



Forest Heath
District Council



DRAFT

Statement of Accounts

2012/2013



Introduction	1
Explanatory Foreword by the Chief Finance Officer	4
Certificate of approval for the Statement of Accounts	8
Statement of responsibilities for the Statement of Accounts	9
Core Financial Statements	10
Movement in Reserves Statement	10
Comprehensive Income and Expenditure Statement	12
Balance Sheet	13
Cash Flow Statement	14
Notes to the Core Financial Statements	16
Note 1 Accounting Policies	16
Note 2 Accounting Standards that have been issued but have not yet been adopted	31
Note 3 Critical judgements in applying Accounting Policies	31
Note 4 Future Assumptions and Other Major Sources of Estimation Uncertainty	31
Note 5 Material Items of Income and Expense	33
Note 6 Events after the Balance Sheet Date	33
Note 7 Adjustments between Accounting Basis & Funding Basis under Regulations	34
Note 8 Transfers to / (from) Earmarked Reserves	38
Note 9 Other Operating Expenditure	40
Note 10 Financing and Investment Income and Expenditure	40
Note 11 Taxation and Non-Specific Grant Income	41
Note 12 Property, Plant and Equipment	42
Note 13 Heritage Assets	47
Note 14 Investment Properties	48
Note 15 Intangible Assets	50
Note 16 Long Term Investments	51
Note 17 Short Term Investments	51
Note 18 Short Term Debtors	51
Note 19 Cash and Cash Equivalents	52
Note 20 Assets held for Sale	52
Note 21 Inventories	53
Note 22 Financial Instruments	54
Note 23 Short Term Creditors	57
Note 24 Provisions	57
Note 25 Usable Reserves	57
Note 26 Unusable Reserves	58
Note 27 Cash Flow Statement – Operating Activities	63
Note 28 Cash Flow Statement – Investing Activities	63
Note 29 Cash Flow Statement – Financing Activities	63
Note 30 Amounts reported for Resource Allocation Decisions	64
Note 31 Acquired and Discontinued Operations	69
Note 32 Trading Operations	69
Note 33 Members Allowances	69
Note 34 Officers’ Remuneration	71
Note 35 External Audit Costs	75

Contents

Note 36	Grant Income	76
Note 37	Related Parties	77
Note 38	Capital Expenditure and Capital Financing	80
Note 39	Leases	81
Note 40	Impairment Losses	82
Note 41	Termination Benefits	83
Note 42	Defined Benefit Pension Schemes	83
Note 43	Contingent Liabilities	88
Note 44	Contingent Assets	89
Note 45	Nature and Extent of Risks arising from Financial Instruments	89
Note 46	Heritage Assets: Five Year Summary of Transactions	94
Collection Fund and Notes		95
Collection Fund Comprehensive Income and Expenditure Statement		95
Notes to the Collection Fund Comprehensive Income and Expenditure Statement		96
Note C1	Council Tax Base	96
Note C2	Business Rates	96
Note C3	Precepts and Demands	97
Note C4	Collection Fund Surplus / (Deficit) at the end of the year	97
Group Accounts		98
Group Movement in Reserves Statement		99
Group Comprehensive Income and Expenditure Statement		101
Group Balance Sheet		102
Group Cash Flow Statement		103
Certificate by the Chief Financial Officer (Section 151 Officer)		104
Notes to the Group Accounts		105
Note G1	Group Comprehensive Income and Expenditure Statement Amounts	105
Note G2	Long Term Investment included in the Group Balance Sheet	106
Note G3	Accounting Policies	106
Note G4	Contingent Liabilities	106
Note G5	Capital Commitments	106
Annual Governance Statement		107
Auditors Report		114
Glossary		115
Further Information		121

Introduction

The District

The Forest Heath district is a predominantly rural area and is renowned for the beauty of Elveden and Thetford Forests and the Newmarket Heaths.

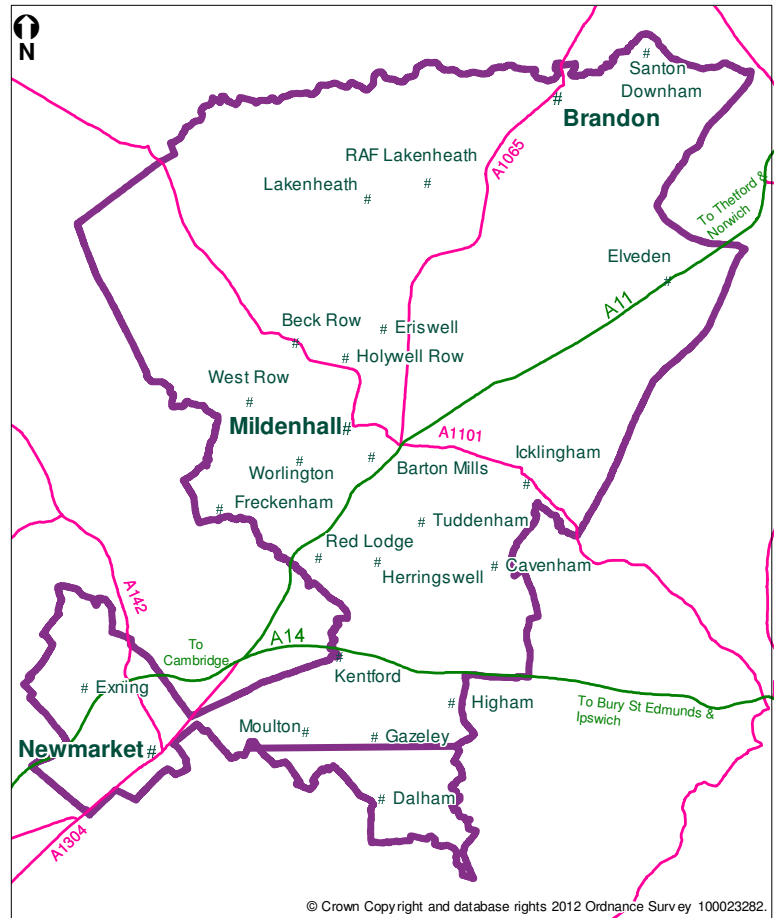
The district covers an area of 380 km² (144 sq miles) and is situated on two strategic routes: the A11 trunk road from London to Norwich and the A14 from the Midlands to Ipswich and onwards to the east coast ports.

The A14 also provides an important link to the expanding city of Cambridge, providing great economic opportunities with part of Forest Heath sitting within the Cambridge sub-region.

Approximately half of the district is designated as a Special Landscape Area.

It also contains 27 Sites of Special Scientific Interest (SSSI), 75 county wildlife sites, 13 conservation areas, more than 400 listed buildings and 44 scheduled ancient monuments, providing unrivalled natural beauty.

Forest Heath also contains 72% of the rare species identified for special protection in the Suffolk Biodiversity Action Plan.



Douglas Park Wildflower Meadow, Mildenhall

Introduction

Diverse Communities

The population of 59,700 (mid-year estimate 2011) is spread throughout the market towns of Brandon, Mildenhall and Newmarket and 22 smaller rural villages. Mildenhall and Lakenheath are home to two of the largest United States Air Force in Europe (USAFE) bases in the country. The American population is in excess of 15,000 service personnel and dependants, many of whom live off-base within the local community.

Tourism is crucial to the local economy and sustains more than 21.6% of jobs associated with the industry. The Center Parcs Holiday Village situated at Elveden Forest is an important visitor attraction and a major employer offering a wide range of job opportunities.

The town of Newmarket is renowned as the home of British Horseracing as well as an international centre for the bloodstock industry attracting visitors and providing a significant contribution to the local economy.



Newmarket Race Day

Whilst the District is relatively affluent as illustrated by its rating of 272 out of 326 councils nationally in the Index of Deprivation (2010), there are key issues for the Council with the high migrant and transient population attracted to the horseracing industry and a large number of migrant workers, from Portugal and Eastern Europe, who work in the agricultural sector. The presence of these different communities gives the district and its towns its diverse character.

Whilst unemployment levels in Forest Heath are around 5.2%, this is still less than the average for the East of England at 6.6%, and the national average of 7.9% (2012). The largest employment sectors in Forest Heath are distribution, hotels and restaurants, public administration, education and health, banking, finance and insurance and manufacturing.

The latest statistical information for the district can be found via the Suffolk Observatory website at:

www.suffolkobservatory.info

Or via the Council's own Website:

www.forest-heath.gov.uk

Introduction

The Council

Forest Heath District Council has a workforce of just over 187 full-time equivalent staff which provides its residents with a wide range of services. The Council has 27 councillors (twenty- three Conservatives, one Independent, one Labour and two Liberal Democrats, representing 14 wards and previously operated under an Alternative (fourth option) Committee Structure up until 9th May 2012 when a Cabinet system was introduced.

With effect from October 2012 services have been structured into nine areas which are managed by the Chief Executive, two Strategic Directors and nine Heads of Service. Together these comprise the Joint Leadership Team with St Edmundsbury Borough Council.

The majority of services are run in-house, however in order to deliver the best possible value and services, the Council:

- transferred its housing stock to Flagship Housing Group, a registered provider of social housing;
- transferred the management of its leisure centres to a charitable trust, Anglia Community Leisure;
- delivers its revenues and benefits service in a shared services partnership through the Anglia Revenues Partnership;
- delivers its waste and street scene service through a joint service agreement with St Edmundsbury Borough Council; and
- is currently developing wider shared service arrangements with St Edmundsbury Borough Council, its preferred partner.



Waste & Street Scene – Refuse Lorry Recycling

Explanatory Foreword by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2012/13. Forest Heath District Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, planning and development control and many more.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2012 to 31 March 2013 and are intended to give an overall view of the Council's financial position. The accounts have been produced to show all the financial statements and disclosure notes required by statute by complying with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting statements have also been prepared in accordance with the Accounts and Audit regulations 2011.

What do the accounts mean?

Users of the financial statements will have a variety of interests in the financial statements of the Council; some of the primary areas of interest will be:

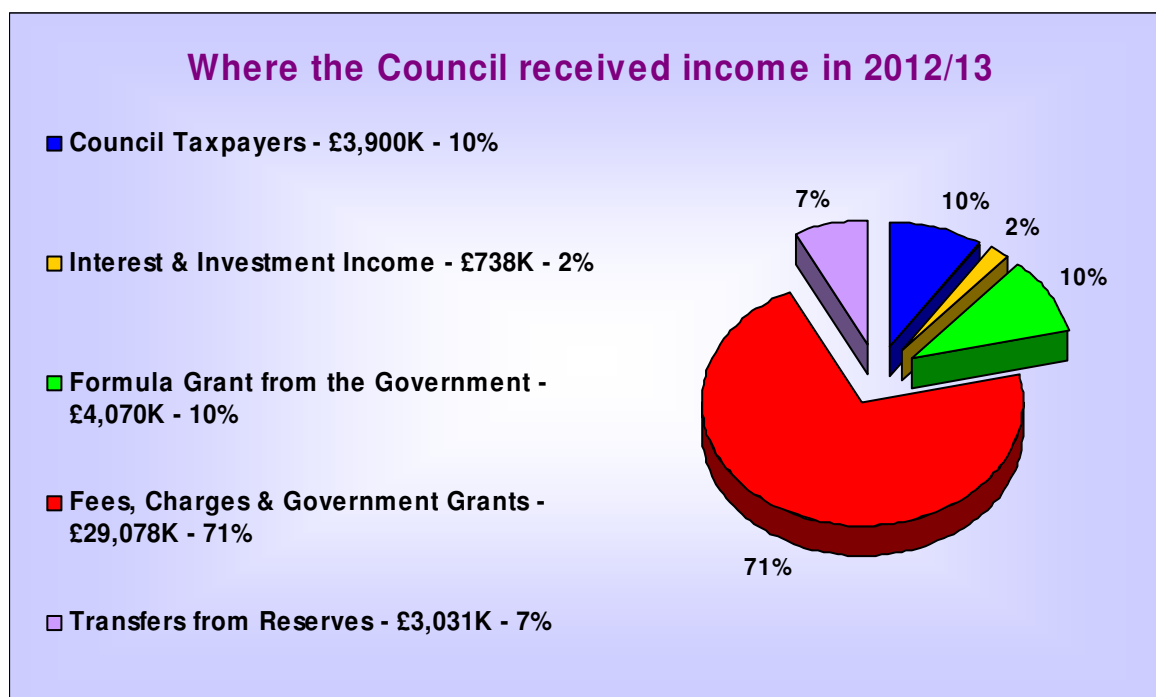
- Did the council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

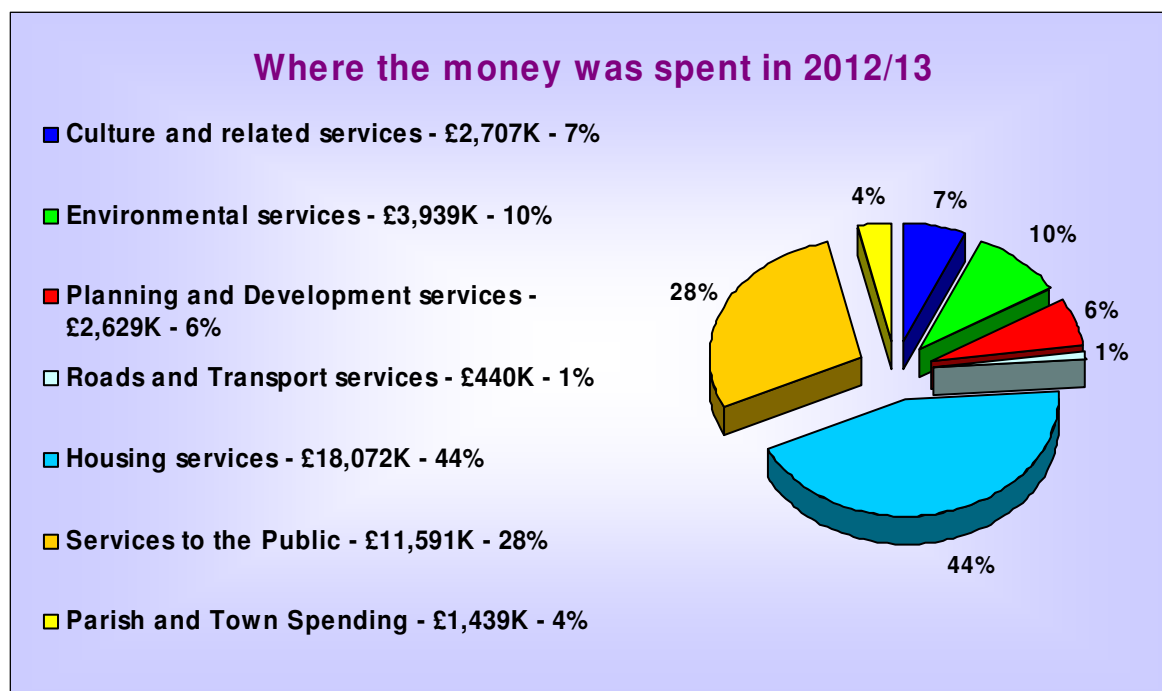
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability with other local government accounts as well other public and private sector financial statements.

Overview of the financial year 2012/13

For the 2012/13 financial year, the Council saw an increase of £3k to its general fund reserve, which stands at £1,987k as at 31 March 2013, with an overall level of usable reserves (capital and revenue) of £25m.

The following charts show the sources of the Council's income for 2012/13, and how it was spent on services:





The current economic climate continues to impact on the Council's spending plans. The in-year reduction in Central Government Grant and downturn in income streams, including investment income, is significant.

The Council further progressed its savings programme, building on the restructuring efficiencies and general cost cutting exercises in previous years for 2012/13, the majority of which was generated through the sharing of services with St Edmundsbury Borough Council. The redundancy costs associated with the sharing of services are detailed in notes 34 and 41 of the accounts.

Further details of variances in excess of £10k can be seen in the report reference COU13/630, entitled 'Financial Outturn Report (Revenue and Capital) 2012/2013' considered by the Council on 12 June 2013.

The Council's capital expenditure for 2012/13 totalled around £4.0m, which included vehicle purchases, ICT projects and the Home of Horseracing project. The Council also spent approximately £1.0m in capital grants within the year. Around £3.4m of the total £4.0m spend for 2012/13 was funded from the Council's usable capital receipts, the remainder being funded from grants and contributions. Overall the capital programme for 2012/13 showed a £0.3m underspend against budget, after allowing for project timings.

During 2012/13 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

Material and Unusual charges or credits within the statement

During 2012/13 the Council incurred expenditure of £1,467k on Land and Property and £1,124k on vehicles. Termination payments during the year amounted to £803k, and further details are available in notes 34 Officers Remuneration, 41 Termination Benefits and 43 Contingent Liabilities.

Major variances within the Comprehensive Income and Expenditure Statement – between 2011/12 and 2012/13

The Council had a number of variances in its cost of services between 2011/12 and 2012/13, amounting to an overall decrease of around £1,137k. The most significant difference between the two years was the reduction in capital charges, which, coupled with a reduction in the notional IAS19 pension adjustments, totalled around £1,118k.

In addition to this there were a number of increases and decreases between the two years, including a £65k increase in Business Rates paid as a result of vacant properties, a £1,159k increase in benefits granted which was offset by a corresponding increase in the subsidy paid from central government, and a £21k reduction in External Audit fees.

Explanatory Foreword

The current economic climate continued to adversely affect the Council's finances, as evidenced by the increase in benefit payments, falling investment interest receipts, and reductions in the amount of industrial rents and fees and charges generally.

Explanation of the Statements

The statements included in the accounts are explained below:

- **The Statement of responsibilities for the Statement of Accounts** identifies the officer who is responsible for the proper administration of the authority's financial affairs, including the communication that the accounts present a true and fair view of the financial position of the authority.
- **The Movement in Reserves 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 Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council which are reported in two categories. The first category of reserves are usable reserves, ie. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. 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'.
- **The Cash Flow Statement** summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties. The statement excludes internal movements of funds between the Council's accounts.
- **The Collection Fund** shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Group Accounts

The Code of Practice on Local Authority Accounting requires local authorities with interests in subsidiaries, associates and joint ventures to prepare Group Accounts in addition to their single entity financial statements. A review of the Council's relationships with other bodies is carried out each year to consider whether it is appropriate to prepare group accounts. The Council has an interest in ARP Trading Ltd and this is consolidated into the Group Accounts Statements as a Joint Venture.

Pensions

The Council is required to include information on retirement benefits within the Statement of Accounts which must be in accordance with International Accounting Standard 19. Therefore I have summarised the treatment of pensions and other forms of retirement benefits for the Explanatory Foreword.

