudence Concept. This ensures that profits shown are not too high and assets are recorded in an acceptable way. It requires that the financial statements are neutral, with gains or losses not being understated or overstated.

Related parties

Two or more parties (individuals or organisations) are related parties when, at any time during the financial period:

- (a) one party has direct or indirect control over the other party;
- (b) the parties are controlled by the same source;
- (c) one party has influence over the financial and operational policies of the other party, so that the other party might not always feel free to follow its own separate interests; or
- (d) the parties, in entering a transaction, are influenced by the same source to such an extent that one of the parties to the transaction has given favourable conditions to the other because of this outside influence.

Revaluation Reserve

With effect from 1 April 2007 this reserve records the accumulated valuation gains or losses on the fixed assets held by the council arising from increases in value, as a result of inflation or other factors (in the case of gains) and decreases in value as a result of economic downturn (in the case of losses). Revaluation surpluses arising before 1 April 2007 form part of the Capital Adjustment Account balance. The Revaluation reserve cannot be used to finance capital expenditure.

Revenue support grant

A national grant received from the government to support the day-to-day running costs of the council. It is also known as Formula Grant. This grant is not ring-fenced to any specific area of work.

Straight-line calculation

A way of working out the repayment of an amount over a period of time.

Surplus

The remaining income after taking away all expenses.

Trading organisations

Services which are mainly funded by the income they receive from charging users of their service.

Trust fund

Money that does not belong to the Council but which it manages for the owners of the money.

Useful life

The length of time that a fixed asset, such as a building, will be useful to the Council.

Children's archaeological dig, West Stow Anglo-Saxon Willage



Environmental Statement

Our commitment to Sustainability

Our mission is to improve the quality of life for everyone who lives and works in the Borough. In achieving this mission, we aim to manage our use of natural resources accordingly by:

1. reducing natural resource use;
2. reducing the Borough's energy demand and tackling the effects of climate change;
3. providing effective integrated transport systems and encouraging sustainable transport;
4. improving air, land and water quality;
5. protecting wildlife and habitats and promoting biodiversity;
6. enhancing built and urban environments;
7. providing effective waste management and promoting waste reduction; and in so doing
8. support communities to improve their well being.

These objectives form part of our Sustainability Policy, available on our [website](#).

Since 2003, we have managed, monitored and reported on our environmental performance using an Environmental Management System (EMS) certified to the International Environmental Standard ISO14001.

Our target areas

We have identified seven target areas to deliver our Sustainability Policy:

- Building energy use and associated carbon emissions;
- Water use;
- Transport and associated carbon emissions;
- Waste;
- Biodiversity;
- Procurement activities and their impact on resource use; and
- Pollution prevention.

Our targets are published on our website. In the following sections, we give a snapshot of our performance against these targets during 2010. Please note that, given the scope of this report, there is a significant amount of work which contributes to improving the environment carried out by the Council directly and with its partners not covered in the following sections.

Our environmental performance in 2010

The Council continued to demonstrate its commitment to improve environmental performance including working to reduce energy demand and carbon emissions.

During 2010, the Council achieved re-certification to the ISO14001 Standard. Certification involves a rigorous inspection of the Council's processes and performance by an independent assessment body. Successful certification is held for three years during which the assessment body carries out audits against the requirements of the Standard.

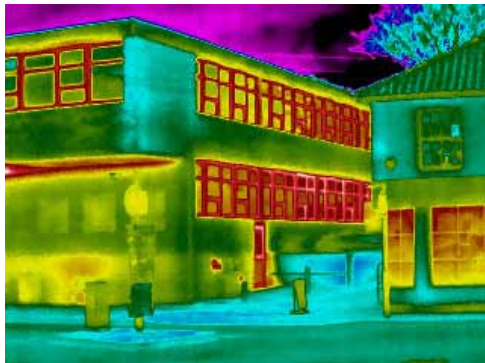
Highlights include:

- completing construction of the Apex which incorporates ground source heat pump technology to heat and cool the building
- installing solar thermal hot water heating at accommodation in Hardwick Heath
- as the lead partner of four Suffolk local councils working with regional advisors, setting up a pilot Supply Chain Network aimed at helping local suppliers to improve their resource efficiency through advice and access to grants so improving the Council's supply chain
- leading a comprehensive review of local authority procurement practice across Suffolk
- securing funding to run a Defra-sponsored sustainable procurement



Auditorium the Apex, Bury St Edmunds

to establish how progress has been made to embed sustainability in our sourcing of goods and services



Thermal image of the Council's Offices, Haverhill

training programme for local authority specialists in and beyond Suffolk to improve procurement policy and practice

- completing the reorganisation of the waste collection rounds with Forest Heath District Council to improve operational efficiency.
- carrying out infra-red imaging surveys of Bury Leisure Centre and Council offices in Haverhill to identify further energy efficiency improvements
- committing capital to investing in renewable energy generation following a comprehensive review of its property portfolio.

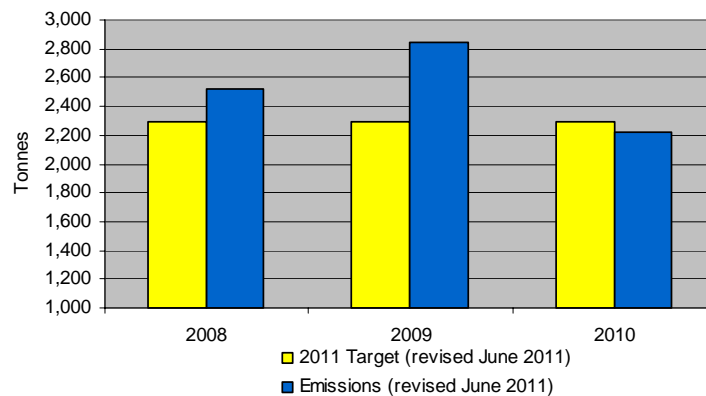
More detailed performance against our targets is set out below.

Building energy use and associated carbon emissions

Our target	Reduce carbon dioxide emissions from all existing buildings by 12% by April 2011
2008 Baselines	CO ₂ emissions - 2,525 tonnes of carbon dioxide (CO ₂).
2011 Target	2,222 tonnes of carbon dioxide (CO ₂).
2010 Performance	Target hit. CO ₂ emissions from buildings have decreased by 12.20% since 2008 to 2,217 tonnes.

Performance this year

Carbon dioxide emissions arising from corporate property (according to SEBC interpretation)



There were several factors which led to this year's building energy performance:

- the coldest December in 100 years, officially recognised as such by the Met Office
- significantly improved performance of the ground source heat pumps and the Building Management System serving West Suffolk House, Bury St Edmunds. Building energy consumption dropped dramatically from 1.66MWh to 0.52MWh, a reduction of 68%. This equates to a financial saving on energy between 2009 and 2010 reporting years of approximately £27,000.
- reduced gas and electricity use at Bury Leisure Centre
- corrections caused by estimated billing. This has meant that the baseline and emissions for previous years have been revised accordingly to reflect more accurate data.

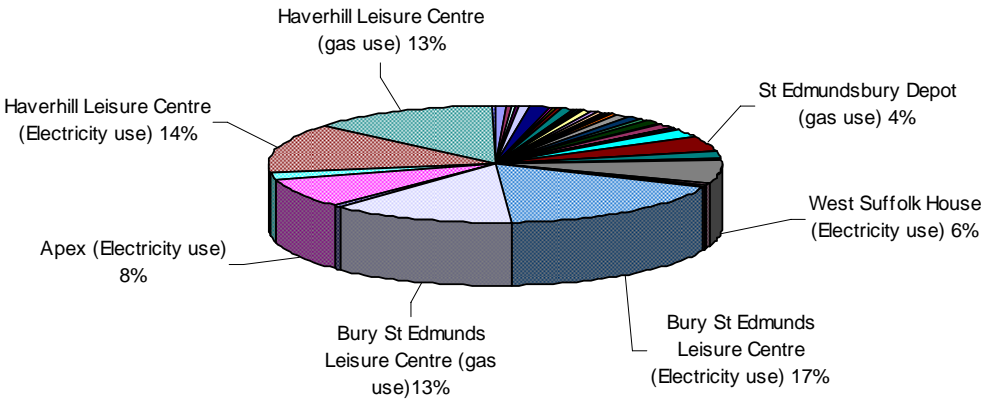
Our footprint currently includes Bury St Edmunds Leisure Centre operated by Abbeycroft Leisure Trust, a major use of gas and electricity. The current footprint does not include the following buildings which

have been either brought back into use following refurbishment or have been opened in the last two years since the baseline was set:

- Haverhill Leisure Centre – energy use at this facility is now comparable with Bury Leisure Centre. This is because the range of facilities now offered has expanded significantly since refurbishment in 2008.
- The Apex, Bury St Edmunds – the new venue opened in Autumn 2010
- Cattlemarket underground car park opened in Autumn 2010.

The main contributors to our building energy use and carbon footprint from the expanded property portfolio are shown below:

**CO₂ emission by building 2010
(over 100 tonnes emissions labelled)**



For the future

The Council has made a commitment to invest in renewable energy generation based on a feasibility review of the property portfolio carried out during Autumn 2010. The final generation capacity is not yet known and will be subject to procurement and detailed on-site survey.

Following the change in national Government in May 2010, the previous performance framework indicator covering Local Authority CO₂ emissions, NI185, has been replaced by a reporting method using the Greenhouse Gas (GHG) Protocol used by the private sector. The first report using this new method was published by the Government's July 2011 reporting deadline.