The figures contained in the Statement of Accounts are based on the latest actuarial valuation of the pension fund as at 31 March 2013 by Hymans Robertson LLP, an independent firm of actuaries. This stated that the fund's liabilities were more than its assets. The Council's proportion of this net liability was estimated at £13,576k compared to £10,682k at 31 March 2012. This net increase in liabilities is represented by an increase in liabilities of £7,423k and an increase in assets of £4,529k. The overall increase in the liability is primarily because the financial assumptions at March 2013 were less favourable than those at March 2012.

Explanatory Foreword

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £13,576k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

It should be noted that the pension fund's accounts have still to be audited so the figures upon which these accounts have been based might be subject to change.

Further detail in relation to retirement benefits can be found in Note 42 to the accounts.

Significant Provisions, Contingencies or Write-Offs

The Council has provided for £30k of provisions for the financial year ending 31st March 2013. These provisions are detailed in Note 24 to the accounts.

The Council has included a contingent liability and various contingent assets within notes 43 and 44 to the accounts.

Material Events after the reporting date

Note 6 details any material events which occurred after the balance sheet date.

Audit

Following the Government's consultation on the future of local public audit, Ernst and Young LLP were awarded the contract for the audit of Forest Heath District Council's accounts for a five year period commencing with the financial year 2012/13. The external auditors complete their audit in as efficient a manner as possible, and also rely on the Council's own internal auditors so as not to duplicate some areas of work.

Looking to the future

The most significant challenge that the Council faces is the continuation of public expenditure cuts and the reduction in central government grant funding, following the latest spending announcement on 26 June 2013, which confirmed that once again local government would suffer the deepest cuts. Combined with other financial pressures, such as continued low interest rates (affecting our interest receipt income), increased costs of service delivery and increased demand on front line services such as housing benefits, the challenges grow day by day.

2013/14 also marks the start of a new era in the way that local government is funded with the introduction from April 2013 of the Government's new business rates retention scheme and the implementation of the localised council tax support schemes.

The financial climate is unprecedented for local authorities, but continues to be one in which opportunities exist, and different ways of working are required. The scale of the savings/additional income required to deliver a balanced budget over the period of the Medium Term Financial Strategy (MTFS), goes beyond efficiency alone. Indeed, the key to delivering these savings will be maximising income and transforming services.

Future financial strategies will need to provide clear plans for reshaping the role of the Council in light of the many initiatives, reforms and challenges that we continue to face and to complement the delivery of the Council's strategic priorities. The MTFS will be rewritten with a view to publication in late 2013/14.

Certificate of approval for the Statement of Accounts

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2012 to 31 March 2013 has been prepared and I confirm that these accounts were approved by Forest Heath District Council at the meeting held on 25 September 2013.

Signed:

Chairman of the Performance, Audit and Scrutiny Committee

Date:

Statement of responsibilities for the Statement of Accounts

Statement of responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Chief Financial Officer, who is the Head of Resources and Performance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate by the Chief Financial Officer (S151 Officer)

I certify that the Statement of Accounts has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2013 and its income and expenditure for the year then ended.

Signed:

R Mann
Chief Financial Officer (Section 151 Officer)

Date:

Councillor S Edwards
Portfolio Holder for Resources,
Governance and Performance

Date:

Core Financial Statements

Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true 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. 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.

The following statement shows the movement in reserves in respect of the previous financial year ended 31 March 2012.

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2011		1,920	4,249	21,873	844	28,886	38,794	67,680
Movement in Reserves during 2011/12								
Surplus (or Deficit) on the provision of services		(3,231)	0	0	0	(3,231)	0	(3,231)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(1,511)	(1,511)
Total Comprehensive Income & Expenditure		(3,231)	0	0	0	(3,231)	(1,511)	(4,742)
Adjustments between accounting basis and funding basis under regulations	7	3,613	0	(1,455)	(90)	2,068	(2,068)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		382	0	(1,455)	(90)	(1,163)	(3,579)	(4,742)
Transfers to / (from) Earmarked Reserves	8	(318)	318	0	0	0	0	0
Increase/(Decrease) in 2011/12		64	318	(1,455)	(90)	(1,163)	(3,579)	(4,742)
Balance as at 31 March 2012 carried forward		1,984	4,567	20,418	754	27,723	35,215	62,938

Core Financial Statements

The following statement shows the movement in reserves in respect of the current financial year ended 31 March 2013.

Movement in Reserves Statement (continued)								
	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2012 carried forward		1,984	4,567	20,418	754	27,723	35,215	62,938
Movement in Reserves during 2012/13								
Surplus (or Deficit) on the provision of services		(1,305)	0	0	0	(1,305)	0	(1,305)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(2,503)	(2,503)
Total Comprehensive Income & Expenditure		(1,305)	0	0	0	(1,305)	(2,503)	(3,808)
Adjustments between accounting basis and funding basis under regulations	7	1,670	0	(3,307)	(49)	(1,686)	1,686	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		365	0	(3,307)	(49)	(2,991)	(817)	(3,808)
Transfers to / (from) Earmarked Reserves	8	(362)	362	0	0	0	0	0
Increase/(Decrease) in 2012/13		3	362	(3,307)	(49)	(2,991)	(817)	(3,808)
Balance as at 31 March 2013 carried forward		1,987	4,929	17,111	705	24,732	34,398	59,130

Core Financial Statements

Comprehensive Income and Expenditure Statement

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

2011/12				2012/13			
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)	
£000	£000	£000	Note	£000	£000	£000	
5,622	5,051	571		5,798	5,033	765	
4,281	343	3,938		3,171	764	2,407	
4,028	1,247	2,781		4,050	1,455	2,595	
2,453	1,761	692		2,517	1,748	769	
840	567	273		605	520	85	
17,353	15,848	1,505		18,906	16,926	1,980	
2,286	176	2,110		2,821	697	2,124	
27	0	27		34	0	34	
36,890	24,993	11,897	Cost of Services	37,902	27,143	10,759	
1,361	0	1,361	Other Operating Expenditure	9	1,339	0	1,339
210	1,469	(1,259)	Financing and Investment Income and Expenditure	10	457	1,308	(851)
1,015	9,783	(8,768)	Taxation and Non-Specific Grant Income	11	0	9,942	(9,942)
39,476	36,245	3,231	Deficit on Provision of Services	39,698	38,393	1,305	
		(3,039)	Surplus arising on the Revaluation of Property, Plant and Equipment assets			(212)	
		437	Impairment losses on non-current assets charged to the Revaluation Reserve			90	
		4,086	Actuarial Losses on Pension Assets / Liabilities	42		2,630	
		27	Revaluation Losses / (Gains) on Joint Venture			(5)	
		1,511	Other Comprehensive Expenditure			2,503	
		4,742	Total Comprehensive Expenditure			3,808	

Core Financial Statements

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council

Reserves are reported in two categories. The first category of reserves are usable reserves, ie. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve 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'.

31 March			31 March
2012		Note	2013
£000			£000
38,347	Property, Plant & Equipment	12	40,198
372	Heritage Assets	13	370
10,573	Investment Property	14	10,401
206	Intangible Assets	15	212
17,446	Long Term Investments	16	9,539
66,944	Long Term Assets		60,720
7,860	Short Term Investments	17	8,367
2,481	Short Term Debtors less Provision for Bad Debts	18	5,481
3,172	Cash and Cash Equivalents	19	5,201
112	Assets Held for Sale	20	397
9	Inventories	21	9
13,634	Current Assets		19,455
3	Short Term Borrowing		3
2,319	Short Term Creditors	23	2,961
189	Provisions	24	30
2,511	Current Liabilities		2,994
4,000	Long Term Borrowing		4,000
10,682	Other Long Term Liabilities	26	13,576
447	Capital Grants & Contributions received in Advance	36	475
15,129	Long Term Liabilities		18,051
62,938	NET ASSETS		59,130
27,723	Usable Reserves (see Movement in Reserves Statement)	25	24,732
35,215	Unusable Reserves	26	34,398
62,938	TOTAL RESERVES		59,130

Core Financial Statements

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 (ie. borrowing) to the Council.

2011/12		Note	2012/13
£000			£000
3,231	Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		1,305
(3,455)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements (see table on the following page)		452
(224)	Net cash flows from Operating Activities		1,757
240	Investing Activities	28	(3,860)
(30)	Financing Activities	29	74
(14)	Net (increase) or decrease in cash and cash equivalents		(2,029)
<u>(3,158)</u>	Cash and cash equivalents at the beginning of the reporting period		<u>(3,172)</u>
<u>(3,172)</u>	Cash and cash equivalents at the end of the reporting period		<u>(5,201)</u>

The figures in the Cash Flow Statement in respect of the "Adjustments to net (surplus) or deficit on the provision of services for non-cash movements" are analysed further in the table on the following page.

Core Financial Statements

The adjustments to net (surplus) or deficit on the provision of services for non-cash movements includes the following:

2011/12		2012/13
£000		£000
(1,111)	Depreciation	(1,088)
(1,410)	Impairment and upward / (downward) valuations *	17
(139)	(Increase) / decrease in impairment for bad debts	96
(57)	(Increase) / decrease in Creditors	(506)
452	(Increase) / decrease in Provisions	160
(234)	Increase / (decrease) in Debtors and Payments in Advance	2,877
(14)	Increase / (decrease) in Inventories	0
(85)	Movement in Pensions Liability	(264)
(857)	Other non-cash items charged to the net surplus or deficit on the provision of services	(840)
(3,455)		452

Note * The reason for the difference between the impairment and downward valuations figures between the years is primarily due to a net revaluation gain on the Council's Property, Plant and Equipment for 2012/13, whereas this figure was a net loss for 2011/12. Further information is available in note 12 Property Plant and Equipment and the Capital Adjustment Account in note 28 Unusable Reserves.



Newmarket Market

Notes to the Core Financial Statements

Note 1 Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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.

II Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date 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 Authority's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will 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 Authority is acting as an agent for another party (e.g. In the collection of National Non Domestic Rates (NNDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.

III Deferred Income

Where the Council has received income in respect of goods, services or lease obligations which have not yet been delivered, these sums will be classified as deferred income and held in the Balance Sheet as a long term liability. These sums will subsequently be recognised in the relevant areas of the accounts when the goods or services have been received or the obligations have been met.

IV 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 Authority's cash management.

Notes to the Core Financial Statements

V 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 Authority's financial performance.

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

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

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

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

VII Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this 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. This provision is referred to as Minimum Revenue Provision.

VIII Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. The Council's annual leave policy is that a maximum of 3 days is permissible to be carried forward into the following year. An annual exercise is carried out to quantify any potential accrual for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. This accrual is calculated taking the budgeted average salary rates applicable in the following accounting year, being the period which the employee takes the benefit. Where the value of this accrual is material in total, the accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

For 2012/13 and 2011/12 the Council has determined that such an accrual is not material to the accounts.

Notes to the Core Financial Statements

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of 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 Authority.

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 scheme attributable to the Authority 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. The rate employed for the 2012/13 accounts is the yield available on long dated, high quality corporate bonds, as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years index at the IAS19 valuation date, amended to allow for the different durations of bonds and liabilities.
- The assets of the Suffolk County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as 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/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 Finance 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 Authority, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Notes to the Core Financial Statements

- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the relevant service cost area
- 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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any 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 are earned by employees.

Discretionary Benefits

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

IX Events After the Balance Sheet Date

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for 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; and
- 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.

X Financial Instruments - Financial Liabilities

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

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

Notes to the Core Financial Statements

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

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

XI Financial Instruments - 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; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income 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 Authority 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 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/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective 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 Authority.

Notes to the Core Financial Statements

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

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

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/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).

XII Government Grants and Contributions

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

- The Authority will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

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

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

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

Local Services Support Grant (LSSG) is a general grant allocated directly to local authorities as additional revenue funding. It is paid as un-ringfenced funding under section 31 of the Local Government Act 2003. As there are no terms or conditions attached to this funding it is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Account in the same manner as Area Based Grant (ABG) was until 31 March 2011.

Notes to the Core Financial Statements

XIII Heritage Assets

Tangible and Intangible Heritage Assets

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

The Authority's Heritage Assets are held in various locations across the District. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. In line with the Council's policy on recognition of property, plant and equipment, the de minimis level for capitalising heritage assets is £7,500.

The Authority's collections of heritage assets are accounted for as follows.

Statues and Monuments

This includes the Newmarket Stallion (Horse and Rider), a bronze statue of King Charles II's horse, Old Rowley. These items are reported in the Balance Sheet at insurance replacement valuations supplied by external Valuers with specialist knowledge of this market. These valuations are kept under review and are updated annually. Where there is considered to be a determinate life, the Council will depreciate from 2011/12 in accordance with the Authority's accounting policies on property, plant and equipment.

Civic Items

Includes ceremonial items such as chains of office and other ceremonial items. These items are reported in the Balance Sheet at insurance replacement valuations which are supplied by external Valuers with specialist knowledge of this market. These valuations are kept under review and are updated annually. The civic items held by the Council are all deemed to have indeterminate lives and high residual values; hence the Council does not consider it appropriate to charge depreciation.

Other Heritage Assets

The Council's other heritage asset class consists of the Market Cross, situated in Mildenhall town centre. These items are reported in the Balance Sheet at depreciated replacement cost, supplied by external Valuers with specialist knowledge of this market. These valuations are kept under review and are updated annually. The Council's other heritage assets are all deemed to have indeterminate lives and high residual values, hence the Council does not consider it appropriate to charge depreciation.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note **XXI** in this summary of accounting policies. The proceeds of Heritage items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts see note **XXI**.

XIV Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic

Notes to the Core Financial Statements

benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(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.

The Useful Economic Lives (UEL) of the Council's intangible assets range from 3 to 5 years. The Authority's Market Rights are held as intangible assets but are deemed to have indefinite life, and an annual impairment review is undertaken.

XV Interests in Companies and Other Entities

The Council has an interest in ARP Trading Limited that has the nature of a Joint Venture and it requires the Council to prepare group accounts (as shown in the chapter on Group Accounts). Within the Council's own single entity accounts, the interest in this company is recorded as a Long Term Investment at market value.

XVI Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned the "First In First Out" (FIFO) costing formula.

XVII 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. 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.

XVIII Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority 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.

This Council has a Joint controlled operation, not an Entity with Breckland District Council, East Cambridgeshire District Council and St Edmundsbury Borough Council through the Anglia Revenues Partnership Joint Committee. In accordance with the Code the Council has accounted for its share of the income and expenditure within its own single entity accounts.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity.

In accordance with the Code and the Anglia Revenues Partnership Joint Committee agreement, from 2011/12, the Council has accounted for its share of the Assets being used by the joint controlled operation.

XIX 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 from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – 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.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses 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.

Notes to the Core Financial Statements

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 Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (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 Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie. netted off against the carrying value of the asset at the time of disposal), matched by a lease 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

XX 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 *Service Reporting Code of Practice 2010/11* (SeRCoP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Notes to the Core Financial Statements

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

XXI Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The deminimis level for capitalising such assets is £7,500.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. 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); and
- All other assets - fair value, determined 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.

Notes to the Core Financial Statements

Assets included in the Balance Sheet at fair value are revalued annually to ensure that their carrying amount is not materially different from their fair value at the year-end. 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 an impairment loss previously charged to a service.

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

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

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

Depreciation

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

- All Depreciation is calculated on a straight-line allocation over the useful life of the asset as estimated by the valuer (with the exception of Vehicle, Plant and Equipment);
- Newly acquired assets are depreciated from the first full year of use;
- Assets in the course of construction are not depreciated until they are brought into use and are then only depreciated from the first full year of use;
- For items of Property, Plant and Equipment with a value equal to or over £250k, that have major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately across the component headings of Land, Building, Mechanical/Engineering and External Works. Where Existing Use Value or Market Value are the basis for valuing an overall item; the basis for determining the components values is to establish the depreciated replacement cost for the components of Building, Mechanical/Engineering and External Works and to attribute the percentage values from this exercise to the Buildings Existing Use or Market Value.

Notes to the Core Financial Statements

- For items of Property, Plant and Equipment with a value under £250k, that have major components whose cost is significant in relation to the total cost of the item, are only componentised and depreciated separately where there is a material difference in depreciation value when componentising the asset. This normally only results in a component basis between Land and Building for assets under £250k.

The useful economic lives of assets are generally as follows:

Type of Asset	Useful Life up to*
Buildings & PPE components associated with buildings	40 Years
ICT Equipment (Hardware)	7 Years
ICT - Shared Anglia Revenues Partnership Assets	3 Years
Vehicles	8 Years
Infrastructure	20 Years
Heritage Assets	200 Years

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.



Industrial Sites

Disposals and Non-current Assets Held for Sale

At year end, when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued at year end, before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there

Notes to the Core Financial Statements

is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as 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 (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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 non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Donated Assets

Where an asset is acquired for other than a cash consideration or where payment is deferred, the asset will be recognised and included in the Balance Sheet at fair value.

Minimum Revenue Provision:

Expenditure on assets which have a life expectancy of more than one year (e.g. buildings, vehicles, machinery etc) is normally classified as capital expenditure. Capital expenditure can be financed through the Council's capital reserves (accumulated from capital receipts), revenue contributions (including use of revenue reserves) or external debt. Where capital expenditure is financed by external debt it would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years to match the expected useful life of the asset. The manner of spreading these costs is through an annual Minimum Revenue Provision, which was previously determined under Regulation, and will in future be determined under Guidance.

That, in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council continues to use the Capital Financing Requirement method for calculating the Minimum Revenue Provision for supported capital expenditure. The Council has no unsupported debt.

XXII Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 authority becomes aware of the obligation, and measured at the best estimate at the

Notes to the Core Financial Statements

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 up 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 authority settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

XXIII Reserves

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

XXIV 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. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXV 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.

Notes to the Core Financial Statements

Note 2 Accounting Standards that have been issued but have not yet been adopted

For 2012/13 the following accounting policy changes that need to be reported relate to:

IAS1 Presentation of Financial Statements

This accounting standard was amended in 2011 and the changes relate to the presentation of gains and losses on revaluations which are currently shown within Other Comprehensive Income and Expenditure. These are presentational changes only and as such there is no impact on the reported accounts.

IAS19 Employee Benefits

On 16 June 2011 the International Accounting Standards Board (IASB) issued an amendment to IAS19 Employee Benefits. This made changes to the date at which termination benefits are recognised. The new date will be based upon when the authority can no longer withdraw the termination offer or decision, as opposed to the previous regulations which set the date to when the authority was demonstrably committed to the termination.

As the amendments relate to accounting periods beginning on or after 1 January 2013, these amendments have not been allowed for in 2012/13 in the notes on Termination Benefits or Defined Benefit Pension Schemes. The Pension Fund actuaries have, however, made allowance for the amendments in the projection of the 2013/14 pension expense. In accordance with **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**, the changes will be applied retrospectively to the prior year in the 2013/14 accounts, and for 2012/13 this will result in a £274k increase to the expenses in the Comprehensive Income and Expenditure Statement.