We now plan to adopt a new target using the new definition of corporate CO₂ emissions set out in the GHG Protocol. This will encompass the expanded property portfolio and will need to take into account the long term UK Government trajectory for carbon emissions reduction and what is feasible.

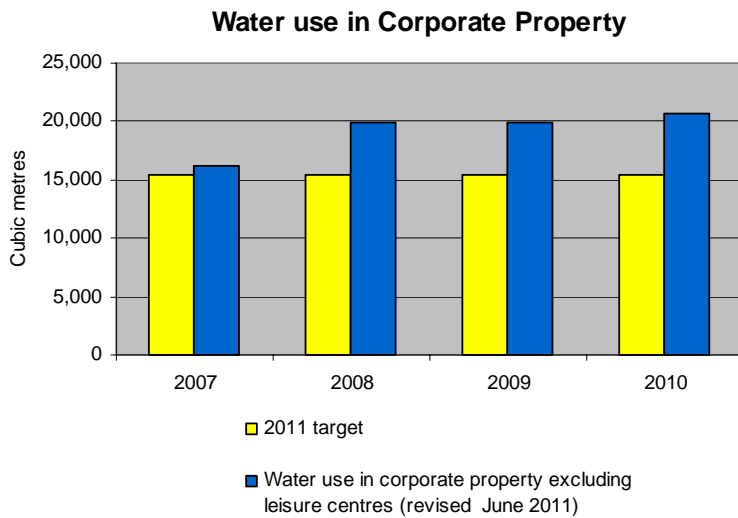
Big energy users are required to participate in one of several carbon reduction schemes depending on their sector and energy use. The Council has been required to register under the CRC Energy Efficiency Scheme, formerly the Carbon Reduction Commitment. The CRC is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations. Participants are required to purchase allowances, for each tonne of CO₂ they emit. The more CO₂ an organisation emits, the more allowances it has to purchase. Currently, our electricity use and associated carbon emissions do not exceed the qualifying threshold. However, it is understood that the scheme threshold may be brought down once the scheme has become established. This may have cost implications for the Council.

Water use in corporate buildings

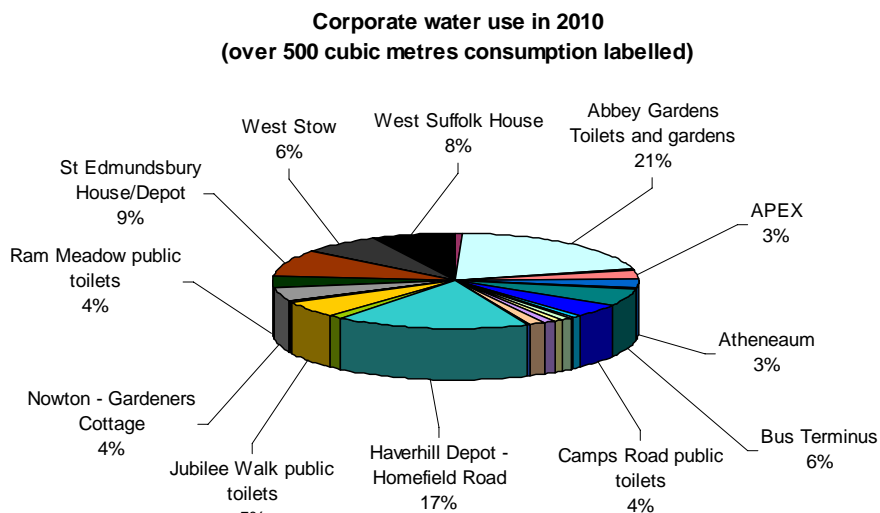
Our target	Reduce water use by 5% in buildings by April 2011
2007 Baseline	16,220 cubic metres

2011 Target	15,409 cubic metres
2010 Performance	Target missed. Water use has increased by 3.36% since last year and by 27% since the 2007 baseline year.

Performance this year



The main contributors to our water footprint from the expanded property portfolio are shown below:



Approximately 20% of the increase is due to opening of the Apex in Autumn 2010.

The trend in water use has been upwards, although the greatest increase was in 2008. The trend does not reflect our planned arrangements put in place during 2010.

These included:

- instigating meter reading to detect anomalies
- undertaking water audits of each supply carried out by Anglian Water
- designing in water efficiency measures into new buildings.

For the future

Since a significant amount of energy is used to pump, treat and supply clean water and then handle and treat dirty water, UK Government is encouraging local authorities to report their water use within the new Greenhouse Gas (GHG) reporting arrangements mentioned previously.

Our water footprint currently does not include the Bury St Edmunds and Haverhill Leisure Centres which are significant users of water. These will need to be included in an expanded property portfolio when reported.

We will be targeting our major points of use to see what improvements we can make.

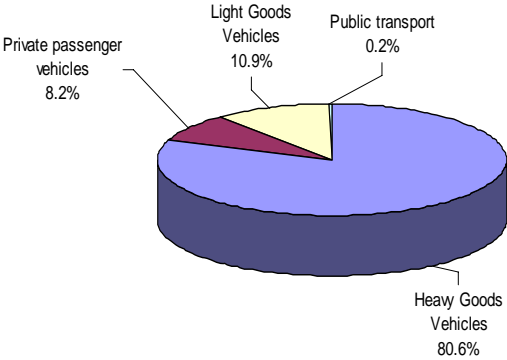
Transport related carbon emissions

Our target	Reduce CO ₂ emissions arising from the passenger and commercial fleet by 12% by April 2011
2008 Baseline	1,401 tonnes of CO ₂
2011 Target	1,233 tonnes of CO ₂
2010 Performance	Target missed. CO ₂ emissions arising from our business transport have fallen by over 64 tonnes (4.6%) since 2008.

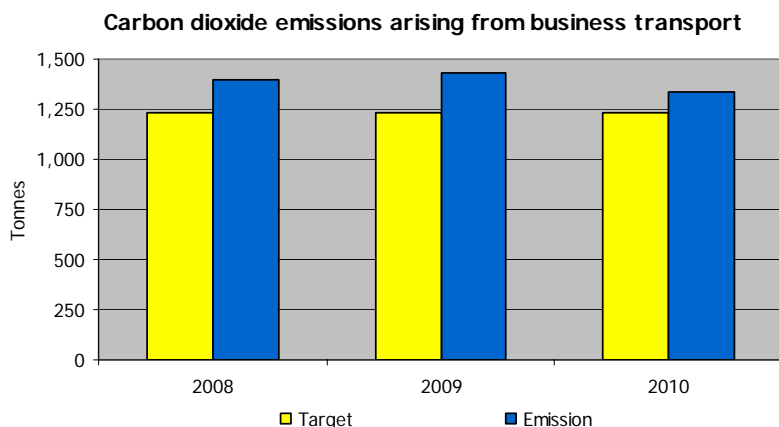
The Council operates a business fleet comprising:

- Light and medium commercial vehicles (LGV)
- Heavy goods vehicles (HGV) – including refuse freighters, road sweepers and skip and tipper lorries.
- The passenger fleet – pool cars and the grey fleet owned by the Council’s employees used for business purposes.

Breakdown of CO₂ emissions by fleet type - 2010



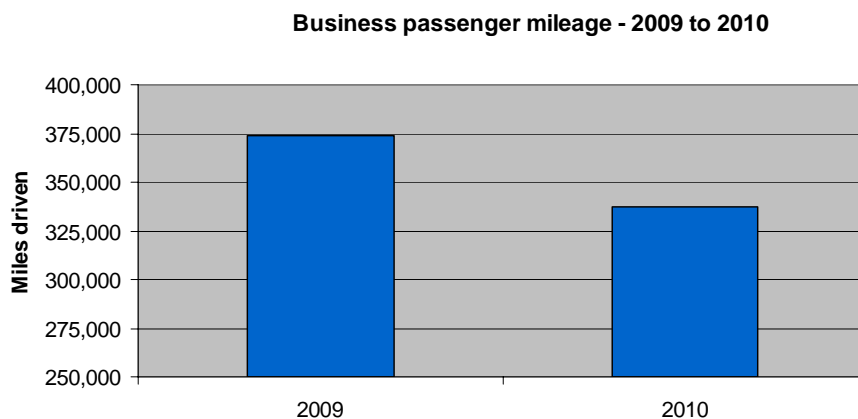
Performance this year



Partnering with Forest Heath District Council, the Council reorganised the household waste collection service with new rounds put in place in the Summer of 2010. The combined waste collection fleet is now used in a more efficient manner across the two districts than previously. HGV fleet emissions have reduced by 3% over the last three years and whilst this appears to be a modest reduction it has been achieved despite increasing service demand.

A small proportion of the reduction in 2010 will be as a result of ceasing highways maintenance operations.

Staff business mileage has reduced by 13% since 2009 which equates to a financial saving of around £26,000. In addition, member mileage has reduced by 2,000 which is equivalent to approximately 5%. Several factors are likely to have led to the reduction, including the move towards sharing services with other organisations including Forest Heath District Council. A key factor, however, is a more focussed approach toward changing the travel culture in the Council by establishing a staff business mileage reduction plan with a 10% reduction target for 2010. The plan builds on the Council's staff Travel Plan through which we have actively encouraged staff to change their commute.



Our business mileage reduction plan includes a series of "How to..." guides covering:

- tele and video conferencing
- public transport
- use of pool bikes
- car sharing using Suffolk Car Share and an Outlook-base journey planner
- use of low emission pool/hire cars where appropriate.