Changes to other standards ie. **IFRS7 Financial Instruments: Disclosures** and **IAS12 Income Taxes** are unlikely to have any impact on the reported accounts.

Note 3 Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure. Anglia Community Leisure is a company limited by guarantee, with charitable objectives (and secured registered charity status on 10th November 2008). The Council does not have a control of the company and has therefore determined that the company is not a subsidiary of the Council (note 37 provides more details).
- Any significant potential legal claims by or against the Council have been reviewed and have been adjusted within the accounts as required under the CIPFA Code.

Note 4 Future Assumptions and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Notes to the Core Financial Statements

The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £120k for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>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.</p> <p>Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide Suffolk County Council which administers the pension fund with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 10% increase in the employer's liability. In monetary terms this equates to around £5.228M.</p> <p>A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £1.575M.</p> <p>A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £1.324M.</p> <p>A 0.5% increase in the Pension increase rate would result in an additional 7% employer liability totalling approximately £3.844M.</p>
Arrears	At 31 March 2013, the Authority had a balance of sundry debtors of £2.5M. A review of significant balances suggested that an allowance for doubtful debts of £421K was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £421K to set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Notes to the Core Financial Statements

Note 5 Material Items of Income and Expense

During the financial year to 31 March 2013 the Council had the following material items of expense:

Purchases of Property and Vehicles

As shown in note 12, Property, Plant and Equipment, the Council purchased property in the sum of £1,467k and Vehicles in the sum of £1,124k during the year.

Exit Packages

In October 2011 the Council approved the creation and implementation of a shared management team and officer structure between Forest Heath District Council and St Edmundsbury Borough Council for the purposes of delivering services across the areas of both Councils, generating cost savings. Termination payments made during 2012/13 as a direct result of this initiative, amounting to £803k, have been charged to the Comprehensive Income and Expenditure Statement. Notes 34 Officers Remuneration, 41 Termination Benefits and 43 Contingent Liabilities provide further details.

Note 6 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Resources and Performance (Chief Financial Officer) on 28 June 2013. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Business Rate Retention

With effect from 1 April 2013, new arrangements for the retention of business rates came into effect. At this date, local authorities will assume the liability for refunding ratepayers who successfully appeal against the rateable value of their properties on the rating list.

An assessment has been carried out and appeals cases outstanding at 1 April 2013 identified. Based upon the estimated loss of rateable value for each case, an estimated percentage loss of 1.73% has been calculated. This has been applied to the Gross Rates Yield for 2013/14 to determine an approximate expected loss of business rates for that year. In addition, a further 1% has been applied to the 2013/14 yield as an approximation for losses relating to years prior to 2013/14. The Council will bear 40% of the total loss, which equates to approximately £246,000. No amendment is required to the 2012/13 financial statements in respect of this amount.



Lark in the Park

Notes to the Core Financial Statements

Note 7 Adjustments between Accounting Basis & 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.

The transactions for the year ended 31 March 2013 are as follows:

CURRENT YEAR - 2012/13	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,088	0	0	(1,088)
Revaluation losses on Property, Plant and Equipment	(190)	0	0	190
Movements in the Market Value of Investment Properties	172	0	0	(172)
Capital Grants and Contributions applied	0	0	(589)	589
Movement in the Donated Assets Account	0	0	0	0
Revenue Expenditure funded from Capital under Statute	1,080	0	0	(1,080)
Net Gain or Loss on Sale of Non-Current Assets	85	0	0	(85)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(150)	0	0	150
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(540)	0	540	0

Continued on the following page.

Notes to the Core Financial Statements

CURRENT YEAR - 2012/13 - (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(185)	185	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(3,492)	0	3,492
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,328	0	0	(1,328)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,064)	0	0	1,064
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	46	0	0	(46)
Total Adjustments	1,670	(3,307)	(49)	1,686



Brandon Town Centre

Notes to the Core Financial Statements

The transactions for the year ended 31 March 2012 are as follows:

PRIOR YEAR - 2011/12	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,111	0	0	(1,111)
Revaluation losses on Property, Plant and Equipment	1,075	0	0	(1,075)
Movements in the Market Value of Investment Properties	335	0	0	(335)
Capital Grants and Contributions applied	0	0	(789)	789
Movement in the Donated Assets Account	1,015	0	0	(1,015)
Revenue Expenditure funded from Capital under Statute	786	0	0	(786)
Net Gain or Loss on Sale of Non-Current Assets	392	0	0	(392)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(157)	0	0	157
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(699)	0	699	0

Continued on the following page.

Notes to the Core Financial Statements

PRIOR YEAR - 2011/12 - (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(399)	399	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(1,854)	0	1,854
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	976	0	0	(976)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(891)	0	0	891
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	69	0	0	(69)
Total Adjustments	3,613	(1,455)	(90)	(2,068)



Aspal Close Nature Reserve, Beck Row

Notes to the Core Financial Statements

Note 8 Transfers to / (from) Earmarked Reserves

This note sets out the amounts set aside from the General Fund and balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13.

Other Earmarked Reserves includes a number of other reserves that hold a lower balance at 31 March 2013 or which are of a less significant nature.

Reserve	Balance at 1 April 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Balance at 31 March 2013 £000
Car Park Development Reserve	99	0	0	99	0	0	99
Corporate Priority Development Fund	393	(39)	51	405	(142)	0	263
Professional Fees Reserve	51	0	0	51	0	0	51
Computer Development Reserve	136	(1)	0	135	(10)	0	125
Local Plan Preparation Reserve	261	(4)	0	257	(12)	0	245
Planning Monitoring Officer Reserve	103	(21)	41	123	(35)	39	127
New Homes Bonus Reserve	0	(173)	679	506	(241)	1,320	1,585
Planning Delivery Grant Reserve	285	(142)	0	143	(20)	0	123
Shared Services Cost of Change	289	0	0	289	(734)	1,178	733
Insurance Excess Reserve	82	0	0	82	0	0	82
Homelessness Legislation Reserve	127	(12)	50	165	(14)	0	151
Economic Development (LABGI)	334	(89)	0	245	(44)	0	201
Commuted Sums - Public Open Space	93	(5)	0	88	(5)	5	88
ARP Partnership Reserve	145	(54)	69	160	(112)	121	169
Communities Against Drugs Reserve	119	(3)	0	116	(5)	0	111
Planning Policy Statement Climate Change Reserve	118	(22)	0	96	(42)	0	54
Risk / Recession Reserve	1,168	(122)	118	1,164	(1,161)	167	170
Other Earmarked Reserves	446	(91)	88	443	(260)	369	552
Total	4,249	(778)	1,096	4,567	(2,837)	3,199	4,929
Net Movement in the year			318			362	

The earmarked reserves as detailed have been set up for the following reasons:

Notes to the Core Financial Statements

Car Park Development Reserve	Monies set aside for future Car Park repairs and service improvements.
Corporate Priority Development Fund	Monies set aside to fund future corporate priority projects.
Professional Fees Reserve	To meet future professional fee obligations.
Computer Development Reserve	To meet future computer hardware and software requirements.
Local Plan Preparation Reserve	Monies set aside to fund the Local Development Framework (LDF).
Planning Monitoring Officer Reserve	Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.
New Homes Bonus Reserve	Monies received in respect of the New Homes Bonus Grant which have been set aside for future spend.
Planning Delivery Grant Reserve	Grant funding received from central government set aside for development of the Planning service.
Shared Services Cost of Change Reserve	Monies set aside for investment in new technologies and streamlined working practices to provide longer term efficiencies and savings. Known as the "Invest to Save" Reserve until 2011/12.
Insurance Excess Reserve	Monies set aside to meet potential future Insurance Excess payments.
Homelessness Legislation Reserve	Monies set aside to fund future Homelessness legislation requirements.
Economic Development (LABGI)	Grant funding received from in respect of the "Local Authority Business Growth Incentive" (LABGI) set aside for the promotion of business growth.
Commuted Sums – Public Open Space	Monies received which have been set aside for future Public Open Space development and maintenance.
ARP Partnership Reserve	Government Grant monies received by the Anglia Revenues Partnership (ARP) for specific purposes which are held in reserve due to timings of receipts and usage.
Communities against Drugs Reserve	Monies set aside from grants received set aside for future spend on Crime Reduction and associated initiatives.
Planning Policy Statement Climate Change	Government Grant monies received to assist Local Authorities with the Planning Policy Statement on Climate Change, set aside for future spend in this area.
Risk / Recession Reserve	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like.
Other Earmarked Reserves	The remaining Council reserves which are of a less significant nature.

Notes to the Core Financial Statements

Note 9 Other Operating Expenditure

This note provides further detail regarding the figures shown in respect of "Other Operating Expenditure" in the Comprehensive Income and Expenditure Statement.

2011/12		2012/13
£000		£000
1,320	Parish Council Precepts	1,439
41	(Gains) / losses on the disposal of non-current assets	(100)
1,361		1,339

Note 10 Financing and Investment Income and Expenditure

This note provides further detail regarding the figures shown in respect of "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement.

These include interest payable by the Council, interest received on loans and investments (both short and long term), and the notional Pensions interest cost and expected return on pensions assets as required by IAS19 "Employee Benefits".

2011/12		2012/13
£000		£000
171	Interest Payable and similar charges	169
(822)	Interest receivable and similar income	(738)
(49)	Pensions interest cost and expected return on pensions assets	239
39	Expenditure in relation to Investment Properties	49
(598)	Income in relation to Investment Properties (including net gain / loss from fair value adjustments)	(570)
(1,259)		(851)



Olympic Torch Relay, Newmarket 2012

Notes to the Core Financial Statements

Note 11 Taxation and Non-Specific Grant Income

This note provides further detail regarding the figures shown in respect of "Taxation and Non-Specific Grant Income" in the Comprehensive Income and Expenditure Statement.

This includes the element of Council Tax collected attributable to the council, the amount of Non-Domestic Rates received from the national pool, the amount of Revenue Support Grant received and other non-service related Government Grants such as the New Homes Bonus and Council Tax Freeze Grant.

It should be noted that the Council was granted the sum of £1,436k for 2012/13 in respect of the New Homes Bonus, however the first instalment of the 2012/13 allocation in the sum of £117k was received in March 2012 and has this therefore been included in the 2011/12 figures for Non-service related Government Grants.

2011/12		2012/13
£000		£000
(3,725)	Council Tax Income	(3,900)
(3,467)	Non domestic rates	(3,993)
(1,072)	Revenue Support Grant (RSG)*	(77)
(820)	Non-service related Government Grants (see Note 36)	(1,432)
(699)	Capital grants and contributions	(540)
(9,783)	Taxation and Non-Specific Grant Income before Donated Asset	(9,942)
1,015	Donated Asset**	0
(8,768)		(9,942)

* The Council's formula grant settlement is made up of National Non-Domestic Rates (NNDR) and Revenue Support Grant (RSG). The relative proportions of NNDR and RSG can vary from year to year, depending upon the amounts that the Secretary of State for Communities and Local Government determines as part of the Local Government Finance Settlement.

** During 2010/11, the Council received a donated asset, valued at £1,034k, as part of the development agreement for the Red Lodge area housing development. The Council transferred this pavilion and its operations to Red Lodge Parish Council early in 2011/12. In line with the Council's policy on depreciation, the pavilion was depreciated in 2011/12, as the year of disposal and its net book value of £1,015k was charged into the above Taxation and Non-Specific Grant Income.



Housing Development

Notes to the Core Financial Statements

Note 12 Property, Plant and Equipment

Movements on Balances

This note details the movements during the current and previous financial years on the non-current assets which have been classified under "Property, Plant and Equipment".

The note below details the movements on balances in the previous financial year ended 31 March 2012.

A. 2011/12 - Previous Financial Year	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2011	35,349	2,806	713	202	0	351	39,421
Additions	595	782	19	0	0	430	1,826
Additional assets written on during the year	0	5	0	0	0	0	5
Donations	(1,034)	0	0	0	0	0	(1,034)
Revaluation increases recognised in the Revaluation Reserves	2,812	0	87	0	0	0	2,899
Revaluation decreases recognised in the Revaluation Reserves	(561)	0	0	0	0	0	(561)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	738	0	6	0	0	0	744
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(2,367)	0	0	0	0	0	(2,367)
Derecognition - disposals	(244)	(519)	0	0	0	0	(763)
Derecognition - other	0	(189)	0	0	0	0	(189)
Assets reclassified (to)/from Held for Sale	(112)	0	0	0	0	0	(112)
Other movements in cost or valuation	99	2	0	0	0	(101)	0
At 31 March 2012	35,275	2,887	825	202	0	680	39,869

Continued on the following page.

Notes to the Core Financial Statements

A. 2011/12 - Previous Financial Year	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment							
At 1 April 2011	1	(1,745)	(68)	0	0	0	(1,812)
Depreciation charge	(762)	(246)	(34)	0	0	0	(1,042)
Revaluation gain - depreciation written out to the Revaluation Reserve	60	0	2	0	0	0	62
Revaluation losses - depreciation written out to the Revaluation Reserve	124	0	0	0	0	0	124
Revaluation gain - depreciation written out to the Surplus/Deficit on the Provision of Services	292	0	0	0	0	0	292
Revaluation losses - depreciation written out to the Surplus/Deficit on the Provision of Services	256	0	0	0	0	0	256
Derecognition - disposals	8	499	0	0	0	0	507
Derecognition - donated asset	19	0	0	0	0	0	19
Derecognition - other	0	72	0	0	0	0	72
At 31 March 2012	(2)	(1,420)	(100)	0	0	0	(1,522)
Net Book Value							
At 31 March 2012	35,273	1,467	725	202	0	680	38,347
At 31 March 2011	35,350	1,061	645	202	0	351	37,609

Notes to the Core Financial Statements

The note below details the movements on balances in the current financial year ended 31 March 2013.

B. 2012/13 - Current Financial Year	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2012	35,275	2,887	825	202	0	680	39,869
Additions	1,467	1,124	0	0	0	352	2,943
Additional assets written on during the year	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0
Revaluation increase recognised in the Revaluation Reserves	114	0	0	0	0	0	114
Revaluation (decreases) recognised in the Revaluation Reserves	(258)	0	(6)	0	0	0	(264)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	84	0	0	0	0	0	84
Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services	(405)	0	0	0	0	0	(405)
Derecognition - disposals	0	(708)	0	0	0	0	(708)
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(285)	0	0	0	0	0	(285)
Other movements in cost or valuation	0	0	0	0	0	0	0
At 31 March 2013	35,992	3,303	819	202	0	1,032	41,348

Continued on the following page.

Notes to the Core Financial Statements

B. 2012/13 - Current Financial Year	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation and Impairment							
At 1 April 2012	(2)	(1,420)	(100)	0	0	0	(1,522)
Depreciation charge	(795)	(216)	(37)	0	0	0	(1,048)
Revaluation gain - depreciation written out to the Revaluation Reserve	82	0	0	0	0	0	82
Revaluation losses - depreciation written out to the Revaluation Reserve	172	0	4	0	0	0	176
Revaluation gain - depreciation written out to the Surplus/Deficit on the Provision of Services	165	0	0	0	0	0	165
Revaluation losses - depreciation written out to the Surplus/Deficit on the Provision of Services	346	0	0	0	0	0	346
Derecognition - disposals	0	642	0	0	0	0	642
Derecognition - other	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	9	0	0	0	0	0	9
At 31 March 2013	(23)	(994)	(133)	0	0	0	(1,150)
Net Book Value							
At 31 March 2013	35,969	2,309	686	202	0	1,032	40,198
At 31 March 2012	35,273	1,467	725	202	0	680	38,347

Depreciation

The useful lives and depreciation rates which have been used in the calculation of depreciation have been classified in Note 1 of the Accounting Policies item **XXI**.

Capital Commitments

At 31 March 2013, the Council did not have any significant capital commitments.

Revaluations

Notes to the Core Financial Statements

The Council carries out an annual programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every year.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The valuations were prepared by the District Valuers, Valuation Office, Rosebery Court, Central Avenue, St Andrew's Business Park, Norwich. NR7 OHS

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	372	2,309	511	202	1,032	4,426
Valued at fair value as at:						
31 March 2013	35,597	0	175	0	0	35,772
Total Net Book Value	35,969	2,309	686	202	1,032	40,198



Street Cleansing Vehicle

Notes to the Core Financial Statements

Note 13 Heritage Assets

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

Reconciliation of the Carrying Value of Heritage Assets held by the Council

A. 2011/12 - Previous Financial Year	Statues and Monuments	Civic items	Other Heritage Assets	Total Heritage Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2011	260	30	5	295
Reclassified into Heritage Assets	(1)	0	0	(1)
Revaluations	1	0	77	78
At 31 March 2012	260	30	82	372

B. 2012/13 - Current Financial Year	Statues and Monuments	Civic items	Other Heritage Assets	Total Heritage Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	260	30	82	372
Impairment/Revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	(2)	(2)
Depreciation	(1)	0	(3)	(4)
Revaluations - Depreciation Adjustment	1	0	3	4
At 31 March 2013	260	30	80	370

Heritage Assets

The above Heritage Assets have been accounted for in line with the Council's accounting policy XIII.

Statues and Monuments

The Newmarket Stallion, bronze statue of the horse, Old Rowley, and his trainer, was donated to the Council by Marcia Astor & Allan Sly and was unveiled by Simon Gibson on 14th October 2000. The statue is raised upon a sandstone plinth and is situated on the Rowley Mile roundabout, in Newmarket.

Notes to the Core Financial Statements

The statue is in a good overall condition with very minor weathering only. The expected valuation is its insurance value which reflects the costs involved of having the piece fully re-commissioned. This is a heavy cast example that is depreciated from 2011/12 over an expected life of 200 years.

The valuations were prepared by Lacy Scott and Knight, Valuers and Auctioneers, Bury St Edmunds, Suffolk, IP33 3AA.

Civic items

The Council holds a 9ct gold Mayoral chain (civic regalia), with enamel set shield shaped pendant jewel, the chain of pierced oval and square links, with additional silver gilt and enamel pendant bearing the Forest Heath District Council coat of arms, and a Chairman's Consort silver and enamel pendant with curblink neckchain.

The chain is in a good overall condition with very little wear. The expected valuation is its insurance value which reflects the costs involved in commissioning a goldsmith to make a replacement if ever required. No depreciation is charged as it is expected to have an indeterminable finite useful life.

The valuations were prepared by Lacy Scott and Knight, Valuers and Auctioneers, Bury St Edmunds, Suffolk, IP33 3AA.