Service managers are given data on quarterly mileage for their team. During the year, we also ran promotional activities to encourage behaviour change including a smarter driving competition with the Energy Saving Trust in October 2010 when more than 60 employees completed a travel energy check and received information on how to save energy in the home and when travelling.



The Energy Saving Trust Smarter Driving Day

This work has been recognised nationally in the Energy Saving Trust's Fleet Hero Awards when the Council was runner up in the Business mileage management category and awarded the Motorvate Member of the Year.

Members mileage increased in the last year by 12,500 miles to 34,200 miles.

For the future

Work is underway to respond to changes made by Central Government to the monitoring and reporting of transport-related CO₂ emissions.

The Council continues its move towards sharing business services with Forest Heath District Council; the long term impact of this programme on transport mileage and associated carbon emissions is not yet known. However, we will continue to implement the passenger mileage reduction plan and will be setting new targets for both total fleet mileage and carbon emissions during 2011.

Corporate waste

Our target	Develop and implement reduction/reuse/recycling plans for all Council-generated wastes
2009 Baseline	Only office waste covered
2010 Target	Complete work by April 2011
2010 Performance	See below

Performance this year

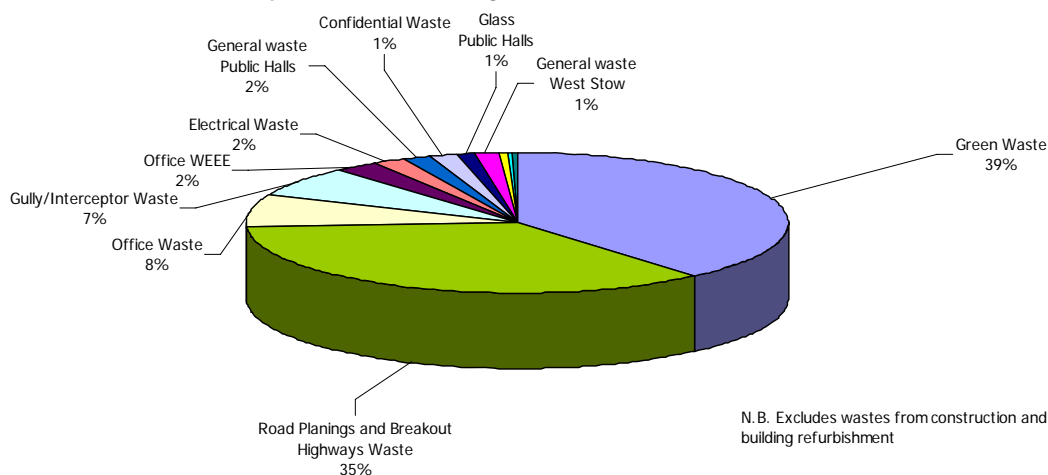
During 2009-10, we started to draw together an inventory of all Council-generated wastes. This work was completed at the beginning of the reporting period. The Council produced twenty-four different waste streams in 2010 with an estimated breakdown as follows:

Waste by amount	Unit	Amount
Solid wastes	Tonnes	1,048.91
Liquid wastes (e.g. waste oil, depot interceptors)	Litres	6,601

This excludes wastes arising from construction, refurbishment and maintenance of Council buildings and vehicle tyres, vehicle batteries, tyres and sanitary wastes. Larger construction projects (over £300,000 contract value) are covered by regulations requiring Site Waste Management Plans, although no projects were initiated at this scale during the year. Building refurbishment and maintenance is undertaken by appointed contractors; currently, the contracts do not require reporting of waste volumes by the contractor.

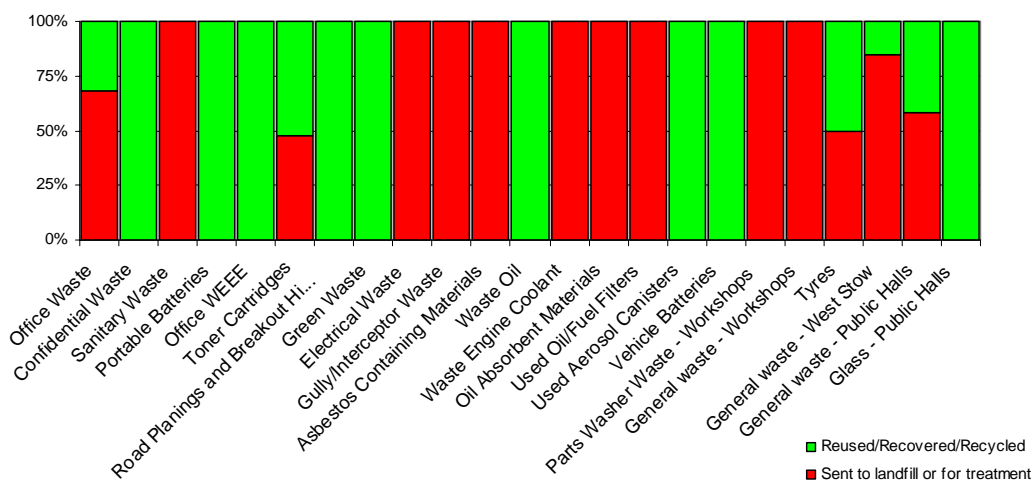
The top ten solid waste streams by percentage were estimated as follows:

Top ten solid waste arisings from Council activities - 2010



The current proportion of waste sent for disposal compared to reuse/recovery/recycling is shown below by waste stream:

Wastes generated by Council activities and their disposal route - 2010



For the future

The Council has drawn up action plans to reduce the percentage of waste sent for disposal by landfill and increase reuse/recovery/recycling rates for waste streams where practicable. Specific targets will be developed during 2011.

Biodiversity - Amount of accessible natural green space

Our target	Carry out habitat improvements on ten sites managed by the Council per annum by 2013
2009 Baseline	No programme in place
2013 Target	1 positive biodiversity outcome to be demonstrated for each of ten sites surveyed annually
2010 Performance	See below

Performance this year

This is the first year of this target. Each site has been selected from the Council's priority list and received a detailed survey from one of our countryside rangers. Each of the following sites now has an improvement plan and received active management where our rangers work alongside volunteers:

- Railway Walks County Wildlife Site (CWS), Haverhill
- Manor Road Disused Allotments CWS, Haverhill
- Meldham Washlands CWS, Haverhill
- Millfields Way CWS, Haverhill
- Bumpstead Road CWS, Haverhill
- Bury St Edmunds Cemetery, Bury St Edmunds
- Hardwick Heath, Bury St Edmunds
- Nowton Park, Bury St Edmunds

- East Town Park, Haverhill

- Ten Acre Field, Moreton Hall, Bury St Edmunds

The four Bury sites are managed as hay meadows while the six sites in Haverhill are being managed for reptiles, amphibians and locally designated bird species. Significant species that were recorded and/or benefitted from this habitat management were:

Bullfinch	Rosel's Bush Cricket
Common frog	Skylark
Common lizard	Slow worm
Grass snake	Great
Diving Beetle	Song thrush
Harvest mouse	Toad
Hedgehog	Bee Orchid
House Sparrow	Common Spotted orchid
Meadow Pipit	Cowslip
Otter	Grass Vetchling
Reed Bunting	Pyramidal Orchid
	Sulphur Clover.



Volunteers working at East Town Park, Haverhill



Creation of a pond at East Town Park, Haverhill



For the future

This work will continue into 2011 and extend to 10 new sites/areas. The use of volunteers participating in habitat management led by park rangers has been a very effective partnership to make the above work possible.

Pollution prevention

Our target	No incidents leading to formal action by regulatory bodies
Baseline	This target is required to be met each year
2009 Performance	Target achieved. No compliance issues were reported during the year

Performance this year

The Council is required to meet key environmental legislation. This may be achieved in a variety of ways including meeting permits and licences; for example, we currently operate two waste transfer stations, in Bury St Edmunds and Haverhill, which operate with the benefit of environmental permits and regular compliance inspections by the Environment Agency.

The Council's Environmental Management System continues to include management controls and regular audits of service areas with higher potential environmental risk such as fuel storage at depots. Also, investment in pollution prevention measures and training continues to ensure that the Council meets future obligations.

Procurement

Our target	Develop a Resource Efficiency Supplier Support Programme by April 2011
2010 Performance	Target achieved

Performance this year

During the year, we established a pilot initiative called the Supply Chain Network to provide support and advice to suppliers not only of the Borough Council but also three other Suffolk Local Authorities. The project was supported by Resource Efficiency East and funded by the East of England Development Agency and EU grant.

The Council led a review of current suitable procurement practice in local authorities in Suffolk with the intention of identifying opportunities for improvement in environmental performance as well as efficiencies. This was supported by specialist training funded by Defra.

For the future

The Council plans to work with its local authority neighbours in Suffolk to take forward the recommendations of the sustainable procurement review and establish a programme of support to continue the Supply Chain Network.

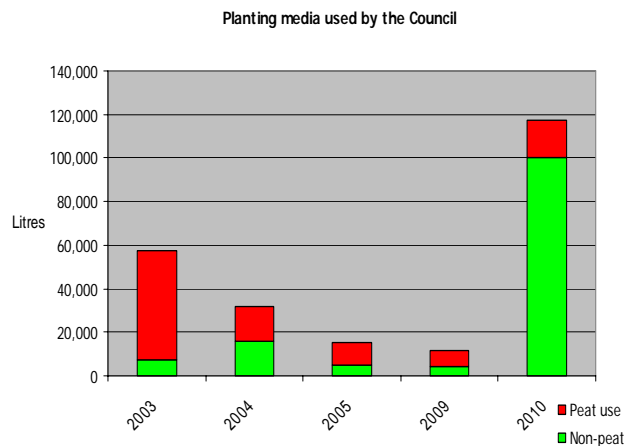
Other areas of environmental performance

Peat Use

We have been working to reduce the percentage of peat used in planting schemes since 2003. Although not a Corporate Environmental Target, we continue to review our practice and monitor peat consumption.