Other Heritage Assets

The Council's other heritage asset class consists of the Market Cross, situated in Mildenhall town centre. The market takes place every Friday, and the construction of the Market Cross commemorates confirmation of the importance of the Friday market by the Royal Charter in 1412.

The expected valuation is depreciated replacement cost, which reflects the costs of replacement. No depreciation is charged as it is expected to have an indeterminable finite useful life.

The valuations were prepared by the District Valuers, Valuation Office, Rosebery Court, Central Avenue, St Andrew's Business Park, Norwich. NR7 OHS



Mildenhall Market Cross

Disposals of Heritage Assets

There were no disposals of any of the Council's Heritage Assets during either 2012/13 or 2011/12.

Note 14 Investment Properties

Notes to the Core Financial Statements

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2011/12		2012/13
£000		£000
(598)	Income from Investment Properties (including net gain / loss from fair value adjustments) *	(570)
39	Direct operating expenses arising from Investment Properties	49
(559)	Net gain	(521)

*The rental income from Investment Properties for 2012/13 totalled £742k (£918k in 2011/12).

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 repairs, maintenance or enhancement.

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

2011/12		2012/13
£000		£000
10,908	Balance at start of Year	10,573
0	Additions:	0
0	Disposals	0
(335)	Net gains / (losses) from fair value adjustments	(172)
10,573	Balance at the end of the Year	10,401

Notes to the Core Financial Statements

Note 15 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and 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 major software suites used by the Council have been classified in Note 1 of the Accounting Policies item **XIV**.

The movements in the Council's intangible assets were as follows:

2011/12		2012/13
£000		£000
	Balance at start of Year	
1,193	- Gross carrying amounts	1,179
(926)	- Accumulated amortisation	(973)
267	Net carrying amount at start of year	206
	Additions:	
31	- Purchases	58
42	- Assets written on during the year	0
(87)	Other disposals	(130)
0	Revaluation increases or decreases	3
(68)	Amortisation for the period	(36)
21	Amortisation - disposals	111
206	Net carrying amount at end of year	212
	Comprising:	
1,179	- Gross carrying amounts	1,110
(973)	- Accumulated amortisation	(898)
206		212

Notes to the Core Financial Statements

Note 16 Long Term Investments

The long term investments held in the balance sheet comprise the Council's share holding in Anglia Revenues Partnership (ARP) Trading Limited which is classed as an available for sale financial instrument, and its money market investments which are due to mature in a period greater than one year from the balance sheet date.

31 March 2012		31 March 2013	
£000		£000	
31	ARP Trading Limited - Share Holding		36
17,415	Long-term Money Market Investments, maturing in over a year		9,503
17,446	Balance at 31 March		9,539

Note 17 Short Term Investments

The Council's short term investments comprise several money market investments which are due to mature after 3 months but before one year of the balance sheet date.

In accordance with the Council's accounting policies, any investments which were due to mature within 3 months of the date issued have been classified as cash equivalents.

31 March 2012		31 March 2013	
£000		£000	
7,860	Short-term Money Market Investments, maturing in less than a year		8,367
7,860	Balance at 31 March		8,367

Note 18 Short Term Debtors

The following table shows the debtors due within one year of the balance sheet date, categorised by the type of organisation. The figure stated in the balance sheet also takes account of the Council's provision for bad debts and payments that have been made in advance at the balance sheet date.

31 March 2012		31 March 2013	
£000		£000	
117	Central government bodies		1,500
1,048	Other local authorities		2,493
1,172	Other entities and individuals		1,403
2,337	Sub-Total: Short Term Debtors		5,396
144	Add: Payments in advance		85
2,481	Total		5,481

Notes to the Core Financial Statements

Note 19 Cash and Cash Equivalents

The balances of Cash and Cash Equivalents are made up of the following elements:

31 March 2012		31 March 2013
£000		£000
3	Cash held by the Council	3
164	Bank Current Accounts	298
3,005	Short Term Deposits with Clearing Banks and Building Societies	4,900
3,172	Total Cash and Cash Equivalents	5,201

For further information regarding how the Council classifies its cash and cash equivalents, please see section **IV - Cash and Cash Equivalents**, in the Accounting Policies.

Note 20 Assets held for Sale

The Council held the following assets for sale as at 31 March:

2011/12	<u>Current Assets Held for Sale</u>	2012/13
£000		£000
0	Balance outstanding at start of year	112
	Assets newly classified as held for sale:	
112	- Property, Plant and Equipment	276
0	Revaluation gains	9
112	Balance outstanding at year end	397

The sale of these assets is expected to be realised in the next financial year, and therefore these have all been classified as current assets held for sale in the Balance Sheet.

Notes to the Core Financial Statements

Note 21 Inventories

The following table shows the Council's movements and balances on its inventories.

Consumable Stores primarily related to stationery and fuel supplies. For 2010/11 vehicle fuel which was procured by the Council and was held at the Council's depot was also included in this heading. From April 2011 onwards the Council sourced its fuel on a direct use, invoicing basis, via St Edmundsbury Borough Council and therefore did not hold any fuel inventories as at 31st March 2013. In addition to this, from 2011/12 onwards the Council did not hold any significant stocks of stationery, hence the nil balance on Consumable Stores.

Property acquired or constructed for sale includes rail cards and general vending at the Council's information points and tourism outlets.

	Consumable Stores		Property Acquired for Sale		Total	
	2011/12 £000s	2012/13 £000s	2011/12 £000s	2012/13 £000s	2011/12 £000s	2012/13 £000s
Balance outstanding at start of year	13	0	10	9	23	9
Purchases	0	0	0	0	0	0
Recognised as an expense in the year	(13)	0	0	0	(13)	0
Written off balances	0	0	(1)	0	(1)	0
Balance outstanding at year end	0	0	9	9	9	9



Mildenhall Bus Station & Tourist Information point

Notes to the Core Financial Statements

Note 22 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Council's Balance Sheet:

	Long-Term		Current	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Investments				
Loans and receivables:				
- Money Market Loans	17,412	9,500	9,360	11,367
- Other Loans	3	3	0	0
- Cash	0	0	1,672	2,201
Available for sale Financial Assets	31	36	0	0
Total Investments	17,446	9,539	11,032	13,568
Debtors				
- Loans and receivables:	0	0	1	1
- Financial assets carried at contract amounts	0	0	1,868	2,923
Total Debtors	0	0	1,869	2,924
Borrowings				
Financial liabilities at amortised cost	4,000	4,000	3	3
Total Borrowings	4,000	4,000	3	3
Creditors				
Financial Liabilities at amortised cost	447	475	1,551	2,720
Total Creditors	447	475	1,551	2,720

Reclassifications

The Council has not reclassified any financial instruments in the year of reporting.

Notes to the Core Financial Statements

Income, Expense, Gains and Losses

The following table shows where the income, expense, gains and losses in respect of the Council's financial instruments have been included in the Comprehensive Income and Expenditure Statement.

	2011/12				2012/13			
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Interest Expense	171	0	0	171	169	0	0	169
Total expense in Surplus or Deficit on the Provision of Services	171	0	0	171	169	0	0	169
Interest income	0	(822)	0	(822)	0	(738)	0	(738)
Total income in surplus or Deficit on the Provision of Services	0	(822)	0	(822)	0	(738)	0	(738)
Gains on revaluation	0	0	0	0	0	0	(5)	(5)
Losses on revaluation	0	0	27	27	0	0	0	0
(Surplus) /Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	27	27	0	0	(5)	(5)
Net (gain) / loss for the year	171	(822)	27	(624)	169	(738)	(5)	(574)

Notes to the Core Financial Statements

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For borrowing, premature repayment rates have been applied to provide the fair value under debt repayment procedures;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. In the case of borrowings and investments the fair value is that provided by Sector in its Portfolio Valuation based on the Effective Interest Rate (EIR); and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	1,551	1,551	2,720	2,720
Long-term creditors	4,000	3,778	4,000	3,924

	31 March 2012		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Money Market Loans	26,771	27,832	20,867	21,435
Other Loans and receivables	3	3	3	3
Cash	1,672	1,672	2,201	2,201
Financial Assets (Debtors)	1,868	1,868	2,923	2,923

The fair value of other loans and receivables 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.

The long term loan agreement of £4m was entered into on 31 March 2008 with Barclays Bank PLC on Lenders Option Borrowers Option (LOBO) terms. At 2018 and future contractual review dates the Council will be offered revised terms which it will have an option to accept or decline.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. It should be noted that the figures quoted do not include those arising from statute.

Notes to the Core Financial Statements

Note 23 Short Term Creditors

The following table shows the creditors due within one year of the balance sheet date, categorised by type.

31 March 2012		31 March 2013	
£000		£000	
713	Central government bodies	140	
375	Other local authorities	1,572	
1,231	Other entities and individuals	1,249	
2,319	Total	2,961	

Note 24 Provisions

The table below shows the movements in the Council's provisions during the 2012/13 financial year:

	Cost of Change	Total
	£000	£000
Balance as at 1 April	189	189
Additional provisions made in 2012/13	30	30
Amounts used in 2012/13	(189)	(189)
Unused amounts reversed in 2012/13	0	0
Balance as at 31 March 2012	30	30

The provisions amount of £30k is in respect of further Termination Benefit payments as outlined in Note 41.

This amount is measured at the expected amount to be paid during 2013/14, following a demonstrable commitment by the Council to a detailed plan for terminations at the Balance Sheet date. In addition to this provision, a further Contingent Liability has been identified in respect of potential further terminations - see Note 43 – Contingent Liabilities.

Note 25 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Notes to the Core Financial Statements

Note 26 Unusable Reserves

The balances on the Council's unusable reserves as at 31 March are as follows:

31 March 2012		31 March 2013
£000		£000
4,768	Revaluation Reserve	4,778
31	Available for Sale Financial Instruments Reserve	36
41,088	Capital Adjustment Account	43,196
(10,682)	Pensions Reserve	(13,576)
14	Deferred Capital Receipts Reserve	14
(4)	Collection Fund Adjustment Account	(50)
35,215	Total Unusable Reserves	34,398

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. 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.

The movements in the Revaluation Reserve were as follows:

2011/12		2012/13
£000		£000
2,216	Balance at 1 April	4,768
3,039	Upward revaluation of assets	212
(437)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(90)
4,818	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	4,890
(36)	Difference between fair value depreciation and historical cost depreciation	(112)
(14)	Accumulated gains on assets sold or scrapped	
4,768		4,778
0	Amount written off to the Capital Adjustment Account	0
4,768	Balance at 31 March	4,778

Notes to the Core Financial Statements

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; or
- disposed of and the gains are realised.

The movements in the Available for Sale Financial Instruments Reserve were as follows:

2011/12		2012/13
£000		£000
58	Balance at 1 April	31
(27)	(Downward) / upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	5
31	Balance at 31 March	36

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.

Notes to the Core Financial Statements

The movements on the Capital Adjustment Account during the current and previous financial years were as follows:

2011/12		2012/13
£000		£000
42,952	Balance at 1 April	41,088
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,043)	- Charges for depreciation and impairment of non-current assets	(1,052)
(1,075)	- Revaluation gains/(losses) on Property, Plant and Equipment	190
(68)	- Amortisation of intangible assets	(36)
(786)	- Revenue expenditure funded from capital under statute	(1,080)
(439)	- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to Comprehensive Income and Expenditure Statement	(85)
47	- Additional Assets written on during the year	0
<u>(3,364)</u>		<u>(2,063)</u>
50	Adjusting amounts written out of the Revaluation Reserve	112
39,638	Net written out amount of the cost of non-current assets consumed in the year	39,137
	Capital financing applied in the year:	
1,854	- Use of the Capital Receipts Reserve to finance new Capital expenditure	3,492
689	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	564
100	- Application of grants to capital financing from the Capital Grants Unapplied Account	25
<u>2,643</u>		<u>4,081</u>
157	Minimum Revenue Provision	150
(335)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(172)
(1,015)	Donated Assets Received in the year with No Conditions attached	0
41,088	Balance at 31 March	43,196

Notes to the Core Financial Statements

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.

The movements in the Pensions Reserve were as follows:

2011/12		2012/13
£000		£000
(6,511)	Balance at 1 April	(10,682)
(4,086)	Actuarial gains or (losses) on pensions assets and liabilities	(2,630)
(976)	Reversal of items relating to retirement benefits credited or (debited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,328)
891	Employer's pensions contributions and direct payments to pensioners payable in that year	1,064
<u>(10,682)</u>	Balance at 31 March	<u>(13,576)</u>



Brandon

Notes to the Core Financial Statements

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.

There were no movements on the Deferred Capital Receipts Reserve in 2011/12 or 2012/13.

2011/12		2012/13
£000		£000
14	Balance at 1 April	14
0	Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	0
14	Balance at 31 March	14

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.

The movements in the Collection Fund Adjustment Account were as follows:

2011/12		2012/13
£000		£000
65	Balance at 1 April	(4)
(69)	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	(46)
(4)	Balance at 31 March	(50)

Notes to the Core Financial Statements

Note 27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12		2012/13
£000		£000
(179)	Interest Paid	(170)
583	Interest Received	1,144
404		974

Note 28 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2011/12		2012/13
£000		£000
2,523	Purchase of property, plant and equipment, investment property and intangible assets	4,023
(1,283)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(883)
(1,000)	Proceeds from short-term and long-term investments	(7,000)
240	Net cash flows from investing activities	(3,860)

Note 29 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2011/12		2012/13
£000		£000
(30)	Other (receipts) / payments for financing activities	74
(30)	Net cash flows from financing activities	74

Notes to the Core Financial Statements

Note 30 Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCoP).

However, up to 2011/12 decisions about resource allocation were taken by the Council's Management Team and subsequently ratified on a quarterly basis by the Performance and Audit Committee (PAC) and the Corporate Services Committee on the basis of budget reports analysed across services.

With effect from 2012/13 the Council moved to a Cabinet structure. As a consequence, decisions about resource allocation were taken to the Cabinet and subsequently approved by full Council.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in the Council's Services in relation to impairments (whereas impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement); and
- Certain government grants such as Area Based Grant and Housing and Planning Delivery Grant are credited directly to the relevant services during the course of the financial year, but are reclassified within Government Grant income in the Comprehensive Income and Expenditure Statement.

The Council's current reporting arrangements require that we report to Cabinet and Council on a quarterly basis at the following 6 portfolio holder levels:

- **Resources, Governance and Performance;**
- **Economic development and Tourism;**
- **Planning, Housing and Transport;**
- **Environment and Waste;**
- **Health, Leisure and Culture; and**
- **Families and Communities.**

In addition to this, the Overview and Scrutiny function sits outside these portfolio holders and reports to its own committee.

In accordance with the code of practice, the Council has assessed the net expenditure for each of the above services in order to determine the appropriate reporting segments for the disclosure of amounts reported for resource allocation decisions.

It has been determined that each of the above portfolios constitutes over 10% of the Council's expenditure and are of a significant enough nature to warrant disclosure as separate reporting segments.

The Overview and Scrutiny function comprises only a small element of net expenditure and as such the decision has been taken to disclose it as part of the Resources, Governance and Performance portfolio.

It should be noted that the 2011/12 prior year notes have been restated in order to reflect the new Cabinet Reporting structure.

Notes to the Core Financial Statements

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

Service Income and Expenditure	Families and Communities	Economic Development and Tourism	Environment & Waste	Health, Leisure and Culture	Resources Governance & Performance Overview and Scrutiny	Planning Housing and Transport	Total
2012/2013	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other Service Income	(400)	(971)	(1,387)	(742)	(1,347)	(1,292)	(6,139)
Government Grants	(20,495)	(20)	0	0	(1,634)	(50)	(22,199)
Total Income	(20,895)	(991)	(1,387)	(742)	(2,981)	(1,342)	(28,338)
Employee Expenses	565	173	1,758	283	4,584	1,313	8,676
Other Service Expenses	20,656	809	2,266	2,240	(1,467)	1,340	25,844
Support Service Recharges	315	298	356	325	1,548	491	3,333
Total Expenditure	21,536	1,280	4,380	2,848	4,665	3,144	37,853
Net Expenditure	641	289	2,993	2,106	1,684	1,802	9,515

Restated Service Income and Expenditure	Families and Communities	Economic Development and Tourism	Environment & Waste	Health, Leisure and Culture	Resources Governance & Performance Overview and Scrutiny	Planning Housing and Transport	Total
2011/2012 Comparatives	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other Service Income	(410)	(769)	(1,218)	(359)	(802)	(1,171)	(4,729)
Government Grants	(19,298)	0	0	0	(907)	(79)	(20,284)
Total Income	(19,708)	(769)	(1,218)	(359)	(1,709)	(1,250)	(25,013)
Employee Expenses	715	151	1,627	291	3,693	1,250	7,727
Other Service Expenses	19,530	643	1,849	2,043	(1,617)	1,400	23,848
Support Service Recharges	815	251	257	8	1,822	435	3,588
Total Expenditure	21,060	1,045	3,733	2,342	3,898	3,085	35,163
Net Expenditure	1,352	276	2,515	1,983	2,189	1,835	10,150

Notes to the Core Financial Statements

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

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

2011/2012 £000		2012/2013 £000
10,150	Net Expenditure in the Service Analysis	9,515
0	Net expenditure of services and support services not included in the analysis	0
927	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis (see notes below)	(191)
820	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement (see notes below)	1,435
11,897	Cost of Services in the Comprehensive Income and Expenditure Statement	10,759

Amounts in the Comprehensive Income and Expenditure Statement not reported to Management in the analysis comprise:

- Impairments and revaluation gains and losses on non-current assets which are included within the service figures in the Cost of Service; and.
- Amounts written-out in respect of non-current assets which are included in the Cost of Services.

Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement comprise:

- Income received in respect of Car Loan and other interest which is included within the figures reported to Cabinet in respect of services but is excluded from the Cost of Services as it is included in the figures for Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
- Non-service related Government Grants such as Local Services Support Grant and the New Homes Bonus and Council Tax Freeze Grants which are reported to Cabinet within service figures but are excluded from the Cost of Services as they are included in the figures for Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

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

2012/2013	Service Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I & E £000	Allocation of Recharges £000	Cost of Services £000	Corporate amounts £000	Total £000
Fees, charges and other Service Income	(6,139)	0	(240)	0	0	(6,379)	(569)	(6,948)
Interest and investment interest	0	0	0	1	0	1	(738)	(737)
Income from Council tax	0	0	0	0	0	0	(3,901)	(3,901)
Government Grants and contributions	(22,199)	0	0	1,434	0	(20,765)	(6,042)	(26,807)
Total Income	(28,338)	0	(240)	1,435	0	(27,143)	(11,250)	(38,393)
Employee Expenses	8,676	0	0	0	0	8,676	0	8,676
Other Service Expenses	25,844	0	0	0	0	25,844	281	26,125
Support Service Recharges	3,333	0	0	0	0	3,333	7	3,340
Depreciation, amortisation and impairment	0	0	49	0	0	49	0	49
Interest payments	0	0	0	0	0	0	169	169
Precepts and levies	0	0	0	0	0	0	1,439	1,439
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	(100)	(100)
Total Expenditure	37,853	0	49	0	0	37,902	1,796	39,698
(Surplus) or deficit on the provision of services	9,515	0	(191)	1,435	0	10,759	(9,454)	1,305
(Surplus) or deficit on Joint Venture	0	0	0	0	0	0	(5)	(5)
Group (Surplus) or deficit	9,515	0	(191)	1,435	0	10,759	(9,459)	1,300

Notes to the Core Financial Statements

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

	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
2011/2012	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other Service Income	(4,729)	0	(800)	0	0	(5,529)	(647)	(6,176)
Interest and investment interest	0	0	0	0	0	0	(822)	(822)
Income from Council tax	0	0	0	0	0	0	(3,725)	(3,725)
Government Grants and contributions	(20,284)	0	0	820	0	(19,464)	(6,058)	(25,522)
Total Income	(25,013)	0	(800)	820	0	(24,993)	(11,252)	(36,245)
Employee Expenses	7,727	0	0	0	0	7,727	0	7,727
Other Service Expenses	23,847	0	0	0	0	23,847	1,040	24,887
Support Service Recharges	3,588	0	0	0	0	3,588	15	3,603
Depreciation, amortisation and impairment	0	0	1,727	0	0	1,727	0	1,727
Interest payments	0	0	0	0	0	0	171	171
Precepts and levies	0	0	0	0	0	0	1,320	1,320
Gain or loss on disposal of non-current assets	0	0	0	0	0	0	41	41
Total Expenditure	35,162	0	1,727	0	0	36,889	2,587	39,476
(Surplus) or deficit on the provision of services	10,149	0	927	820	0	11,896	(8,665)	3,231
(Surplus) or deficit on Joint Venture	0	0	0	0	0	0	11	11
Group (Surplus) or deficit	10,149	0	927	820	0	11,896	(8,654)	3,242

Notes to the Core Financial Statements

Note 31 Acquired and Discontinued Operations

The Council has not acquired or discontinued any operations of a significant nature during the financial year being reported or the preceding financial year.

Note 32 Trading Operations

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The Council has several cost centres which it classes under Trading Operations in the Comprehensive Income and Expenditure Statement. These cost centres are held for different reasons and have the ability to generate income for the Council. Industrial Sites and Business units are run on a commercial basis; however it is also the intention that they support the Council's "Economic Regeneration" corporate priority.

		2010/11	2011/12	2012/13	3 Year Total
		£000	£000	£000	£000
<u>Industrial Sites</u>	Turnover	(86)	(78)	(79)	(243)
	Expenditure	24	21	13	58
	Surplus	(62)	(57)	(66)	(185)
The Council owns and operates a number of Industrial Sites in the district. The trading objective is to operate these on a commercial basis and where possible generate an operating surplus.					
<u>Business Units</u>	Turnover	(741)	(637)	(808)	(2,186)
	Expenditure	381	439	532	1,352
	Surplus	(360)	(198)	(276)	(834)
The Council owns and operates a number of Business Units in the district. The trading objective is to operate these on a commercial basis and at least cover the associated running costs / where possible make a surplus.					
<u>Trade Refuse</u>	Turnover	(292)	(337)	(376)	(1,005)
	Expenditure	328	292	345	965
	(Surplus) / Deficit	36	(45)	(31)	(40)
The Council operates a Trade Refuse service on a commercial basis. The objective of this service is to break even as a minimum, and generate a surplus where possible.					
<u>Others</u>					
The consolidated results of the Council's other Trading Operations are:	Turnover	(56)	(49)	(42)	(147)
	Expenditure	123	101	103	327
	Deficit	67	52	61	180
Net Surplus on Trading Operations		(319)	(248)	(312)	(879)

Note 33 Members Allowances

Notes to the Core Financial Statements

The Council paid the following amounts to members of the Council during the year.

2011/12		2012/13
£000		£000
172	Allowances	203
19	Expenses	13
191	Total Members Allowances and Expenses	216

With effect from 9 May 2012 the Council introduced a Cabinet system. Prior to this it operated under an Alternative (fourth option) Committee Structure. Cabinet payments reflect the greater responsibility of portfolio holders and the time commitment required to perform this increased role.

One of the key principles underpinning the introduction of the Cabinet system was that it should be broadly cost neutral. The Council has been able to achieve efficiency savings from the introduction of the new Cabinet system as a result of fewer committee meetings and associated administration to achieve this cost neutral position.

Further details of the Council's Member Allowances scheme and the schedules of allowances can be found in the transparency pages on the Council's website at:

www.forest-heath.gov.uk



River Lark, Mildenhall

Notes to the Core Financial Statements

Note 34 Officers' Remuneration

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

		Salary, Fees and Allowances £	Termin- ation benefits £	Benefits in kind £	Expenses Allowances £	Pension Contrib- ution £	Total £
Head of Housing (new post Nov12)	2012/13	24,867	0	856	82	4,725	30,530
Postholder previously Head of Community Development	2012/13	34,814	0	1,197	115	6,615	42,741
	2011/12	59,452	0	2,849	120	10,107	72,528
Head of Planning and Regulatory Service (new post Nov12)	2012/13	25,301	0	0	1,342	4,807	31,450
Postholder previously Head of Planning	2012/13	35,421	0	0	1,878	6,730	44,029
	2011/12	59,452	0	0	120	10,107	69,679
Head of Resources and Performance (S151 Officer) (new post Nov12)	2012/13	27,083	0	712	181	5,145	33,121
	2011/12	0	0	0	0	0	0
Strategic Manager - Anglia Revenues Partnership	2012/13	63,754	0	0	16	12,113	75,883
	2011/12	60,651	0	1,249	0	10,311	72,211
<i>Shared as part of the Anglia Revenues Partnership</i>							
Chief Executive <i>Left 27/05/2012</i>	2012/13	0	0	0	0	0	0
	2011/12	100,200	136,571	3,572	120	17,764	258,227
Strategic Director (Resources) <i>Left 31/12/2012</i>	2012/13	37,158	99,406	2,040	155	7,060	145,819
	2011/12	74,315	0	3,004	120	12,634	90,073
Strategic Director (Services) <i>Left 31/12/2012</i>	2012/13	37,158	92,349	2,831	106	10,590	143,034
	2011/12	74,315	0	2,546	120	12,634	89,615
Head of Environmental Services <i>Left 31/01/2013</i>	2012/13	34,680	82,663	3,007	91	6,589	127,030
	2011/12	59,452	0	4,268	120	10,107	73,947
Head of Finance, ICT, Internal Audit & Procurement <i>Left 31/01/2013</i>	2012/13	39,635	59,474	1,711	251	7,531	108,602
	2011/12	59,452	0	2,289	120	10,107	71,968
Head of Human Resources and Corporate Support Services <i>Left 31/01/2013</i>	2012/13	34,680	56,410	3,139	92	6,589	100,910
	2011/12	59,452	0	4,516	120	10,128	74,216
Head of Corporate Development <i>Left 31/01/2013</i>	2012/13	34,680	31,966	2,027	70	6,589	75,332
	2011/12	52,740	0	3,356	106	9,003	65,205

Notes to the Core Financial Statements

Included within the above table and the tables below are provisions for any relevant termination benefits where the Council, at the year end, was demonstrably committed to such payments through the Council's Shared Services Agenda with St Edmundsbury Borough Council (St Edmundsbury BC); under accounting standards IAS19 Employee Benefits and IAS 37 Provisions, Contingent Liabilities (see notes 24 and 43).

Please see the exit package note below and note 41 for further information with regards to the overall termination benefits cost for the year ending 31st March 2013 and any necessary cost sharing with the Council's Shared Services partner St Edmundsbury BC.

The Council's has an agreed staff pay policy, which sets out how staff pay is determined. It places a particular focus on the remuneration of Chief Officers and the lowest paid staff, including the relationship between the two. This pay policy can be found on the Council's website on the transparency page headed 'staffing'.

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

Remuneration Band	2011/12	2011/12	2012/13	2012/13
	Number of Employees	Employees left during the year	Number of Employees	Employees left during the year
£50,000 to £54,999	2	1	1	0
£55,000 to £59,999	1	1	0	0
£60,000 to £64,999	0	0	0	0
£65,000 to £69,999	0	0	0	0
£70,000 to £74,999	0	0	1	1
£75,000 to £79,999	0	0	1	1
£80,000 to £84,999	1	1	0	0
£85,000 to £89,999	0	0	0	0
£90,000 to £94,999	0	0	0	0
£95,000 to £99,999	0	0	0	0
£100,000 to £104,999	0	0	0	0

Shared Service Joint Leadership Team (JLT)

During 2011 Council approval was given to the creation and implementation of a shared officer structure with St Edmundsbury Borough Council (SEBC).

A Joint Chief Executive was appointed in April 2012, employed by SEBC, who subsequently carried out a review and restructure of the senior management team across the two councils. This resulted in the appointment of a new Joint Leadership Team (JLT) comprising of the Joint Chief Executive, two Directors (appointed October 2012), and nine Heads of Service (appointed November 2012).

This new JLT will result in ongoing savings amounting to £870k in a full year. All payments made to enable this change were in line with the Council's HR policies and procedures, and the Local Government Pension Scheme regulations. The post-holders continue to be employed by the authority which employed them prior to the introduction of the shared JLT and the remuneration details above relate only to those staff employed by Forest Heath district Council.

Notes to the Core Financial Statements

The remuneration details of the staff employed by St Edmundsbury Borough Council are disclosed in that Council's Statement of Accounts.

Details of the total cost of the JLT, reflecting total contributions (inclusive of salary, national insurance and pension contributions), are set in the table below.

The table below shows how the council reimbursed SEBC for its share of relevant employee costs and the corresponding reimbursement from SEBC to FHDC, (for the period of appointment of the new JLT only). The reimbursement is based on both council's sharing equally the savings resulting from the restructure.

Shared Joint Leadership Team (JLT)		Expenditure	Expenditure
		by FHDC	by SEBC
		£	£
Joint Chief Executive - From April 2012		0	133,458
Director	} From Oct 2012	0	48,742
Director		0	48,603
Head of Economic Development & Growth	} From Nov 2012	0	29,466
Head of Human Resources & Organisational Development		0	32,225
Head of Legal & Democratic Services (Monitoring Officer)		0	36,858
Head of Leisure, Culture & Communities		0	36,841
Head of Policy, Communications & Customers		0	29,466
Head of Waste Management & Property Services		0	36,841
Head of Housing		32,120	0
Head of Planning & Regulatory Services		34,395	0
Head of Resources & Performance (S151 Officer)		35,048	0
Total Expenditure included in Officers' remuneration disclosure			101,563
Net adjustment between councils		85,450	(85,450)
Expenditure included in the Comprehensive I&E Statement		187,013	347,050

Notes on the Shared Services management restructuring with St Edmundsbury Borough Council, (SEBC).

The new **Joint Chief Executive** was appointed on 10 April 2012, the post-holder is employed by SEBC.

The two new **Directors** were appointed on 1 October 2012, both post-holders are employed by SEBC.

The new **Head of Economic Development & Growth** was appointed 1 November 2012, the post-holder is employed by SEBC.

The new **Head of Human Resources & Organisational Development** was appointed 1 November 2012, the post-holder is employed by SEBC.

Notes to the Core Financial Statements

The new **Head of Legal & Democratic Services (Monitoring Officer)** was appointed 1 November 2012, the post-holder is employed by SEBC.

The new **Head of Leisure, Culture & Communities** was appointed 1 November 2012, the post-holder is employed by SEBC.

The new **Head of Policy, Communications & Customers** was appointed 1 November 2012, the post-holder is employed by SEBC.

The new **Head of Waste Management & Property Services** was appointed 1 November 2012, the post-holder is employed by SEBC.

The new **Head of Housing** was appointed 1 November 2012, the post-holder transferred to the post from Head of Community Development, FHDC. The post-holder is employed by FHDC.

The new **Head of Planning & Regulatory Services** was appointed 1 November 2012, the post-holder transferred to the post from Head of Planning FHDC. The post-holder is employed by FHDC.

The new **Head of Resources & Performance (S151 Officer)** was appointed 1 November 2012, the post-holder is employed by FHDC.

The two Forest Heath District Council Directors posts were disestablished with effect from 1 October 2012 and the six Heads of Service posts were disestablished with effect from 1 November 2012.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies and departures are set out in the table below:

Exit package cost band (including special payments)	a)		b)		c)		d)		e)	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [b) + c)]		Total cost of exit packages in each band			
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
							£	£		
£0 - £20,000	0	1	5	0	5	1	61,441	12,195		
£20,001 - £40,000	0	0	1	1	1	1	29,945	20,724		
£40,001 - £60,000	0	2	2	0	2	2	96,773	115,884		
£60,001 - £80,000	0	1	0	1	0	2	0	145,803		
£80,001 - £100,000	0	2	0	0	0	2	0	191,756		
£100,001 - £150,000	1	1	0	0	1	1	136,571	121,125		
£150,001 - £200,000	0	0	0	0	0	0	0	0		
£200,001 - £250,000	0	1	0	0	0	1	0	216,306		
Total	1	8	8	2	9	10	324,730	823,793		

The Authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £824k (£325k for 2011/12) – see note 34 for the number of exit packages and total cost per band; note 24 in respect of the provisions made within this total and note 43 for the contingent liabilities note on termination benefits.

Notes to the Core Financial Statements

The total cost of £827k is the gross amount of exit packages paid to the authorities employees. This total cost includes £733k for exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC, of which £379k was recharged to St Edmundsbury BC as part of an agreed cost sharing basis.

St Edmundsbury BC has made similar provisions for exit packages under the Shared Services agenda, of which Forest Heath DC is in turn, picking up an agreed cost sharing basis amounting in total to £452k.

The Council has made allowances for these cost sharing's within the overall charge to the Comprehensive Income and Expenditure Statement; resulting in an overall net charge for the Authority of £875k in the current year.

Note 35 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.

2011/12		2012/13
£000		£000
95	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year *	(6)
0	Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	64
37	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	17
0	Fees payable to Ernst & Young LLP for the certification of grant claims and returns for the year	32
5	Fees payable in respect of other services provided by the Audit Commission during the year	1
137	Total External Audit Costs	108

With effect from 2012/13 the Council's appointed auditors are Ernst & Young LLP, and as such this note reflects the change of auditors for the financial year.

*The £6,000 credit relates to a rebate of costs incurred for the 2011/12 financial year which were paid during 2012/13 from the Audit Commission to the Council.

The fees payable for other services in 2012/13 related to audit services in respect of the National Fraud Initiative (NFI). For 2011/12 this figure also included work in respect of the VAT shelter scheme.

Notes to the Core Financial Statements

Note 36 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13 and the preceding financial year.

2011/12 £000		2012/13 £000
<u>Credited to Taxation and Non Specific Grant Income</u>		
<u>Government Grants and Contributions</u>		
1,072	Revenue Support Grant	77
3,467	National Non-Domestic Rates	3,993
679	New Homes Bonus (see note*)	1,320
61	Council Tax Freeze Grant	62
80	Local Services Support Grant (LSSG) - Preventing Homelessness	50
<u>Capital Grants and Contributions</u>		
180	Disabled Facilities Grant	191
418	Home of Horseracing	345
89	Sport England Big Lottery Grant	0
12	Other Grants	4
<u>Other Contributions</u>		
(1,015)	Donated Asset (see note**)	0
<u>5,043</u>	Total credited to Taxation and Non Specific Grant Income	<u>6,042</u>
<u>Credited to Services</u>		
90	National Non-Domestic Rates Administration Grant	90
18,919	Housing and Council Tax Benefits Subsidy	20,106
405	Housing and Council Tax Benefits Administration Subsidy	401
<u>19,414</u>	Total credited to Services	<u>20,597</u>

* The New Homes Bonus grant of £679k for 2011/12 shown in the Grants table above includes the sum of £117k received in advance in March 2012 in respect of the Council's 2012/13 allocation. The Council's actual allocation for 2011/12 totalled £562k and £1,436k for 2013/14.

** The Donated Asset for 2011/12 related to the Red Lodge Pavilion which was acquired by the Council in 2010/11 and transferred to the Parish Council during 2011/12.

Notes to the Core Financial Statements

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

2011/12		2012/13
£000		£000
Capital Grants and Contributions Received in Advance		
447	Section 106 Receipts	475
447	Total	475

Note 37 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.

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 (eg. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 30 on reporting for resources allocation decisions.

St Edmundsbury Borough Council

Forest Heath District Council and St Edmundsbury Borough Council have formally agreed that both councils are each other's preferred partners for Shared Services. The two councils appointed a shared Joint Leadership Team during 2012/13 and implemented a number of shared services in the same year. The shared service agenda is ongoing during 2013/14 and further information is available in the Explanatory Foreword and note 34 Officers Remuneration.

Members and Senior Staff

Members of the Council have direct control over its financial and operating policies. The total of members' allowances paid in 2012/13 is shown in note 33 – Members Allowances.

A number of Councillors are members of or serve on outside bodies that have provided services for, or received services from Forest Heath District Council and these bodies are listed below:

- Town/Parish Councils;
- Suffolk County Council;
- Anglia Revenues Partnership Joint Committee;
- ARP Trading Ltd;
- Anglia Community Leisure;
- Kings Forest Housing;
- Citizens Advice Bureaux; and
- Suffolk Development Agency;

There are no material related party transactions in respect of Councillors to disclose this year.

Notes to the Core Financial Statements

For the purpose of this note senior staff has been defined as being members of the Management Team, plus those individuals that have a statutory responsibility, i.e. Head of Paid Services, S151 Officer and the Monitoring Officer. There are no transactions that require disclosure in relation to these senior staff for the year.

Other Public Bodies (subject to common control by central government)

There have been no financial transactions during 2011/12 or 2012/13 in respect of the Waste Partnership with St Edmundsbury Borough Council.

Entities controlled or significantly influenced by the Council

ARP Trading Limited is a Joint Venture Company set up with Breckland District Council to trade with authorities in revenues and benefits services.

Anglia Revenues Partnership – Joint Committee

Anglia Revenues Partnership is delivered through a Joint Committee comprising Forest Heath District Council, Breckland District Council, East Cambridgeshire District Council and, from 1 April 2011, St Edmundsbury Borough Council.