During 2010, we undertook a major shrub bed refurbishment programme in Haverhill which was in addition to routine bedding replenishment. We have used Green Top, a planting material made from composted household green waste, and a Farm Yard Manure equivalent in the programme.

This one-off planting has had a significant impact on our total use of planting media. However, we achieved an 85% peat-free usage.



We will continue to review our use of peat with the aim of minimising its use.

Green Flag parks

The Council participates in the national Green Flag scheme for public parks as a way of driving forward continual improvement in the management of our key public open spaces and to gain recognition for their high standard and environmental quality.

During 2010, we retained Green Flag status for Nowton near Bury St Edmunds and East Town in Haverhill and were successful in gaining an additional Green Flag for the Abbey gardens in Bury St Edmunds.

CO₂ reduction in the community

The Council committed to achieving a 12% reduction in community-related CO₂ emissions by 2011 compared to a 2005 baseline. We are working with all Suffolk local authorities and other public and private bodies as well as local communities to help reduce energy demand, increase energy efficiency and non-fossil fuel energy generation.

The latest emissions report was published by the Department for Energy and Climate Change in September 2010, which showed that per capita CO₂ emissions for the Borough dropped from 10.9 tonnes in 2005 to 9.6 tonnes in 2008 representing a reduction of 11.9%.

This target is no longer reported nationally to UK Government.

Adapting to a changing climate (National Indicator NI188)

The Council achieved improvement in its management of climate risks by embedding actions within key service plans. This target is no longer reported nationally to UK Government.

Other National Indicators

A summary of Council performance against the previous Government's National Indicators not mentioned previously is set out below.

Name	Year End Value 2010-11	Annual Target 2010-11
SEWSS191 Residual household waste per household	454.5	478
SEWSS192 Household waste recycled and composted	52.82%	52%
SEWSS193 Municipal waste landfilled	52.08%	52%
SEWSS195d Street and environmental cleanliness (levels of fly posting)	0%	0%
SEWSS195a Street and environmental cleanliness (levels of litter)	4%	4%
SEWSS195b Street and environmental cleanliness (levels of detritus)	14.75%	13%
SEWSS195c Street and environmental cleanliness (levels of graffiti)	3.25%	3%
SEWSS196 Street scene and environmental cleanliness - fly tipping	2 (effective)	1 (very effective)

These targets are no longer reported nationally to UK Government but will continue to be reported locally.

Independent scrutiny of our performance

Managing our environmental performance using an independently certified Environmental Management System (EMS) provides us with independent external scrutiny and responds to central government and rate payers' calls for better environmental performance through efficient management of resources. The EMS also provides a way to incorporate the principles of Sustainability into Council policies and services.

We regained certification to the ISO14001 Standard in September 2010 and continue to work according to its requirements.

St Johns Street, Bury St Edmunds



Annual Governance Statement

By the Leader of the Council and Chief Executive Officer

1. Scope of responsibility

- 1.1 St Edmundsbury Borough 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 in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 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, including arrangements for the management of risk.
- 1.3 The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*.
- 1.4 A copy of the Code is available electronically (via the website <http://www.stedmundsbury.gov.uk/sebc/live/pdf/policy/Code%20CG.pdf>) or can be obtained from the Policy Unit. This Statement explains how the council has complied with the Code and also meets the requirements of regulation 4(3) of The Accounts and Audit (England) Regulations 2011 whereby all relevant bodies should prepare an Annual Governance Statement.

2. The purpose of the governance framework

- 2.1 Governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. (Definition taken from the CIPFA/SOLACE document referred to above in paragraph 1.3)
- 2.2 The governance framework comprises the systems and processes, and culture and values by which the authority is directed 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.
- 2.3 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.

2.4 The governance framework has been in place at the council for the year ended 31 March 2011 and up to the date of approval of the annual Statement of Accounts.

3. The governance framework

3.1 The core governance principles of the council are as follows:

- (a) focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area;
- (b) members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (c) promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (d) taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- (e) developing the capacity and capability of members and officers to be effective; and
- (f) engaging with local people and other stakeholders to ensure robust public accountability.

3.2 The key elements of the systems and processes that comprise the council's governance arrangements are discussed under these principles in **Annex A**.

3.3 In June 2009, CIPFA launched its *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports CIPFA's work to strengthen governance and financial management across the public services. The Statement which consists of five fundamental principles is supported by good practice benchmark checklists in relation to:-

- a) governance requirements,
- b) core responsibilities of the Chief Financial Officer, and
- c) personal skills and professional standards.

3.4 In the Statement CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.

3.5 The Chief Finance Officer undertook a self assessment in 2009/10 to determine the degree with which the council complies with the checklists. Overall, the self assessment illustrated that the council was already substantially complying with requirements. The main area for development where we could further strengthen our arrangements was that more work should be undertaken in collaborating with partners and stakeholders when planning the longer term financial strategy of the council. This area has been acknowledged and indeed is a fundamental part of the work being undertaken to take forward our shared services strategy with Forest Heath District Council.

3.6 In addition, the governance requirements to support the principles in the Chief Financial Officer statement were incorporated into the authority's local Code of Corporate Governance.

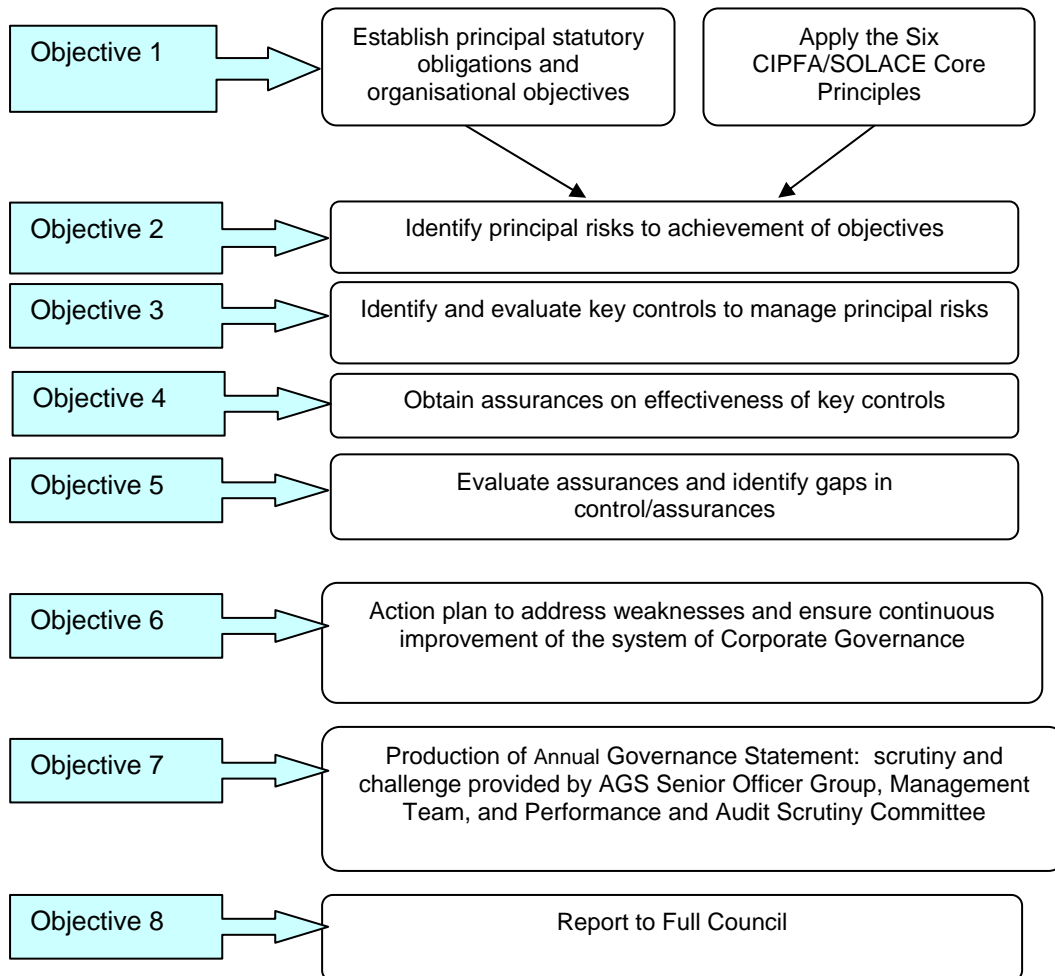
4. Review of effectiveness

4.1 St Edmundsbury Borough 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 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 Internal Audit Manager's annual report; and also
- comments made by the external auditors and other review agencies and inspectorates.

4.2 This review of effectiveness is undertaken in line with CIPFA guidance 'The Annual Governance Statement, Rough Guide for Practitioners' and follows the process shown below.

Review of Annual Governance Statement and Assurance Gathering Process:



4.3 Evidence was collected against each objective of the above process and was then reviewed by the AGS Senior Officer Group, and an action plan agreed.