Anglia Revenues Partnership is a group of Local Authorities working together to provide a shared revenues and benefits service to the residents of partner Councils and is governed under a joint committee arrangement. Each partner authority contributes to the shared costs of joint committee services undertaken on its behalf. The amounts of the Council's share of expenditure incurred by the joint committee service are included within the Council's comprehensive Income and Expenditure account as set out below:

2011/12 £000	<u>Anglia Revenues Partnership Joint Committee</u>	Provisional 2012/13 £000
	<u>Income and expenditure in respect of related party transactions during the year</u>	
1,101	Expenditure	1,107
(132)	Income	(161)
969	Total	946
40	Amounts owed to the Council in respect of the related party relationship	18

Further information regarding the Anglia Revenues Partnership can be found on its website:

www.angliarevenues.gov.uk

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 £23,355k in 2012/13 (£22,937k in 2011/12) on their behalf. At 31 March 2013 the Council held debtors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £829k (£388k in 2011/12).

The total sums collected for Suffolk County Council, Suffolk Police and St Edmundsbury Borough Council are shown in the Collection Fund (see page 95). The Comprehensive Income and Expenditure Account, Balance Sheet and Cash

Notes to the Core Financial Statements

Flow Statements show the council tax collected on behalf of the Council but excludes the agency transactions.

Anglia Community Leisure

On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure. Anglia Community Leisure is a company limited by guarantee, with charitable objectives (and secured registered charity status on 10th November 2008).

Anglia Community Leisure is run by a board of trustees, and the Council has the power to nominate up to two trustees, subject to the provisions which provide that the number nominated must not equal or exceed 20% of the total number of trustees. The Council currently does not exercise this power and has nominated observers to the board of trustees so it does not have any voting rights.

The contract involved the transfer of leisure centre staff and leasing the leisure centres to the Trust at a peppercorn rent in return for the provision of leisure services operations at these sites to meet a specification set by the Council. A management fee is payable to the Trust for these services, which is agreed annually in advance, and is paid monthly in advance. The Council is consulted on the business plans of Anglia Community Leisure prior to the agreement of a management fee to the Trust.

A management fee amounting to £0.760m was paid to the trust in 2012/13 (2011/12 £0.817m). This management fee is included in the Council's Comprehensive Income and Expenditure Statement under the Cultural heading.

Anglia Community Leisure's principal activity is to provide leisure facilities to the local community. The Trust's registered address is Newmarket Leisure Centre, Exning Road, Newmarket, Suffolk, CB8 0EA

2011/12	<u>Anglia Community Leisure</u>	Provisional
£000		2012/13
		£000
3,352	Income from charitable activities	3,363
(108)	Net incoming resources/(resources expended) after IAS19 adjustments	24
411	Net Assets	435

It should be noted that the 2012/13 figures quoted above are provisional ones as provided by Anglia Community Leisure and these are subject to change following the audit of their accounts.

The income from charitable activities includes the management fee paid by the Council to Anglia Community Leisure.

Copies of the audited accounts can be obtained from The Chief Executive, Anglia Community Leisure, Newmarket Leisure Centre, Exning Road, Newmarket, Suffolk, CB8 0EA.

Further information regarding Anglia Community Leisure can be found on its website:

www.angcomleisure.com

Notes to the Core Financial Statements

Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

2011/12		2012/13
£000		£000
3,913	Opening Capital Financing Requirement	3,756
	Capital Investment	
1,826	Property, Plant and Equipment	2,943
31	Intangible Assets	58
786	Revenue Expenditure Funded from Capital under Statute	1,080
	Sources of Finance	
(1,854)	Capital Receipts	(3,492)
(789)	Government grants and other contributions	(589)
	Sums set aside from revenue	
(157)	Minimum Revenue Provision	(150)
3,756	Closing Capital Financing Requirement	3,606
	Explanation of movements in year	
0	Increase/(decrease) in underlying need to borrowing (supported by government financial assistance)	0
(157)	Increase/(decrease) in underlying need to borrowing (unsupported by government financial assistance)	(150)
(157)	Increase/(decrease) in Capital Financing Requirement	(150)

Notes to the Core Financial Statements

Note 39 Leases

Council as Lessee

The Council acquired a number of leases as lessee and has undertaken a review to determine whether they are Finance or Operating leases.

Finance Leases

Following the review of leases as lessor the Council has determined that it holds one land lease under Finance leases.

Operating Leases

The Council has acquired a number of operating leases categorised as follows:

- Car Leases – 3 years
- Office accommodation – 99 years
- Land used for cultural services – 99 years
- Land used for Park and Ride facilities – ends 2012
- Photocopiers – typically 5 years

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

31 March 2012		31 March 2013	
£000		£000	
171	Not later than one year	130	
302	Later than one year and not later than five years	281	
5,324	Later than five years	5,264	
5,797	Balance as at 31 March carried forward	5,675	

The Council has a sub lease for part of the Guineas office but there are no minimum sublease payments expected to be received by the authority.

The minimum lease payments due to Suffolk County Council for the land at Newmarket Community Leisure Centre is offset against the management fee paid to ACL for the usage of the swimming pool.

The expenditure charged to various Service lines on the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2011/12		2012/13	
£000		£000	
47	Central Services to the Public	33	
132	Cultural, Environmental and Planning Services	121	
10	Highways, Roads and Transport	7	
4	Housing Services	4	
10	Corporate and Democratic Core	8	
203	Minimum Lease Payments	173	

Notes to the Core Financial Statements

Council as Lessor

The Council leases out various assets and has undertaken a review to determine whether they are Finance or Operating leases.

Finance Leases

The Council has one lease that is classified as a finance lease. The Council leases land at Recreation Way, Mildenhall, to Sainsbury's Supermarkets Ltd. The Council's net investment in the lease is a yearly peppercorn rent for 150 years. A lease Premium, however, was received by the Council in respect of this lease.

The total net amount received under the lease Premium was £1.446m. Of this amount £441k net was received in 2009/10 as an on account payment and £1.005m net in 2010/11. Both amounts are net after deducting professional fees in respect of the lease.

Operating Leases

The Authority leases out land and property under operating leases for the following purposes:

- the provision of community services, including two leisure centres and cultural centres.
- economic development purposes to provide suitable affordable accommodation for local businesses (which are typically three years in length).
- for the purposes of providing land for the development of retail facilities

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

31 March 2012		31 March 2013
£000		£000
812	Not later than one year	842
1,808	Later than one year and not later than five years	2,563
10,474	Later than five years	10,858
13,094	Balance as at 31 March carried forward	14,263

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into. There were £439k contingent rents receivable in 2012/13 (£601k in 2011/12) by the Authority for a percentage of rents received from retail tenants occupying Mildenhall town centre shopping precinct and land used for the Guineas shopping centre at Newmarket.

Note 40 Impairment Losses

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are included in Note 12 reconciling the movement over the year in the Property, Plant and Equipment balances.

Notes to the Core Financial Statements

Note 41 Termination Benefits

The Authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £803k (£325k for 2011/12) – see note 34 for the number of exit packages and total cost per band; note 24 in respect of the provisions made within this total and note 43 for the contingent liabilities note on termination benefits.

The total cost of £824k is the gross amount of exit packages paid to the Authorities employees. This total cost includes £733k for exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC, of which £379k was recharged to St Edmundsbury BC as part of an agreed cost sharing basis. St Edmundsbury BC has made similar provisions for exit packages under the Shared Services agenda, of which Forest Heath DC is in turn, picking up an agreed cost sharing basis amounting in total to £452k. The Council has made allowances for these cost sharing's within the overall charge to the Comprehensive Income and Expenditure Statement; resulting in an overall net charge for the Authority of £875k in the current year.

Note 42 Defined Benefit Pension Schemes

Participation in Pension Schemes

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 that need to be disclosed at the time that employees earn their future entitlement.

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

Currently the employee contribution is based on the following salary bandings:

Band	2011/12 Salary Range	2012/13 Salary Range	Percentage Contribution
1	£0 - £12,900	£0 - £13,500	5.5%
2	£12,901 - £15,100	£13,501 - £15,800	5.8%
3	£15,101 - £19,400	£15,801 - £20,400	5.9%
4	£19,401 - £32,400	£20,401 - £34,000	6.5%
5	£32,401 - £43,300	£34,001 - £45,500	6.8%
6	£43,301 - £81,100	£45,501 - £85,300	7.2%
7	More than £81,100	More than £85,300	7.5%

These bandings are reviewed in April each year and are generally increased in line with the cost of living; however they were not changed for 2012/13.

Further information regarding the Local Government Pension scheme can be obtained from the Suffolk County Council Website:

www.suffolk.gov.uk

More general information in respect of Local Government Pension schemes can be found on the Local Government Employers website:

www.lge.gov.uk

Notes to the Core Financial Statements

Transactions relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance.

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:

2011/12		2012/13
£000		£000
<u>Comprehensive Income and Expenditure Statement</u>		
<i>Cost of Services:</i>		
877	- current service cost	836
0	- past service (gains) / costs	0
148	- settlements and curtailments	253
<i>Financing and Investment Income and Expenditure:</i>		
2,243	- interest cost	2,156
(2,292)	- expected return on scheme assets	(1,917)
976	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,328
<u>Other Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</u>		
4,086	- actuarial (gains) and losses	2,630
5,062	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	3,958
<u>Movement in Reserves Statement</u>		
(976)	- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(1,328)
<u>Actual amount charged against the General Fund Balance for pensions in the year:</u>		
891	- employers' contributions payable to scheme	1,064

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was as 31 March 2013 a loss of £15,312k and at 31 March 2012 a loss of £12,682k.

Notes to the Core Financial Statements

Assets and Liabilities in relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2011/12		2012/13
£000		£000
40,834	Opening balance at 1 April	45,077
877	Current service cost	836
2,243	Interest cost	2,156
312	Contributions by scheme participants	287
2,107	Actuarial losses	5,580
(1,444)	Benefits paid	(1,689)
148	Losses on Curtailments	253
45,077	Closing Balance 31 March	52,500

Reconciliation of fair value of the scheme (plan) assets:

2011/12		2012/13
£000		£000
34,323	Opening balance at 1 April	34,395
2,292	Expected rate of return	1,917
(1,979)	Actuarial (losses) / gains	2,950
891	Employer contributions	1,064
312	Contributions by scheme participants	287
(1,444)	Benefits paid	(1,689)
34,395	Closing Balance 31 March	38,924

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The estimated return on scheme assets for the year was 14.2% (2011/12: 0.9%).

Notes to the Core Financial Statements

Scheme History

	31 March 2013 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Present value of Liabilities:	(52,500)	(45,077)	(40,834)	(49,844)	(30,094)
Fair value of Assets:	38,924	34,395	34,323	30,109	22,567
Deficit in the scheme	(13,576)	(10,682)	(6,511)	(19,735)	(7,527)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £13.576m decreases the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £59.130m.

However, statutory arrangements for funding the deficit mean the financial position of the Council remains healthy as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (ie. Before payments fall due), as assessed by the scheme actuary.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £827k.



Barton Mills

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

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

The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk 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:

2011/12		2012/13	
Long-term expected return on assets in the scheme:			
6.3%	Equity Investments:		4.5%
3.3%	Bonds		4.5%
4.0%	Other		4.5%
Longevity at 65 for current pensioners:			
21.4 Years	- Men		21.4 Years
23.3 Years	- Women		23.3 Years
Longevity at 65 for future pensioners:			
23.7 Years	- Men		23.7 Years
25.7 Years	- Women		25.7 Years
2.5%	Rate of inflation		2.8%
4.8%	Rate of increases in salaries		5.1%
2.5%	Rate of increases in pensions		2.8%
5.6%	Rate of expected return on assets		4.5%
4.8%	Rate for discounting scheme liabilities		4.5%
Take-up of option to convert annual pension into retirement lump sum:			
25.0%	- Pre April 2008		25.0%
63.0%	- Post April 2008		63.0%

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

2011/12		2012/13	
%		%	
72	Equity investments		65
15	Bonds		23
13	Other assets		12
100			100

Notes to the Core Financial Statements

History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2012/13	2011/12	2010/11	2009/10	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	7.6	(5.8)	7.2	20.0	(39.0)
Experience gains and (losses) on liabilities	1.2	1.4	(4.6)	0.00	0.00

Note 43 Contingent Liabilities

Potential Termination Benefits

The Council has recognised a Contingent Liability in respect of potential further Termination Benefits.

In October 2011 the Council approved the creation and implementation of a shared management team and officer structure between Forest Heath District Council and St Edmundsbury Borough Council for the purposes of delivering services across the areas of both Councils and generating cost savings.

This initiative built on work already undertaken to develop business cases for the sharing of specific Council services which had resulted in a number of interim arrangements for the sharing of staff. Work has also been ongoing on the establishment of a joint management structure.

Note 34 Officers Remuneration provides details of the number and cost of exit packages that have already been accounted for within the Comprehensive Income and Expenditure Account in the current year.

It is expected that material additional termination payments will arise in future from this shared services initiative, however at present this liability can not be reliably quantified and there is also uncertainty regarding the timing.

Property Searches

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £45k plus interest and costs.

A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £12k plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Notes to the Core Financial Statements

Note 44 Contingent Assets

Claims against HMRC for the refund of VAT:

VAT is a complex area of taxation involving the interpretation of guidance and legislation. At various times Her Majesty's Revenues and Customs (HMRC) have changed rulings on the treatment of VAT based on the outcome of appeals and changes/clarifications in legislation. This sometimes results in opportunities for organisations to reclaim past overpaid VAT. The Council currently have the following outstanding claims against HMRC for the refund of VAT:

- **VAT on Car Parking Charges:** The Council has 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 to date is £442,571 covering the period February 2006 to March 2013. There is a potential for future on-going reductions in VAT payments to the value of about £85k per annum. In addition if the claim is successful interest would also be due from HMRC.
- **VAT on Trade Waste Collection:** Following a policy review, HMRC now consider local authority trade waste services to be non business activities so outside the scope of VAT. The Council has submitted a claim to HMRC to try and reclaim VAT previously charged on its trade waste services over the period April 2007 to March 2011. If successful the Council could be entitled to a refund of approx. £211,464 with the possibility of further refunds if the Council is permitted to claim for periods prior to 2007 and if interest is paid. Following further consideration by HMRC it is now looking highly unlikely that the Council will ever get this claim paid.
- **VAT on Sports and Leisure Activities:** Following on from the House of Lords ruling on the Fleming and Conde Nest claims, the Council has submitted further claims against HMRC for the refund of overpaid VAT on sports tuition for the periods 1978 to 1989 and 1996 to 2008. These claims are currently being stood behind the outcome of similar claims submitted by Chipping Sodbury and Bridport and West Dorset Golf Clubs and Leeds City Council. The claims are considered to be highly speculative, but if successful could result in a refund of up to £228,416.
- **VAT Compound Interest Claim:** A 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 following refunds received under the Fleming case which is waiting to be heard by the High Court. 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 £167,970.

Note 45 Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- **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 the funds available to meet its commitments to make payments;
- **Market risk** – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc. and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Treasury Management and Annual Investment Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

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

Notes to the Core Financial Statements

This risk is minimised through the Council's Treasury Management Code of Practice, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The code of practice also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are detailed below:

Investment Category	Criteria	Maximum Investment
City Deposit Cash Managers	< 1 Year - Fitch F1+ or F1 (Short Term Rating) Or Building Societies with £1bn+ Assets Or Local Authorities which are not subject to capping	£3.0m or 10% of fund whichever is the greater or £5m for a Clearing Bank.
	1 - 5 Years - Fitch A (Long Term Rating) Or Building Societies with £1bn+ Assets Or Local Authorities which are not subject to capping	£3.0m or 10% of fund whichever is the greater or £5m for a Clearing Bank
<p>Note:</p> <ul style="list-style-type: none"> - In both cases above placing £5m with a Clearing Bank requires approval from the S151 Officer and Strategic Director (Resources), in consultation with the Chairman (or Vice Chairman in their absence) of the Corporate Services Committee. - The £5m limit includes both Internally and Externally Managed Investments so that the Council's overall exposure with a Clearing Bank does not exceed £5m. 		
Internally Managed Investments	< 1 Year - Fitch F1+ or F1 (Short Term Rating) Or one of the top 10 Building Societies with £1bn+ Assets in the Building Society Association (BSA) listing. Or Local Authorities which are not subject to capping	£1.5m
	Building Societies that are not in the top 10 BSA listing but still have £1bn+ Assets.	£1.0m
	No investments may be placed for greater than 364 days	

Notes to the Core Financial Statements

The following analysis summarises the Council's maximum exposure to credit risk based on the long term credit rating of the banks and building societies used for cash deposits.

	A	B	C	A x C	
	Amount at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability at 31 March 2013	Estimated maximum exposure at 31 March 2012
	£000s	%	%	£000s	£000s
F1+ Rated < 2 Years	0	0.000	0.000	0	3,000
F1 Rated > 2 Years	5,000	1.020	0.490	2,450	11,000
F1 Rated < 1 Year	4,000				
F2 Rated < 1 Year	2,500	2.670	1.330	3,325	0
£1Bn Assets < 1 Year	3,000	2.670	1.330	3,990	4,500
£1Bn Assets < 2 Years	3,000	2.670	1.330	3,990	0
£1Bn Assets > 2 Years	0	2.670	1.330	0	3,000
	17,500			13,755	21,500

This spread of risk by category and value seeks to minimise the risk of loss.

Credit rating limits were adhered to during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its cash deposits.

The Council does not generally allow credit to its trade customers although some £112k of the £285k balance, included within the total debtors figure in the balance sheet, is past its due date for payment.

The past due amount can be analysed as follows:

31 March 2012		31 March 2013
£000		£000
72	Less than three months	89
5	Three to six months	6
8	Six months to one year	4
16	More than one year	13
101	Trade Customers - Past Due Totals:	112

Notes to the Core Financial Statements

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loan Board.

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the treasury and investment reports), as well as through cash-flow management procedures required by the Code of Practice.

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

The approved Prudential Indicators limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash-flow needs.

The maturity analysis of financial liabilities is as follows:

31 March 2012		31 March 2013	
£000		£000	
1,551	Less than one year	2,720	
0	Between one and five years	0	
4,000	More than five years	4,000	
5,551	Total Financial Liabilities	6,720	

All trade and other payables are due to be paid within one year.

Market Risk - Interest Rate Risk

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

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

Notes to the Core Financial Statements

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable or receivable on variable rate borrowings and investments would be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. At present the Council's borrowings are at fixed rates so they are not affected by changes in interest rates.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's Prudential Indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecasts interest rates throughout the year to adjust exposures appropriately. For instance, during periods of falling or very low interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

It should be noted that all of the Council's investments which are reported in the Statement of Accounts have been taken at fixed rates.

As the Council did not have any variable rate investments during 2012/13, there would have been no effect on its interest income had interest rates been either 1% higher or lower.

Market Risk - Price Risk

The Council has no shareholdings that are material and is not exposed to fluctuations in the share prices as they are unquoted.

The share holdings represent the participation in ARP Trading Limited. See note 37 – Related Parties for further information.

Market Risk - 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.



Dalham

Notes to the Core Financial Statements

Note 46 Heritage Assets: Five Year Summary of Transactions

There have been no additions, disposals or impairment of significant heritage asset items over the past 5 years. As such it is not practical to include a statement of additions, disposals or impairments over this period.

A summary of the valuations for a 5 year period has been included below for illustrative purposes only.

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and Monuments	250	250	260	260	260
Civic items	27	29	30	30	30
Other Heritage Assets	5	5	5	82	80
Total Heritage Assets	282	284	295	372	370



Heritage Asset – The Newmarket Stallion

Collection Fund and Notes

Collection Fund and Notes

Collection Fund Comprehensive Income and Expenditure Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund.

The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2011/12		Note	2012/13	2012/13
£000			£000	£000
INCOME				
23,021	Council Tax		23,547	
3,697	Council Tax Benefits		3,748	
20,250	Business Rates	C2	20,700	
46,968	Total Income			47,995
EXPENDITURE				
Precept Payments:				
20,073	Suffolk County Council		20,343	
2,864	Suffolk Police Authority		3,012	
3,769	District and Parish Councils		3,921	
		C3		27,276
Business Rates:				
20,160	Payment due to the National Pool		20,610	
90	Costs of Collection		90	
				20,700
Bad and Doubtful Debts:				
15	Write Offs		356	
303	Increased / (decreased) provisions in the year		(196)	
				160
Contributions:				
Estimated Surplus on the previous year's Council Tax				
26	- General Fund			26
137	- Suffolk County Council			136
20	- Suffolk Police Authority			19
47,457	Total Expenditure			48,317
(489)	Deficit for the year	C4		(322)

Collection Fund and Notes

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

The Council Tax base table below shows the number of chargeable dwellings in each valuation band, expressed as band D equivalents. The total Council Tax income required to balance the Collection Fund can be calculated by multiplying the net tax base by the Council Tax at band D.

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Disabled Band A		9	4
Band A	up to £40,000	4,937	3,290
Band B	between £40,001 and £52,000	7,575	5,890
Band C	between £52,001 and £68,000	4,201	3,733
Band D	between £68,001 and £88,000	2,411	2,409
Band E	between £88,001 and £120,000	1,094	1,336
Band F	between £120,001 and £160,000	506	730
Band G	between £160,001 and £320,000	352	587
Band H	over £320,000	40	79
Council Tax Base		21,125	18,058

The net amount payable by the Council Tax payers is calculated by multiplying the number of dwellings in each band by the relevant Council Tax charge to give the gross amount and then making adjustments for discounts etc.

The average total Band D Council Tax for the year was £1,510.44 (2011/12 £1,498.77).

Note C2 Business Rates

The Council collects National Non-Domestic Rates (NNDR) from businesses located within the District. The charges are based on local rateable values, fixed by the Valuation Office Agency every five years, multiplied by the uniform rate multiplier that is announced by the Government annually. The Valuation Office notifies the Council on a weekly basis for any adjustments to the valuations in the interim.

The total non-domestic rateable value at the end of the year was £53,176k (2011/12 £54,397k) and the national multiplier was 45.0p for small businesses (2011/12 42.6p) and 45.8p for all other businesses (2011/12 43.3p). These figures would produce a yield of £23,929k (2011/12 £23,173k). The actual income from non-domestic ratepayers was £21,224k (2011/12 £20,250k). The difference is due to reductions being made from the gross sum for reliefs (Charitable, Discretionary and Small Business Rate Relief), allowances for empty properties and a provision for non-collection.

The authority collects the Business Rates from ratepayers and then pays the proceeds into the NNDR pool administered by the Government. The Government then redistributes the sums paid into the pool, back to the Council's General Fund. At 31 March 2013 the Council was owed £112k from the pool (2011/12 £522k was owed to the pool).

Collection Fund and Notes

Note C3 Precepts and Demands

The major preceptors on the Collection Fund are shown in the table below:

2011/12		2012/13
£000		£000
20,073	Suffolk County Council	20,343
2,864	Suffolk Police Authority	3,012
2,449	Forest Heath District Council	2,482
199	Brandon Town Council	282
270	Mildenhall Parish Council	277
496	Newmarket Town Council	500
355	Total of other Parishes	380
26,706		27,276

Note C4 Collection Fund Surplus / (Deficit) at the end of the year

Movements in the Collection Fund balance can be analysed as follows:

2011/12		2012/13
Net Movement		Net Movement
£000		£000
(464)	Opening balance as at 1 April - Surplus/(Deficit)	(25)
(25)	Closing balance as at 31 March - Deficit	(347)
439	Net Movement	(322)

Group Accounts

Introduction

The code of practice requires local authorities with interests in subsidiaries, associates and joint ventures to prepare Group Accounts in addition to their single entity financial statements.

A review of all of the Council's relationships with other bodies has been carried out to consider whether it is appropriate to prepare full Group Accounts.

ARP Trading Limited

The Council has an interest in ARP Trading Limited and this is consolidated into the Group Accounts as a Joint Venture. ARP Trading Limited was set up in 2006 and the main business of the entity in 2012/13 was the provision of revenue and benefits services and a housing register contract to local authorities.

This arrangement is a legal entity conducted under joint control with 50:50 voting rights and financial share 66:34 between Breckland District Council and Forest Heath District Council respectively.

The financial statements on the following pages show the Group Accounts for Forest Heath District Council which have been consolidated on the gross equity method which identifies turnover, cost of sales, assets and liabilities separately on the Group Comprehensive Income and Expenditure Statement and Balance Sheet.

Transactions between Forest Heath District Council and ARP Trading Limited are detailed in the note on related party transactions as shown within the main financial statements.

No Dividend was paid out to shareholders during 2012/13 or 2011/12.

Based on information that is available to the Council and on a financial appraisal of the Council's shareholding in ARP Trading Limited, the fair value of the Council's shareholding in ARP Trading Limited is valued at £36k as at 31 March 2013 (2011/12 £31k) and is held within the long term investments on the Balance Sheet.

The group accounts are prepared using the unaudited financial statements for ARP Trading Limited. Copies of the full accounts of ARP Trading Ltd can be obtained from:

**ARP Trading Limited,
Breckland House,
St Nicholas Street,
Thetford,
Norfolk,
IP24 1BT.**

Group Accounts

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council and its joint venture, analysed into usable reserves, unusable reserves and reserves of the joint venture.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Joint Venture Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2011	1,920	4,249	21,873	844	28,886	38,736	50	67,672
Movement in Reserves during 2011/12								
Surplus (or Deficit) on the provision of services	(3,231)	0	0	0	(3,231)	0	(11)	(3,242)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,484)	(8)	(1,492)
Total Comprehensive Income & Expenditure	(3,231)	0	0	0	(3,231)	(1,484)	(19)	(4,734)
Adjustments between accounting basis and funding basis under regulations	3,613	0	(1,455)	(90)	2,068	(2,068)	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	382	0	(1,455)	(90)	(1,163)	(3,552)	(19)	(4,734)
Transfers to / (from) Earmarked Reserves	(318)	318	0	0	0	0	0	0
Increase/(Decrease) in 2011/12	64	318	(1,455)	(90)	(1,163)	(3,552)	(19)	(4,734)
Balance as at 31 March 2012 carried forward	1,984	4,567	20,418	754	27,723	35,184	31	62,938

Group Accounts

Group Movement in Reserves Statement (continued)

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Joint Venture Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2012 carried forward	1,984	4,567	20,418	754	27,723	35,184	31	62,938
Movement in Reserves during 2012/13								
Surplus (or Deficit) on the provision of services	(1,305)	0	0	0	(1,305)	0	5	(1,300)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(2,508)	0	(2,508)
Total Comprehensive Income & Expenditure	(1,305)	0	0	0	(1,305)	(2,508)	5	(3,808)
Adjustments between accounting basis and funding basis under regulations	1,670	0	(3,307)	(49)	(1,686)	1,686	0	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	365	0	(3,307)	(49)	(2,991)	(822)	5	(3,808)
Transfers to / (from) Earmarked Reserves	(362)	362	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	3	362	(3,307)	(49)	(2,991)	(822)	5	(3,808)
Balance as at 31 March 2013 carried forward	1,987	4,929	17,111	705	24,732	34,362	36	59,130

Group Accounts

Group Comprehensive Income and Expenditure Statement

This statement sets out the total comprehensive income and expenditure relating to Forest Heath District Council and its Joint Venture.

2011/12			2012/13			
Gross Expenditure	Gross Income	Net Expenditure / (Income)		Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000	Note	£000	£000	£000
5,622	5,051	571		5,798	5,033	765
4,281	343	3,938		3,171	764	2,407
4,028	1,247	2,781		4,050	1,455	2,595
2,453	1,761	692		2,517	1,748	769
840	567	273		605	520	85
17,353	15,848	1,505		18,906	16,926	1,980
2,286	176	2,110		2,821	697	2,124
0	0	0		0	0	0
27	0	27		34	0	34
36,890	24,993	11,897		37,902	27,143	10,759
1,361	0	1,361		1,339	0	1,339
210	1,469	(1,259)		457	1,308	(851)
1,015	9,783	(8,768)		0	9,942	(9,942)
39,476	36,245	3,231		39,698	38,393	1,305
167	156	11	G1	38	43	(5)
0	0	0	G1	0	0	0
39,643	36,401	3,242		39,736	38,436	1,300
		(3,039)				(212)
		437				90
		4,094				2,630
		1,492				2,508
		4,734				3,808

Group Accounts

Group Balance Sheet

This statement summarises the financial position of Forest Heath District Council and its Joint Venture. It shows the value of the Group assets and liabilities at the end of the financial year.

31 March 2012 £000		Note	31 March 2013 £000
38,347	Property, Plant & Equipment		40,198
372	Heritage Assets		370
10,573	Investment Property		10,401
206	Intangible Assets		212
17,415	Long Term Investment		9,503
31	Investments in Associates & Joint Ventures	G2	36
66,944	Long Term Assets		60,720
7,860	Short Term Investments		8,367
2,481	Short Term Debtors less Provision for Bad Debts		5,481
3,172	Cash and Cash Equivalents		5,201
112	Assets held for Sale		397
9	Inventories		9
13,634	Current Assets		19,455
3	Short Term Borrowing		3
2,319	Short Term Creditors		2,961
189	Provisions		30
2,511	Current Liabilities		2,994
4,000	Long Term Borrowing		4,000
10,682	Other Long Term Liabilities		13,576
447	Capital Grants & Contributions received in Advance		475
15,129	Long Term Liabilities		18,051
62,938	NET ASSETS		59,130
27,723	Usable Reserves		24,732
35,184	Unusable Reserves		34,362
31	Reserves (Joint Venture)		36
62,938	TOTAL RESERVES		59,130

Group Accounts

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its joint venture during the reporting period.

2011/12		2012/13
£000		£000
3,231	Net (Surplus) or Deficit on the Provision of Services	1,305
(3,455)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	452
(224)	Net cash flows from Operating Activities	1,757
240	Investing Activities	(3,860)
(30)	Financing Activities	74
(14)	Net increase or decrease in cash and cash equivalents	(2,029)
(3,158)	Cash and cash equivalents at the beginning of the reporting period	(3,172)
(3,172)	Cash and cash equivalents at the end of the reporting period	(5,201)



Mildenhall Town Centre

Group Accounts

Certificate by the Chief Financial Officer (Section 151 Officer)

I certify that the Group Statement of Accounts on pages 99 to 103 has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2013 and its income and expenditure for the year then ended.

Signed:

R Mann
Chief Financial Officer (Section 151 Officer)

Date:

Group Accounts

Notes to the Group Accounts

Note G1 Group Comprehensive Income and Expenditure Statement Amounts

This note shows the items that make up the gross income and expenditure for the Council's joint venture in the Group Comprehensive Income and Expenditure Statement.

The text note below also provides further information on the adjustment made within the Actuarial (Gains)/Losses on Pension Assets/Liabilities line within the Group Comprehensive Income and Expenditure Statement.

2011/12	2011/12		2012/13	2012/13
ARPT Audited Account £000s	Forest Heath DC Share (34%) £000s		ARPT Audited Account £000s	Forest Heath DC Share (34%) £000s
453	154	Turnover	132	43
(322)	(109)	Cost of Sales	(88)	(30)
131	45	Gross Profit	44	13
(168)	(57)	Administrative Expenses	(24)	(8)
0	0	Other Operating Income	0	0
(37)	(12)	Profit/(Loss) before Interest and Tax	20	5
2	1	Other Finance Income	0	0
(35)	(11)	Profit/(Loss) before Tax	20	5
1	0	Taxation	(7)	0
(34)	(11)	Profit/(Loss) after Interest and Tax	13	5

On 31st March 2012, the employee of ARP Trading Ltd that was a member of Norfolk County Council's pension scheme was transferred out of the company. On that date, a pension cessation payment of £91k owed by the company to the pension scheme crystallised. This amount was accrued in the accounts and is included within the figures quoted above.

The group consolidated figures shown for 2011/12 onwards therefore do not include the Actuarial Pension Assets and Liabilities report figures as outlined within the notes of the ARP Trading Ltd accounts.

Forest Heath District Council's 34% share of the 2010/11 adjusted pension liability of £15k (see note G2) was adjusted for within the Actuarial (Gains)/Losses on Pension Assets/Liabilities line within the Group Comprehensive Income and Expenditure Statement during 2011/12.

Group Accounts

Note G2 Long Term Investment included in the Group Balance Sheet

This note shows how the Long Term Investment figure in respect of the Council's joint venture which is shown in the Group Balance Sheet is calculated.

31 March 2012	31 March 2012		31 March 2013	31 March 2013
ARPT Audited Accounts with IAS19 £000s	Forest Heath DC Share (34%) £000s		ARPT Audited Account £000s	Forest Heath DC Share (34%) £000s
0	0	Non-Current Assets	0	0
253	85	Current Assets	136	46
253	85	Share of Gross Assets	136	46
(160)	(54)	Liabilities due within One Year	(31)	(10)
0	0	Liabilities due after One Year	0	0
0	0	Pension Liability (see note G1)	0	0
(160)	(54)	Share of Gross Liabilities	(31)	(10)
93	31	Net Assets	105	36

Note G3 Accounting Policies

The financial statements of ARP Trading Limited have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and therefore not under IFRS

There are no significant differences in the accounting policies of ARP Trading Limited and Forest Heath that would cause a material adjustment in the consolidation of the Group Accounts. This consolidation, however, is carried out based on the draft ARP Trading Limited statement of accounts and is prepared on an IAS19 basis, however it is understood that ARP Trading Limited is likely to approve their accounts on a non IAS19 basis. For the 2012/13 consolidation, see note G1.

There are no additional notes which require disclosure for these Group Accounts other than those already included within the single entity accounts.

Note G4 Contingent Liabilities

There are no contingent liabilities for 2012/13 or 2011/12 relating to the interests in Joint Ventures or in the Joint Ventures themselves.

Note G5 Capital Commitments

There are no capital commitments for 2012/13 or 2011/12 relating to the interests in Joint Ventures or in the Joint Ventures themselves.

Annual Governance Statement

Introduction and scope of responsibility

Forest Heath District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

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

A copy of the Code is available electronically (via the Council's website) or can be obtained from Internal Audit.

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.

The purpose of the governance framework

The Council's 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.

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.

The governance framework has been in place at the Council for the year ended 31st March 2013 and up to the date of approval of the annual Statement of Accounts.

The governance framework

Our governance framework is derived from six core principles identified in a 2004 publication entitled "The Good Governance Standard for Public Services", and later guidance contained in the Statement on the Role of the Chief Finance Officer in Local Government (CIPFA 2010) plus the associated Application notes (CIPFA 2010). These principles were adapted for application to local authorities and published by CIPFA in 2007 in the document "Delivering Good Governance in Local Government". The six principles are:

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members to be effective; and
6. Engaging with local people and other stakeholders to ensure robust accountability.

The next section of this Statement looks at each of these principles.

Annual Governance Statement

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council's Strategic Plan 2012-16 describes the Council's vision for the district, its organisational values and priority areas. The Plan was derived from public consultation and involvement of key stakeholders and explains what the Council will be prioritising as it seeks to improve the quality of life for everyone who lives in, works in, or visits Forest Heath. The Council's four priorities are supported by aims and objectives together with areas for action across the life of the plan.

In 2012/13 the Council published its annual Council Plan providing highlights of achievements and progress against the priorities in its previous high level plan for 2008-2012. The plan included information about the council's services and finances for the year.

The Council's services are divided into different service areas. Annual service plans set a clear direction for the service by outlining what the future tasks and projects are and linking these to the high level priorities. Service plans have not been produced for 2013/14 due to the current service restructuring and associated organisational development taking place within the Council

The current economic climate continues to have a significant impact on local authorities. Forest Heath has responded to these changes by seeking opportunities for joint working with other local authorities, in particular St Edmundsbury Borough Council. The two councils share a Chief Executive, and have a joint leadership team.

A Shared Services Steering Group has been established to advise, support and drive forward the shared services agenda. A Memorandum of Understanding is also in place which sets out the principles and framework for agreeing and implementing shared services across Forest Heath and St Edmundsbury.

Services are joining up with staff working across the councils' borders. The aim is to save money, at a time when public sector funding is reducing, and to increase efficiency, to making it easier for people living and working in West Suffolk to access services. Delivering effective customer access is a key part of the shared services programme. A major business process re-engineering project is currently underway to streamline customer access and improve customers' experiences.

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. Revenue and Capital expenditure is closely monitored and budget monitoring reports are sent to budget holders on a monthly basis. During 2012/13 quarterly Financial Performance in respect of Revenue and Capital was reported directly to Cabinet and any financial decisions arising were subsequently ratified by Full Council.

The Council has an effective performance management framework in place with a set of key performance indicators and financial information considered quarterly by Joint Leadership Team, and the Performance and Audit Scrutiny Committee to enable progress against targets to be monitored. Additionally, performance will be reported to Cabinet from 2013/14.

The councils ensure that working in partnership supports and underpins the achievement of the councils' objectives. A comprehensive partnership assessment toolkit is in place which includes evaluating how arrangements inform and support Forest Heath's higher level priorities and objectives.

2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles

The Council has an approved constitution which defines and documents the roles and responsibilities of councillors, the Leader, and the Cabinet as well as senior officer functions. The Constitution also sets out rules of procedure and codes of conduct defining the standards of behaviour for members and staff. Elements of the Constitution are subject to annual review to ensure that it reflects new legislation and working practices and remains fit for purpose.