4.4 Maintaining and reviewing the effectiveness of the governance framework is achieved through / informed by the following:

- The council revised its **Code of Corporate Governance** during 2008 to ensure that it reflects good practice. Further changes were made in 2010 in accordance with the CIPFA / SOLACE framework document '*Application Note to Delivering Good Governance in Local Government; a Framework*' issued in March 2010. In addition to reviewing the Code, the council continues to review and put into place improved policies, management processes and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice and that sound systems of internal control are operating.
- The council's **corporate governance arrangements** include clearly defined roles and responsibilities within the Constitution for the Chief Executive Officer (as Head of Paid Service), the Head of Legal and Democratic Services (as Monitoring Officer) and the Chief Finance Officer (as the council's Section 151 Officer).
- The **Monitoring Officer** is responsible for the administration of the council's political management structures, including ensuring that the council has acted lawfully and that agreed standards have been met.
- The **Chief Finance Officer** is Section 151 Officer for the purposes of satisfying the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
- Issues of strategic and corporate importance are referred to the **Cabinet**. Executive functions are performed by the Cabinet. These functions are grouped together in the form of Cabinet portfolios, with responsibility for them allocated to individual Members of the Cabinet, on an annual basis.
- **Management Team** has overall responsibility for the development and maintenance of the governance environment and reviews the draft Annual Governance Statement prior to submission to Performance and Audit Scrutiny Committee.
- A **Standards Committee** is in place, its roles and functions include promoting and maintaining high standards of conduct by councillors, assisting councillors to observe the Members' Code of Conduct, monitoring the operation of the Members' Code of Conduct and overseeing matters referred to the Monitoring Officer by an Ethical Standards Officer of the National Standards Board. A high level of compliance with the Members' Code of Conduct is indicated by the very small number of complaints of breach made to the Standards Committee; none of which were upheld. (It should be noted that the Localism Bill proposes dismantling the Standards Committee and we are currently awaiting details regarding this).

- The primary purpose of the **Overview and Scrutiny Committee** is to improve the delivery of policies and services by providing a check on the way the council works i.e. by acting as a 'critical friend' and addressing the 'corporate health' of the authority as a whole. The **Performance and Audit Scrutiny Committee** is independent from the executive function. The Performance and Audit Scrutiny Committee monitors and scrutinises the performance of the council's services through receiving regular reports in relation to performance indicators, financial performance, risk management and internal control. This committee also acts as the council's audit committee. The Policy Development Committee has been abolished following a review of the council's scrutiny structure. Policy reviews are now carried out by 'task and finish' groups of the Overview and Scrutiny Committee, with budget responsibilities of the Policy Development Committee transferring to the Performance and Audit Scrutiny Committee.
- The **Strategic Risk Management Group** review corporate risks ensuring that actions are being taken to manage the council's risks effectively. The group meets quarterly to review the effectiveness of the council's risk management framework. The Performance and Audit Scrutiny Committee has specific responsibility for scrutinising risk management and receives quarterly risk management update reports at its meetings and approves key documents including the Risk Management Strategy and the Corporate Risk Register. Risks of concern are referred to Cabinet.
- The council has a **Performance Management Group**, its vision to support the Council and its partners to improve performance and value for money for service users. The Performance Management Group meets every two months to monitor and review performance across all services using national frameworks/toolkits and individual service information to improve performance for the authority.
- The council has monitored the performance of its services by quarterly reporting to the Performance and Audit Scrutiny Committee, using a set of key (local and national) performance indicators which are reviewed and updated annually.
- The Accounts and Audit (Amendment) (England) Regulations 2006 required that 'the body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices', although from 31st March 2011 the requirement has been changed by the Accounts and Audit (England) Regulations 2011 to 'undertake' such an audit, with the revised wording more accurately reflecting the nature of internal audit.

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. The results of the annual review of the effectiveness of the system of internal audit were reported to Performance and Audit Scrutiny Committee in July 2011, and confirmed that the system of internal audit is

effective, with plans to address areas for development and ensure continuous improvement is in place.

In addition, during 2009/10 the Audit Commission undertook a comprehensive review of Internal Audit's work against CIPFA's internal audit standards and found that Internal Audit is fully compliant with all eleven areas of the CIPFA Code. This gives the Performance and Audit Scrutiny Committee assurance that it can fully rely on the work of the Internal Audit team.

- Based upon the audit work undertaken during the financial year 2010/11 the **Internal Audit Manager** can provide reasonable assurance that the system of internal control of the council, within the areas reviewed, as well as the risk management systems, were operating adequately and effectively. Internal Audit work has, however, identified a number of areas where existing arrangements could usefully be improved.
- The council is subject to an annual programme of **independent external audits and statutory inspections**. The external auditor reports on the council's governance, performance and accounting arrangements. The council received a very positive Annual Audit & Inspection Letter 2009/10, published in January 2011 from the Audit Commission. Key messages include:
 - The council uses a number of different methods of engagement depending on the issue and stakeholders involved. The council can demonstrate that the views of local people are taken into account when determining future developments.
 - The council's financial standing is sound and it has a track record of performing within budget. The council continues to reinforce the importance of financial planning.
 - The council continues to develop a range of collaborative arrangements for procurement with other council and partners. Partnership arrangements have brought value for money, for example, shared waste procurement has led to lower costs and working with Suffolk County Council at West Suffolk House has enabled the council to rationalise services and share contract costs.
 - The council performs very well on natural resources. It was the first local authority in Suffolk, and one of the first in the region to review climate change and energy dependency. Benchmarking against other organisations in the region show the council to be the best public sector performer in the region on reducing the impact of climate change.
- The council also received an unqualified audit opinion on the council's 2009/10 financial statements. In forming their opinion the Audit Commission made reference to the statements presented for audit being of a high standard and free from material error. In addition, they did not identify any significant weaknesses in internal control.
- The council's Constitution includes both **Financial and Contracts Procedure Rules**. All proposals of a significant nature are assessed for legality, risk and financial impact prior to a decision being made.

4.5 We (the Leader of the Council and the Chief Executive Officer) have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Performance and Audit Scrutiny Committee and a plan to address the identified weakness and ensure continuous improvement of the system is in place.

5. Significant governance issues

5.1 Significant governance issues are considered to be those issues which could have a significant impact on achieving the organisation's key corporate objectives.

Conclusion

5.2 As a result of the work undertaken to review arrangements within the governance framework for 2010/11, no significant issues have been identified.

This is a reflection of the strong corporate governance framework adopted by the council.

Signed: **Date:**.....
Leader of the Council

Signed: **Date:**.....
Chief Executive Officer

	Core Principle	Supporting Principles	St Edmundsbury Evidence
1	Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.	<p>Exercising strategic leadership by developing and clearly communicating the council's purpose, vision and its intended outcome for citizens and service users.</p> <p>Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning.</p>	<p>St Edmundsbury, along with its partners, is in the process of setting out long-term strategic objectives in Vision 2031 (this will update the existing vision set out in Vision 2025). Vision 2031 is a new strategic long term vision which includes every aspect of life in Bury St Edmunds, Haverhill and the Rural Area including housing, shops, business, open spaces, schools, transport, health, social services, leisure and planning for new neighbourhoods. Whilst the masterplan has yet to be implemented, work has begun on its development. Consultations were launched in February 2011, followed by a series of drop in events. The document will be drafted over the summer of 2011 and completed by February 2012.</p> <p>The council sets out its objectives and priorities within the Corporate Plan. A new Corporate Plan is being developed which will be ready by April 2012.</p> <p>The Corporate Plan also reflects our contribution to the West Suffolk Community Strategy and the Suffolk Community Strategy (with the abolishment of the duty to prepare a Community Strategy discussions will take place for the future of transforming Suffolk); documents which also set out a vision for the future, together with a programme of priorities that local organisations are working towards.</p> <p>The Annual Report provides a review of the council's achievements over the past 12 months and advises of the Cabinet's commitments for the coming year.</p> <p>An annual audited Statement of Accounts is produced and published showing the council's financial position.</p> <p>St Edmundsbury Borough Council was re-assessed as 'Excellent' in the Comprehensive Performance Assessment carried out in 2007.</p> <p>The council's Organisational Assessment of 2008/09 (the last prior to work on Comprehensive Area Assessments ceasing in May 2010) concluded an overall score at level three. In summary,</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Ensuring that the council makes best use of resources and that tax payers and service users receive excellent value for money.</p>	<p>the council performs well in how it manages finances, governs its business and performs excellently in managing resources with the council receiving a level four in workforce planning. This set St Edmundsbury Borough Council amongst the top performing districts in the country.</p> <p>The Corporate Plan explains links to resources and service plans. The Medium Term Financial Strategy is a key driver of the plan. In order to ensure that we are delivering our priorities, we are continually developing our corporate planning and performance framework. The key objectives of the framework are to ensure:</p> <ul style="list-style-type: none"> • a culture of achievement; • that priorities influence, and flow from, the West Suffolk Community Strategy and the Suffolk Community Strategy (or its replacement); • performance against our targets is monitored effectively; • short, medium and long term priorities are agreed and regularly reviewed; • objectives and activities in service plans are consistent with corporate priorities; • performance against key performance indicators is monitored and reported regularly, and action is taken to correct any shortfall in performance; and • resources needed to achieve targets are identified and allocated. <p>The council's overall financial arrangements are governed by the Medium Term Financial Strategy which sets out the financial framework for delivery of the council's priorities. This is supported by robust budget setting and monitoring arrangements and the Financial Procedure Rules which form part of the Constitution.</p> <p>The current economic climate continues to have a significant impact on Local Authorities, with significant cuts announced in the government's spending review of autumn 2010. The council is responding to these changes by seeking opportunities for joint working with other local authorities, in particular with Forest Heath District Council, the purpose of which is to achieve efficiency savings for both, whilst maintaining and where possible, improving services offered to the residents of both areas.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
		<p>The council has itself adopted an innovative approach to achieving efficiencies through service reviews and the DR-IVE (Innovation, Value and Enterprise) programme. It has an excellent track record of achieving year on year budget savings, having delivered £7million since 2005/06.</p> <p>Treasury management reporting to Performance and Audit Scrutiny Committee occurs on a timely basis, as follows:</p> <ul style="list-style-type: none"> • the Strategy is reported before the start of the financial year; • the Annual Report on operational activity compared to the Strategy is reported after the end of the financial year. <p>Reference to the revised CIPFA Code of Practice on Treasury Management in Local Authorities and associated treasury management clauses are included in the council's Constitution. In addition, a Treasury Management Sub-Committee of the Performance and Audit Scrutiny Committee has been established, to fulfil the enhanced scrutiny requirements of the revised Code.</p> <p>The annual Internal Audit review of the Treasury Management function for the financial year 2010/11 provided assurance that the council operates in accordance with CIPFA Code of Practice for Treasury Management.</p> <p>All spending services / sections are required to monitor budgets on a monthly basis, in consultation with the Finance Section, with each section / department allocated a named accountant. Spending departments / sections are responsible for their income and expenditure and are therefore accountable to members for their budgets.</p> <p>Members are regularly briefed on key messages from the financial process – e.g. Performance and Audit Scrutiny, and Cabinet receive regular reports on review of capital programme,</p>

Core Principle		Supporting Principles	St Edmundsbury Evidence
			<p>treasury management, budget monitoring. Cabinet reports cover financial implications. Externally, the council's financial plans are communicated through the annual Budget Book, Council Tax Leaflet, the Cabinet Annual Report, and also the Summary of Accounts document published on the council's website which matches what we have spent to our priorities. The Medium Term Financial Strategy is also available on the website via the relevant committee report.</p> <p>Budget information will also on occasions be included in Community Spirit, a corporate magazine distributed to every borough household.</p>
2	Members and officers working together to achieve a common purpose with clearly defined functions and roles.	Ensuring effective leadership throughout the council and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.	<p>The council's Constitution sets out the roles of councillors, the Leader, the Mayor and Cabinet, responsibility for functions, committee/scrutiny panel terms of reference and rules of procedure. The Constitution sets out the roles of chief officers and statutory officers and the responsibility for functions. This includes:</p> <ul style="list-style-type: none"> • The Chief Executive is the Head of Paid Service in accordance with the Local Government and Housing Act 1989 • The Head of Legal and Democratic Services is the Monitoring Officer and the Proper Officer in accordance with the Local Government Acts (except where signified under other officer delegations) and the Registration Service Act 1953 and is responsible for the administration of the council's political management structures. • The Chief Finance Officer is Section 151 Officer of the Local Government Act 1972 and is responsible for making sure that appropriate advice is given to the council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. <p>Corporate Management Team meets on a weekly basis and consists of the chief officers, namely, Chief Executive, Corporate Directors (Community and Economy and Environment) and is attended by the Chief Finance Officer. They provide the strategic direction of the council in delivering the requirements of the members.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Ensuring that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.</p>	<p>The role of the Cabinet is to develop policies and services within the framework of the Corporate Plan, acting on information provided by officers. The Cabinet consists of the Leader of the council and Portfolio Holders. Meetings are open to the public except where personal or confidential matters are being discussed and all decisions made within these bodies are ratified by Full Council.</p> <p>The council has several committees which carry out regulatory or scrutiny functions.</p> <p>St Edmundsbury's scrutiny process has a good reputation and the council is often asked for advice, or for representatives to present at conferences, the most recent example of which involved the Council sharing its experience of Councillor Call for Action at the LGC Annual Scrutiny Conference in November 2010, following which several councils requested copies of St Edmundsbury's CCfA Protocol.</p> <p>Policy and decision making are facilitated by a clear framework of delegation set out in the council's Constitution, with clear details of delegated authorities to officers. The council also has a Scheme of Financial Delegation. An appropriate level of delegation to senior managers enables speedy decision making.</p> <p>The Chief Finance Officer occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. In St Edmundsbury the Chief Finance Officer reports directly to the Chief Executive Officer.</p> <p>The current responsibilities of the Chief Finance Officer role include Financial Services, ICT, Revenues and Benefits, Internal Audit, and Procurement. A summary list of her statutory responsibilities appears in the Constitution.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Ensuring relationships between the council, its partners and the public are clear so that each knows what to expect of the other.</p>	<p>A Standards Committee is in place, its roles and functions include promoting and maintaining high standards of conduct by councillors, assisting councillors to observe the Members' Code of Conduct, monitoring the operation of the Members' Code of Conduct and overseeing matters referred to the Monitoring Officer by an Ethical Standards Officer of the National Standards Board.</p> <p>The Constitution includes guidance on communicating with the media, Member / Officer Protocols and the Members' Allowance Scheme.</p> <p>An Officer Appointments Committee exists to deal with the appointment, discipline and termination of employment of Chief Officers (other than the Head of Paid Service). The Committee meets only on an ad hoc basis as and when required.</p> <p>The Corporate Planning process follows the 'golden thread' approach which links the council's priorities to individual Performance Development Reviews.</p> <p>The council has a corporate mission 'to be an excellent performing council', which is underpinned by four corporate priorities, which have been cascaded throughout the authority and to partner organisations.</p> <p>The Corporate Plan which forms part of the Annual Report provides the focus for our service planning and budget setting. It identifies what is most important for the council as a whole. The Annual Report shows how we have built upon those foundations over the past year through a series of Cabinet commitments – our promises to deliver what our residents and businesses tell us is most important to them.</p> <p>The council's overall financial arrangements are governed by the Medium Term Financial Strategy which sets out the financial framework for delivery of the Council's priorities. The Medium Term Financial Strategy supports longer term financial forecasting and decision making</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
		<p>and takes into account all significant financial inflows and outflows. The Strategy is reviewed by the Corporate Management Team on a monthly basis.</p> <p>The council continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the council developed its Communications Strategy. This Strategy, which covers the period 2007 to 2010 details the actions planned to improve effective communications with all stakeholders across a range of methods and approaches.</p> <p>A West Suffolk Communications Strategy will be drafted by the end of 2011 as initial work for the shared communications team between Forest Heath and St Edmundsbury councils. Preparation for the strategy will include appropriate internal and external consultation, and will take into account good practice identified through research. The Communications Strategy will focus on improving customer service and will be based on the West Suffolk Communications vision identified in the shared services business case. The Communications Strategy will need to be approved by both councils.</p> <p>The Community Engagement Strategy details how we will engage with all our communities in St Edmundsbury to improve local services and help local people to influence decisions by making sure they have the information necessary to make informed decisions. The Strategy is intended as a useful resource for both councillors and officers when carrying out community engagement activity.</p> <p>St Edmundsbury recognises the importance of partnership working and the benefits it can bring in the shaping, commissioning and delivery of services for local people and achieving more efficient use of resources. For example, the joint Waste Management Partnership with Forest Heath has been in operation since 2008. During 2010/11 the partnership successfully redesigned the waste collections. The project was completed on time, with little disruption to customers and within budget. Importantly, the organisation achieved savings of £100,000 for</p>

Evidence to Support the Core Principles

Annex A

Core Principle		Supporting Principles	St Edmundsbury Evidence
			<p>both St Edmundsbury and Forest Heath in respect of wages and fuel.</p> <p>The council has an excellent track record of delivering savings, the process is known as DR-IVE and the outcomes have delivered significant savings since 2005, for example, efficiency savings and increased income of £1.9m have been delivered as part the 2011/12 budget.</p> <p>A Partnership Strategy has been developed, to help ensure that the council's partnerships are formed, monitored and reviewed with the appropriate level of governance arrangements in place to achieve better outcomes.</p> <p>A memorandum of understanding has been drawn up between St Edmundsbury and Forest Heath, in respect of the shared services agenda. The purpose of the document is to demonstrate to the public, councillors and staff how the two councils will work together to maintain service levels, increase resilience and deliver services at lower costs to residents, businesses and visitors in West Suffolk.</p> <p>The council's website provides information to the public on 'Your Councillors' and a 'Guide to Services' which is available in Polish, Portuguese and Russian, as well as English. We also use translation services for overcoming language barriers.</p>
3	Promoting values for the council and demonstrating the values of good governance through upholding high standards of	Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.	<p>The Members' Code of Conduct, the Member / Officer Protocols, the Responsibility for Functions, (all within the Constitution), and the staff Code of Conduct (including registers of interests and of gifts and hospitality), are in place to:</p> <ul style="list-style-type: none"> define the standards of personal behaviour individual councillors, officers, and agents of the council must follow; and ensure that elected councillors and employees are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. <p>Each member receives copies of the meeting agenda in advance. As one of the agenda items for each meeting, members are required to declare any interests at the outset of the meeting.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
<p>conduct and behaviour.</p>		<p>Members are also required to submit declarations of conflicting interest forms which are held for public scrutiny. Conduct of members is monitored by the Standards Committee, who deals with matters relating to propriety and councillors' conduct.</p> <p>A complaints procedure is in place for the council to receive and investigate any complaint made against it.</p> <p>The Financial Procedure Rules make it clear that any suspected irregularities should be reported to the appropriate officers and the Whistleblowing Guide is available on the council website.</p> <p>Anti-Money Laundering Notes and an Anti-Fraud and Anti-Corruption Strategy are also available for staff and others. In addition, an Anti-Money Laundering Policy has been developed and approved by Full Council. The policy has been designed to ensure the council and its staff are fulfilling all legal obligations and regulatory requirements.</p> <p>The bi-annual fraud awareness newsletter continues to be published to staff. It is designed to highlight areas of fraud in the workplace and to help staff understand why we need to combat it effectively.</p> <p>A number of fraud messages have been included within the council's weekly staff newsletter to remind staff of their responsibilities regarding declaration of interests, gifts and hospitality; expenses claims; and information security.</p> <p>In addition, annual reminders continue to be sent to members advising them of the arrangements for reporting anything within the council they are concerned about.</p> <p>An anti-fraud survey was developed and circulated to staff in April 2010 to assess the level of</p>

Evidence to Support the Core Principles

Annex A

Core Principle		Supporting Principles	St Edmundsbury Evidence
		Ensuring that organisational values are put into practice and are effective.	<p>fraud awareness within the council.</p> <p>The organisational values are defined in the Corporate Plan and these are, that the council:</p> <ul style="list-style-type: none"> • is focused on the needs of all those who use our services; • provides value for money; • manages resources, information and data effectively; • works in partnership; • strives for improvement; • values and invests in staff and councillors; • celebrates success; • is committed to promoting equality and diversity; and • is accountable and accessible. <p>The Financial Procedure Rules lay down the duties and responsibilities of the council and officers in relation to financial administration. All departments, employees and members of the council, and any associated organisations, are covered by the Rules.</p> <p>Internal Audit carry out a risk based programme of audit reviews ensuring controls are in place and are effective. These controls encompass financial systems, corporate governance arrangements, risk management and performance management.</p>
4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.	<p>The council's Constitution sets out how the council operates and the process for policy and decision making.</p> <p>Full Council sets the policy and budget framework, whilst all key decisions are made by the Cabinet. Cabinet meetings are open to the public (except where items are exempt under Freedom of Information Act). The Leader's Forward Plan of key decisions to be taken over the next four months is published on the council's website.</p> <p>All decisions made by Cabinet are made on the basis of written reports, including assessments of the legal, policy and resource implications, sustainability, diversity and equality and</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
		<p>community impact, and consideration of the risk involved and how these will be managed. All Cabinet decisions are made in the full knowledge that they may be 'called in' by a small group of councillors.</p> <p>All committee agendas and minutes are available on-line for the public to access, with paper copies available on request (except where there are restrictions).</p> <p>The council has an active scrutiny function and audit committee, as follows:</p> <ul style="list-style-type: none"> • The primary purpose of the Overview and Scrutiny Committee is to improve the delivery of policies and services by providing a check on the way the council works, i.e. by acting as a 'critical friend' and addressing the 'corporate health' of the authority as a whole. • The Performance and Audit Scrutiny Committee which acts as the council's audit committee has specific responsibility for scrutinising the Statement of Accounts, risk management, performance management, audit arrangements, the Annual Governance Statement and budgetary control and monitoring. <p>The Chief Finance Officer is responsible for maintaining an adequate and effective system of Internal Audit. Internal Audit currently has a full complement of committed, skilled and experienced staff.</p> <p>The Audit Commission's comprehensive review of Internal Audit's work against CIPFA's internal audit standards in 2009/10 found that Internal Audit was fully compliant with all eleven areas of the CIPFA code.</p> <p>The Chief Finance Officer has direct access to both the Audit Committee and the Audit Commission.</p> <p>Policies and procedures governing the council's operations include both Financial and Contracts</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	<p>Procedure Rules. Ensuring compliance with these is the responsibility of management across the council. Internal Audit checks that policies and procedures are complied with. Where incidents of non-compliance are identified, appropriate action is taken.</p> <p>A complaints, comments and suggestions process is in place for service users who are not happy with the level of service provided.</p> <p>The Constitution includes the functions of both the Monitoring Officer and Chief Finance Officer, with specific regard to ensuring lawfulness and financial prudence of decision-making.</p> <p>Budget monitoring reports are sent to budget holders on a monthly basis and also to Management Team with variances greater than £10k highlighted. This format makes significant variances more visible so that timely action can be taken to address them.</p> <p>In addition, budget monitoring reports are reviewed quarterly by the Performance and Audit Scrutiny Committee, with specific focus being given to the variances and an understanding of how and why they have arisen, and what action is being taken to address them.</p> <p>The council is committed to making its finances clear, so that everyone can see exactly how we are spending money. As part of our commitment to providing financial transparency, the council produces regular reports of all expenditure over £500 including VAT.</p> <p>St Edmundsbury Borough Council collects and uses many different types of data from a wide variety of sources, which include customers, stakeholders and partners and other local authorities and government bodies.</p> <p>Open data is about increased transparency and sharing the information the council holds with the wider community. The council has created an 'open data' page on its website which provides information about the way in which it works and how its finances are spent.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Ensuring that an effective risk management system is in place.</p>	<p>The council has a Performance Management Group, its vision is to support the council and its partners to improve performance and value for money for service users. The group meets every two months to monitor and review performance across all services using national frameworks/toolkits and individual service information to improve performance for the authority.</p> <p>The council has recently introduced Covalent Performance Management Software. This system is being used in conjunction with Forest Heath District Council as part of the Shared Services Agenda. Covalent is a web based performance management tool that allows for upload of all Performance Indicators. The system currently has the Key Performance Indicators (as reported to Performance and Audit Scrutiny Committee) and various local indicators for use by individual services. It is anticipated that more services will use the tool for storing/measuring performance overtime. The system also has capacity for project planning, risk management and customer feedback which will be introduced once use of the performance indicator aspect of the system has been embedded.</p> <p>St Edmundsbury has adopted a Data Quality Policy to set out clear objectives for maintaining and improving data quality. All council staff and councillors are required to adhere to this policy. It is anticipated that a joint Data Quality Policy between both St Edmundsbury and Forest Heath will be approved during the summer of 2011 which will focus on transparency and accountability issues.</p> <p>An information sharing protocol has been produced in respect of the shared services agenda. As a part of the initiative both St Edmundsbury and Forest Heath are sharing data to facilitate improved service delivery. The protocol sets out the minimum rules for sharing information.</p> <p>The Risk Management Strategy provides guidance to members and officers on responsibilities and on the application of risk management processes.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Using their legal powers to the full benefit of the citizens and communities in their</p>	<p>A Strategic Risk Management Group, made up of senior officers and the portfolio holder with responsibility for risk has been established to oversee work on the development, promotion, implementation and embedding of risk management.</p> <p>The Group meet quarterly to review, update and monitor progress of the Corporate Risk Register, for consideration and challenge by Management Team and Performance and Audit Scrutiny Committee on a quarterly basis.</p> <p>Mitigating actions are agreed and implemented, with each having individual owners and, where possible, target completion dates. The greatest number of risks will be reduced (treated) which involves taking action to reduce either the probability or the impact of the risk, this will be through the selection and implementation of a control or range of controls.</p> <p>New and more concise risk management guidance for managers has been produced in Spring 2011 and an online risk management training module designed to improve the general level of understanding of risk management across the organisation.</p> <p>It is the role of the council's Internal Audit section to review, appraise and report on the effectiveness and efficiency of the system of internal control, risk management and governance and how these arrangements are operating. This is achieved by undertaking audits across the council's functions in accordance with the Audit Plan. Annually, the Internal Audit Manager drafts a report for presentation at the Performance and Audit Scrutiny Committee which includes his opinion on the adequacy and effectiveness of the council's risk management systems and internal control environment.</p> <p>Arrangements are in place to ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.</p> <p>The council's Monitoring Officer advises management on new legislation and compliance with</p>

Evidence to Support the Core Principles

Annex A

	Core Principle	Supporting Principles	St Edmundsbury Evidence
		area.	<p>the council's Constitution. She will also use her statutory powers to report to Full Council where there has been non-compliance with legislation or with the council's own procedures.</p> <p>Within service areas staff monitor the introduction of legislation specific to their expertise, for example changes to planning fees or new food safety regulations.</p> <p>Where legislation has a corporate or cross-cutting effect, Legal Services and Policy will generally co-ordinate dissemination of information and training.</p> <p>A protocol for the referral of Councillor Calls for Action to the Overview and Scrutiny Committee has been introduced, to guide members seamlessly through the process.</p>
5	Developing the capacity and capability of members and officers to be effective.	<p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p> <p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p>	<p>The council provides chief officers with staff, accommodation, and other resources which in their opinion are sufficient to allow their duties to be performed.</p> <p>The council aims to ensure that members and officers of the council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent staff in effective service delivery (this was reflected in the Organisational Assessment of 2008/09 with the council performing excellently in managing resources, receiving a level four in workforce planning).</p> <p>Job descriptions and person specifications have been drawn up for posts to ensure that the best candidates are appointed into each position.</p> <p>All officers employed by the council receive an annual Performance Development Review at which performance can be measured against set objectives. Training needs are also identified as part of this process and addressed via the Human Resources service and /or individual service as appropriate.</p> <p>A Workforce Development Plan is in operation and this includes the following aspects:</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Encouraging new talent for membership of the council so that best use can be made of resources in balancing continuity and renewal.</p>	<p>developing leadership capacity, developing skills and capacity of the workforce, developing the organisation, resourcing local government and pay and rewards. Training courses are regularly advertised in the weekly staff newsletter.</p> <p>We continue to support workforce development through the positive promotion of Adult Learner Week and in 2010 were delighted to win the East of England Local Government Association's Award for Workforce Development. Our focus on adult learning has also resulted in our work being identified as best practice by the National Institute of Adult Continuing Education.</p> <p>Interim arrangements have been put in place to share the Learning and Development Service across both St Edmundsbury and Forest Heath. A range of learning opportunities are offered to staff, with a focus on interventions to support the delivery of the Shared Services programme.</p> <p>E-learning modules continue to be developed; topics include health and safety, fraud awareness, risk management, climate change and ICT Security. Learning in this way brings with it a number of benefits, for example, convenience, affordability, ease of use and informative.</p> <p>A learning and development resource page is available for employees on the intranet. The page contains quick links, contact information, information relating to local providers and other learning and development resources.</p> <p>The council encourages succession planning and promotion from within. This ensures that valuable skills and experience are rewarded and passed on, rather than being lost.</p> <p>Some departments have introduced career grades to assist with succession planning, for example, the Finance Section.</p> <p>Induction and training programmes are in place for both members and officers. Induction</p>

Evidence to Support the Core Principles

Annex A

Core Principle		Supporting Principles	St Edmundsbury Evidence
			<p>training courses for members are provided after each election which are open to experienced as well as new members, and include a section on standards, ethics and codes of conduct. Corporate induction days are held for new officers joining the council, their aim to provide an overview of the corporate vision and priorities of St Edmundsbury Borough Council, an understanding of the activities of the council and the role of staff in these activities.</p> <p>Each year all councillors are provided with a Member Development Plan to complete, in order to identify their own priorities for improved skills and knowledge. In addition, a range of skills workshops via the Member Development Programme are offered to councillors. During 2010/11 these included training sessions on presentation skills, handling challenging situations, and partnership working. Individual councillors attended conferences on important national issues including the 'Big Society', housing and rural issues.</p> <p>Also during 2010/11 we had a re-assessment of the Member Development Charter. The assessment report was largely positive. However, the assessors were not able to re-confirm Charter Status and made a small number of recommendations including finding opportunities to involve more Councillors in the training programme and linking training more closely to corporate and national priorities. The assessors are confident that actions to be put in place following the Borough Council elections (12 new borough councillors were elected in May 2011) will enable us to re-achieve Charter Status before the end of 2011.</p> <p>Political groups have a role in encouraging new talent and representatives of all sections of the community to stand for election as members of the council.</p> <p>The Community Engagement Strategy sets out the council's commitment to community engagement. It details how we will coordinate the way we engage with all our communities in St Edmundsbury to improve local services and help local people to influence decisions by making sure they have the information necessary to make informed decisions.</p>
6	Engaging with	Exercising leadership	St Edmundsbury Borough Council recognises that communication with all stakeholders plays a

Core Principle	Supporting Principles	St Edmundsbury Evidence
<p>local people and other stakeholders to ensure robust public accountability.</p>	<p>through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.</p>	<p>fundamental role in the successful delivery of high quality, cost effective services. The council is constantly striving to improve its communications performance, to build on its track record of continuous improvement and to ensure that the authority as a whole is open and accessible to the community, service users and staff.</p> <p>The council continues to listen to feedback from the local community and to learn from best practice across the country. With this in mind, the council has developed its Communications Strategy. This Strategy, which covers the period 2007 to 2010 details the actions planned to improve effective communications with all stakeholders across a range of methods and approaches.</p> <p>A West Suffolk Communications Strategy will be drafted by the end of 2011 as initial work for the shared communications team between Forest Heath and St Edmundsbury councils. Preparation for the strategy will include appropriate internal and external consultation, and will take into account good practice identified through research. The Communications Strategy will focus on improving customer service and will be based on the West Suffolk Communications vision identified in the shared services business case. The Communications Strategy will need to be approved by both councils.</p> <p>The council recognises the importance of partnership working and the benefits it can bring in the shaping, commissioning and delivery of services for local people and achieving more efficient and effective use of resources. The council is involved in a number of partnerships that continue to evolve and many more partnerships are likely to be formed in the future. Through its Partnership Strategy, the council set out its long term vision for successful partnership working and defines clear guidance for future partnership arrangements and ensures that existing partnerships are monitored and reviewed appropriately.</p> <p>We established the West Suffolk Local Strategic Partnership (WSLSP) in 2001, in response to the Government's requirement that local authorities work more closely in partnership with other</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and</p>	<p>organisations. The Board of the WSLSP reviewed its function and purpose in May 2011. While recognising the role of grant giving (Reward Grant) has diminished considerably it was felt that there is benefit in maintaining the current arrangements certainly until the full effects of the Localism Bill are fully known.</p> <p>The Overview and Scrutiny Committee has a variety of ways in which to challenge the Cabinet, one being via the call-in process, although the council uses this mechanism sparingly, which can be taken as a sign that the decision making process is working as it should. There were no call-ins during 2010/11.</p> <p>The Councillor Call for Action (CCfA) allows the council to refer matters to its Overview and Scrutiny Committee for consideration. The aim is to help councillors raise matters on an authority's agenda on behalf of their constituents. There were no CCfAs during 2010/11.</p> <p>The Annual Scrutiny Report sets out achievements and explains the future work programme. The report is not intended to cover all the work of the scrutiny committees, but to present some examples of where and how scrutiny has contributed to changes and service improvements.</p> <p>A Shared Services Steering Group (Members) has been established. The objective of the group to advise and support council's in identifying and driving forward the shared services agenda. The purpose of which is to achieve efficiency savings for both, whilst maintaining and where possible, improving services offered to the residents of both areas.</p> <p>The Community Engagement Strategy sets out the council's commitment to community engagement. It details how we will coordinate the way we engage with all our communities in St Edmundsbury to improve local services and help local people to influence decisions by making sure they have the information necessary to make informed decisions. This Strategy supports our aspiration for partnership working as set out in our Partnership Strategy, which states: "Partnership working is becoming increasingly important to ensure that services are</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>appropriate service delivery whether directly by the council or in partnership.</p>	<p>delivered to local people and communities in an effective way and making the best use of available resources".</p> <p>St Edmundsbury consults routinely with the public on a range of matters, for example, Vision 2031. The council's home page provides links to various activities that invite consultation with the public.</p> <p>In February 2008 a Statement of Community Involvement setting out the council's policy for involving the community in the preparation of local development documents and in the consideration of planning applications was approved. The document indicates when and how people can get involved in planning matters and what they should expect when they do. The Statement of Community Involvement forms the basis of the Community Engagement Strategy.</p> <p>The council's Economic Development section also produces a regular newsletter which is sent to businesses within the Borough and partner agencies.</p> <p>The council engages a wide range of stakeholders in order to understand their needs. For example: we have worked for over a year with the Southgate Community Partnership which is taking on the ownership of the Southgate Community Centre. Along with responsibility for all aspects of running and maintaining the centre they now have the flexibility to run and develop the centre in the way the local community wants. Also, in Haverhill we have consulted with residents on the Clements estate about how they wanted the old school site developed. A group of local residents is now working with officers to develop allotments, a community garden and some open space, including a play area. This engagement assists us to identify priorities and plan our services.</p> <p>St Edmundsbury Borough Council has kept a 'careful eye' on Suffolk County Council's New Strategic Direction and had discussions between officers around the most appropriate methodology of service deliver at the local level.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>Making best use of human resources by</p>	<p>For several years there has been a half-hour Public Question Time at the start of each full council meeting which is open to residents of the Borough and is always used. The questions and responses are minuted briefly to indicate the topics raised, which in 2010/11 have included the Apex logo, the location of the Wednesday Craft Market in Bury St Edmunds and applications for the lease of the Corn Exchange.</p> <p>The Annual Report shows how the council has built upon its foundations over the year through a series of Cabinet commitments – our promises to deliver what our residents and businesses tell us is most important to them. The Annual Report also sets out our plans for the year ahead and beyond. Being clear on what is a priority is essential if we are to continue providing high quality services in key areas.</p> <p>The Bury St Edmunds Public Service Village is an innovative partnership, initially between St Edmundsbury Borough Council and Suffolk County Council. West Suffolk House was the first phase of this development and opened in March 2009. It brings together a range of public sector services on one site, providing better, more cost-effective services and better value for money for customers. Bringing both groups together in one building provides the opportunity for much closer working and co-ordination of services. For example, the building is now shared with Improvement East and staff from HM Revenue and Customs, whilst the Safer Neighbourhood Team visits West Suffolk House twice a month to answer queries and concerns raised by the public.</p> <p>The council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the council. Complaints can be made on-line, by telephone, or in writing, and the council has set targets for responding to all complaints received, ensuring accountability to its stakeholders.</p> <p>Consultation with staff is carried out through staff briefings, the staff survey and through formal consultation with the Trades Union.</p>

Core Principle	Supporting Principles	St Edmundsbury Evidence
	<p>taking an active and planned approach to meet responsibility to staff.</p>	<p>As referred to earlier, the council is actively supporting its employees through the shared services agenda. For example, a series of change workshops are being held by both St Edmundsbury and Forest Heath, they include facilitation days, developing and maintaining resilience, CV writing skills, and interview techniques.</p> <p>In addition, an extranet site has been created for use by councillors and staff from both authorities, with a newsletter also published regularly so that councillors and staff can be kept up to date with the work going on at the Shared Services Steering Group and Project Board.</p>