Policy and decision making are facilitated by a clear framework of delegation as set out in the Council's Constitution, including details of delegated authority to officers. The Council has several committees which carry out regulatory or scrutiny functions.

The statutory roles of Head of Paid Service, Section 151 Officer and Monitoring Officer have been vested in the Chief Executive, Head of Resources and Performance and Head of Legal and Democratic Services respectively.

During 2012/13 the organisational structure of the Council changed in its move towards shared services with a joint leadership team, shared with St Edmundsbury Borough Council now in place. The team comprises the Chief Executive, Directors and Heads of Service. The senior management structure has been designed to ensure that both West Suffolk

Annual Governance Statement

councils have the skills and capacity necessary to address the combined challenges of delivering the councils' priorities whilst dealing with the consequences of the severe financial settlements facing local government.

3. Promoting the values of the authority and demonstrating the values of good governance through behaviour.

The Council's Monitoring Officer advises management on new legislation and compliance with the Constitution. They also use statutory powers to report to Full Council where there has been non-compliance with legislation or with the Council's own procedures.

Within service areas staff monitor the introduction of legislation specific to their expertise. Where legislation has a corporate or cross-cutting effect, Legal Services and Policy will generally co-ordinate dissemination of information and training.

The Head of Resources and Performance (as the Council's section 151 Officer) has overall responsibility for the financial administration of the Council. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council's internal audit arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

Policies and procedures governing the Council's operations include both Financial and Contracts Procedure Rules. Ensuring compliance with these is the responsibility of management across the Council. Internal Audit checks that policies and procedures are complied with and where incidents of non-compliance are identified, appropriate action is taken.

The behaviour of officers and members is regulated through separate Codes of Conduct which have been formally approved and adopted. Both Codes are supported by the Member / Officer Protocol and Responsibility of Functions, all of which form an integral part of the Constitution, as are the Financial Procedure Rules and Contract Procedure Rules.

A Joint Standards Committee between Forest Heath and St Edmundsbury has been established in 2013. Its roles and functions include promoting and maintaining high standards of conduct by councillors, assisting councillors to observe the Members' Code of Conduct, monitoring its operation and overseeing any breaches.

Separate policies regarding Anti-Fraud and Anti-Corruption, Whistleblowing, Money Laundering and E-mail and Internet Usage are in place and promoted via internal communication channels.

Registers for the recording of financial / non financial interests which could be considered to conflict with the authority's interests and the offer / receipt of goods and hospitality are maintained for both officers and members.

Council services are delivered by appropriately trained and experienced staff. Each post has a detailed job description and person specification. Training needs are identified through development reviews and other routes within individual services as appropriate. Delivery of corporate training is coordinated through the Learning and Development Team with service specific support and guidance delivered at service level.

A staff disciplinary and capability policy / procedure is in place which sets out the Council's expectations in terms of behaviour, conduct and performance which staff are made aware of through induction and the performance development review process.

4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council's Constitution sets out how the council operates and the process for policy and decision making. The Constitution is published on the council's website.

The Council has a number of committees which carry out regulatory or scrutiny functions:

- Development Control Committee - determines planning applications and related matters;
- Joint Standards Committee – promotes, monitors and enforces probity and high ethical standards within the Council's elected members and members of town and parish councils within the district;

Annual Governance Statement

- Performance and Audit Scrutiny Committee - monitors and scrutinises the performance of the Council's services by having regard to a variety of information, including key performance indicators, financial information, audit reports, corporate risks and complaints;
- Licensing Committee – determines licensing applications and monitors and reviews the effectiveness of the Council's licensing and gambling policy and procedures;
- Overview and Scrutiny Committee – reviews and/or scrutinises decisions made or actions taken in connection with the discharge of any of the Council's functions, except individual licensing and regulatory decisions; undertakes research and makes recommendations regarding matters affecting the Council's area or inhabitants; deals with the Councillor Call for Action and takes the lead on policy development particularly relating to cross cutting issues.

Processes have been established for the provision of information to inform committee decisions using a standard report template that addresses all relevant aspects of the council's duties and obligations.

All formal meetings are held in public, and the reports and minutes of those meetings are published on the council's website, unless there are legal reasons for confidentiality with paper copies available on request. There are opportunities for members of the public to ask questions at council meetings.

As a council we collect and use many different types of data from a wide variety of sources, including customers, stakeholders, partners and other local authorities and Government bodies. Data quality is crucial and the availability of complete, accurate and timely data is important in supporting and informing corporate and service planning, customer care, corporate governance and overall accountability. The Council first adopted a Data Quality Policy in 2008 which was subsequently revised in 2011 to take into account the Localism Bill and the Government's transparency agenda in partnership with St Edmundsbury Borough Council. We also publish our equality data in line with the requirements of the Equality Act 2010.

Risk Management is an integral part of the Council's decision making processes. The Council's Risk Management Strategy provides guidance to members and officers on responsibilities and on the application of risk management processes. In addition, the committee report template includes a risk / opportunity assessment to help inform decision-making.

A Joint Risk Management Group was formed in 2012/13 to look at revising this strategy. Systems and processes for the management of risk are also under review to ensure they remain robust and fit for purpose.

The Council takes fraud, corruption and maladministration seriously and has appropriate policies in place to prevent, and deal with, such occurrences, including the Whistleblowing Policy, Anti-Fraud and Anti-Corruption Strategy, and Anti-Money Laundering Policy. All members of staff are made aware of these documents through the induction programme and they are publicised through the internal staff communications, intranet and council website. The documents have all been subject to recent review to ensure they continue to reflect best practice, legislation and shared services arrangements.

A Corporate Complaints Procedure is in place with all services having a designated Complaints Co-ordinator. In addition, complaints are reported twice a year to Performance and Audit Scrutiny Committee in order to provide an overview of the quantity and range of corporate complaints received, as well as monitoring the effectiveness at responding to, and learning from, any mistakes that have been made.

5. Developing the capacity and capability of Members to be effective

The Council was re-awarded the Charter for Elected Members Learning and Development in 2011. This recognised the continuing commitment and support provided to members in their role as community leaders and the development required to assist them.

Fully resourced annual learning and development programmes are informed by questionnaires, evaluation feedback and the Members' own learning and development group. Consideration is also given to the Council's priorities when compiling programme content.

There is a comprehensive learning and development programme for members and a Members Competency Framework is being introduced to support this. Specific learning events are also used to focus on key development areas, for example training on the new Cabinet model in 2012.

Annual Governance Statement

6. Engaging with local people and other stakeholders to ensure robust local public accountability

The Council has adopted a Community Engagement and Consultation Strategy which sets out the proposed approach to consultation and community involvement providing guidance to Members and officers about how to deliver effective consultation and use the outcomes in decision making.

The strategy provides a consistent approach to ensure that information collected is used to good effect. It aims to minimise consultation fatigue and enhance two way communication with customers including residents, community groups, commercial enterprises, and hard-to-reach customers. Specific examples include the Parish Forum and service specific initiatives like the Planning Users Group.

Forest Heath consults routinely with residents, businesses, organisations, members and staff on a range of matters. The Council's home page provides links to various activities that invite consultation with the public.

Both the Strategic Plan and Annual Report are available to stakeholders via the Council's website providing an opportunity to see progress and performance against the Strategic Plan.

The Council has begun to use social media tools to provide new avenues of interaction such as Facebook and Twitter.

The Council publishes information relating to all of its expenditure on its website and also publishes a pay policy statement, detailing the remuneration of senior officers.

Communication and consultation with staff is carried out through weekly staff bulletins, team meetings and through formal consultation with the Trades Union.

The Council uses a variety of service delivery models, and is involved in a number of partnership arrangements, including work with St Edmundsbury Borough Council, Flagship Housing, Anglia Community Leisure, and Anglia Revenues Partnership.

Governance arrangements for these partnerships are subject to on-going review, as appropriate, with regular liaison meetings held with key partners including Anglia Community Leisure and Anglia Revenues Partnership.

The Council continues to review how services should be delivered and this remains a key part of budget deliberations.

Review of effectiveness

Forest Heath District Council undertakes an annual review of the effectiveness of its governance framework, including the system of internal control, by carrying out a self assessment exercise.

This exercise is informed by the work of the Governance Review Group who have responsibility for the development and maintenance of the governance environment before it is considered by the Joint Leadership Team. Other review mechanisms are Internal Audit's annual report which includes the Internal Audit Manager's annual audit opinion, and also comments made by the external auditors and other review agencies and inspectorates. As a part of the self assessment an action plan has been prepared and progress is assessed and recorded.

The Joint Leadership 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.

In addition to the role and responsibilities detailed above, the Performance and Audit Scrutiny Committee also acts as the council's audit committee. In this capacity the committee regularly receives reports that concern governance arrangements and is presented with this statement as part of that role.

Internal Audit is responsible for conducting an independent appraisal of the Council's activities, financial or otherwise, and provides an independent and objective opinion regarding these activities. It is also responsible for giving assurance to Members, the Section 151 Officer, Management Team and the Performance and Audit Scrutiny Committee on the design and operating effectiveness of the Council's risk and control arrangements.

Based upon the audit work undertaken during the financial year 2012/13, as well as assurances made available to the Council by other assurance providers, the Internal Audit Manager can provide reasonable assurance that the systems of internal control within these areas of the Council, as well as the risk management systems, were operating adequately

Annual Governance Statement

and effectively. Internal Audit work has, however, identified a number of areas where existing arrangements could usefully be improved.

Internal audit reports are discussed with relevant service officers including, as a minimum, service managers. The report includes an evaluation of the effectiveness of internal controls and documents any findings and recommendations for control weakness improvements. Recommendations are prioritised reflecting the risk to the Council of action not being taken. The recommendations are agreed with the relevant service and reported to the Performance and Audit Scrutiny Committee as appropriate. Improvements made to the control environment since the previous audit review are also reported.

The Council is subject to an annual programme of independent external audits and statutory inspections. The external auditor summarises the findings from his audit of the Council's systems and his assessment of the Council's arrangements to achieve value for money.

Significant governance issues

Governance is about running things properly and ensuring that the Council is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It is the foundation for the delivery of good quality and improved services that meet the local community's needs.

In determining the significant issues to disclose, we have considered whether issues had:

- seriously prejudiced or prevented achievement of council objectives;
- resulted in a need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the Council's services;
- led to material impact on the accounts;
- received adverse commentary in external inspection reports;
- been reported by the Internal Audit Manager had reported on it as significant in the annual opinion on the Council's internal control environment;
- attracted significant public interest or had seriously damaged the Council's reputation;
- resulted in formal action being taken by the S151 Officer and / or the Monitoring Officer; or
- Members had advised that it should be considered significant for this purpose.

As a result of the work undertaken to review arrangements within the governance framework we have highlighted a small number of areas for enhanced focus. An action plan to further enhance the Council's governance and internal control arrangements for the coming year has been compiled. We will monitor implementation and operation of these actions as part of the next annual review.

During the year, as described above, the Council has continued to forge closer links with St Edmundsbury Borough Council. The new management and service structure, and roles within it, are significantly different from the previous at either council. They are designed with the financial challenges, evolution of shared services, and wider partnership working opportunities in mind and with a particular focus on dealing with the changing expectations people have of local government.

This restructure has taken the opportunity to look at the way both councils will work in the future to ensure that they deliver outcomes in a more complex and demanding public sector environment. Senior management and members from both councils are committed to this change in order to transform and improve customers' experiences, as well as the opportunity to achieve efficiencies and cost savings.

A new financial management system will be implemented during 2013/14 to both update and improve on current arrangements and to deliver significant cost savings for the two authorities. The planned go-live date is April 2014.

A Joint Procurement Manager shared with St Edmundsbury Borough Council is in place from July 2013 following the absence of a Procurement Manager at Forest Heath during 2012/13. Procurement arrangements will continue to be reviewed in order to meet the challenges of reduced funding by delivering better value for money through efficient and effective procurement.

It is expected that the current management of risk will require review and re-affirmation as a consequence of the closer working links with St Edmundsbury. Risk management practices, and the Council's risk appetite will need to be reviewed across both councils with a view to achieving better clarity, consistency and support to the shared services structure.

Annual Governance Statement

Assurance by Chief Executive and Leader of the Council

We approve this Statement and confirm that it forms the basis of the Council's Governance arrangements and that these arrangements will be monitored and enhancements addressed in the forthcoming year in the manner recorded.

Signed:

Signed:

Ian Gallin
Chief Executive

James Waters
Leader of the Council

Date:

Date:

Auditors Report

Independent auditor's report to the Members of Forest heath District Council

To be confirmed at the conclusion of the audit.

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

To be confirmed at the conclusion of the audit.

Glossary

Accounting Code of Practice

The preparation and control of accounting is regulated, however there is no statutory basis for accounting entries. Instead of a statutory basis, the accounting bodies have agreed an "Accounting Code of Practice".

Accounting Period

The length of time that is covered by the accounts, the end of the accounting period being the Balance Sheet date. This is normally a period of 12 months commencing on 1 April each year.

Accruals

This is one of the main accounting concepts which ensures that income and expenditure items are shown in the accounts as they are earned or incurred, not as money is received or paid.

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. These changes are reflected in the Pensions Reserve in the Balance Sheet.

Actuarial Valuation

A valuation produced by the pension fund's nominated Actuary (see definition below) that measures the fund's ability to meet its long-term liabilities. The Actuary produces an assessment of the likely increase in the value of the pension fund in the future (eg. its assets) and the probable payments due out of the fund (its liabilities). The net asset or liability of the fund pertaining to the Council is consequently reflected in the its balance sheet.

Actuary

A business professional who deals with the financial impact of risk and uncertainty. A pension actuary assess projections of pension fund assets and liabilities based upon an analysis of expected future investment returns, pension fund contributions and liabilities.

Amortised Cost

This is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

Asset

A resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit.

Assets held for Sale

Assets at the year end where it is likely that their carrying amount will be recovered principally through a sale transaction rather than through their continuing use.

Glossary

Balance Sheet

A financial statement that summarises the Council's assets, liabilities and other balances such as reserves at the end of each accounting period.

Budget

A financial statement that expresses the Council's service delivery plans and capital programme in monetary terms.

Capital Expenditure

Expenditure which results in the acquisition, construction or creation of non-current assets or expenditure which adds to the value of existing non-current assets (i.e. over and above maintenance).

Capital Financing

This is the overall term used to describe the various sources of money that the Council uses to pay for its Capital Expenditure. The sources that Forest Heath uses include direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital Receipts

Proceeds from the sale of capital assets. Such income may only be used to repay loan debt or to finance new capital expenditure.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Government finance. More details can be found on the CIPFA website www.cipfa.org.uk.

Chief Financial Officer (CFO)

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

Code of Practice on Local Authority Accounting in the United Kingdom

Defines proper accounting practices for Local Authorities in England, Wales, Scotland and Northern Ireland.

Council Tax Freeze Grant

Government Grant funding available from 2011/12 to Councils that froze or reduced their Council Tax levels, equivalent to a 2.5% increase payable as a one-off grant.

Creditors

Amounts owed by the Council for which payment has not been made by the end of the financial year.

Contingent Liabilities

Where the Council has a financial obligation, which at the present time is uncertain.

Glossary

Debtors

Amounts due to the Council which are unpaid at the end of the financial year.

Defined Benefit Pension Scheme

A pension scheme where the Council and its employees pay contributions into the fund, calculated at a level which is intended to balance the pension liabilities with its investment assets.

Deminimis

A term used to describe the lower limit of a transaction, below which no action is required, for example a purchase which is below the Capital expenditure deminimis limit would not be classified a capital even though it meets the other relevant criteria.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset.

Donated Asset

An asset transferred to an entity at nil value or acquired at less than fair value.

Employee Benefits

All forms of consideration given by an entity in exchange for the service rendered by employees.

External Auditor

An officer appointed by the Audit Commission to provide an independent audit of the accounts. For the year of account the Council's external auditors were The Audit Commission.

Exit Package

A payment made to an officer on leaving the Council's employment. This includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, and any other departure costs that have been agreed.

Fair Value

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Glossary

Financial Timetable

The financial activities of the Council are geared to a regular financial timetable which begins in the autumn of each year with the preparation of the current year's review and budgets for the ensuing year, following closure and audit of the Statement of Accounts for the previous year.

Formula Grant

The aggregate of Revenue Support Grant (RSG) plus income from redistributed business rates – national non-domestic rates (NNDR). Formula Grant is divided into four blocks:

1. A needs assessment – Relative Needs Formulae (RNF) – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes account of characteristics such as population and social structure
2. A resources element – relative resources amount – takes account of the different capacity of different areas to raise income from council tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities
3. A central allocation which is the same for all local authorities delivering the same services
4. A floor 'damping block' in order to give every local authority a minimum grant increase. Grant increases to other councils in the same class are scaled back to pay to bring all local authorities up to the appropriate floor increase.

Governance

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

Grants and Contributions

Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities.

Heritage Assets

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

International Accounting Standard (IAS)

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

International Financial Reporting Standards (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

Joint Arrangement that is not an entity (JANE)

A contractual arrangement under which the participants engage in joint activities that do not create an entity, because it would not be delivering a service or carrying on a trade or business of its own.

Joint Venture

An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other bidding arrangement.

Local Authority Scotland Accounts Advisory Committee (LASAAC)

The principal accounting body dealing with Local Government finance in Scotland.

Liability

An obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future

Long Term Borrowing

Loans that have been raised to finance capital spending which have still to be repaid.

Materiality

The threshold or level that determines whether or not an item is relevant to the financial statements presenting a true and fair view. An item of information is material to the financial statements of an entity if its misstatement or omission might reasonably be expected to influence the economic decisions of users of the statements.

New Homes Bonus

Funding for Councils which was introduced from April 2011 which was designed to be an incentive to promote Housing growth. The government will match fund the additional Council Tax raised for new homes and properties brought back into use, with an additional amount included for affordable homes.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year.

Pension Schemes

1. Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement Benefits do not include termination benefits payable as a result of:

- a) An employer's decision to terminate an employee's employment before the normal retirement date; or
- b) An employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

2. Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Revenue Expenditure and Income

Expenditure and income arising from the day to day operations of the Council.

Revenue Support Grant

A grant received from the government to support the day to day running costs of the Council. In conjunction with the Council's share of National Non-domestic Rates received from the national pool it is also known as formula grant.

Section 106 Contributions

Section 106 of the Planning Act 1990 allows a local planning authority to secure an obligation from any person interested in land, with the purpose of (amongst other things) "requiring a sum or sums to be paid to the authority on a specified date or dates or periodically." The purpose of these sums is generally to enable the Council to mitigate the impact of any developments on the locality, typically on items such as infrastructure and open spaces.

All financial contributions secured by a section 106 agreement are ring fenced, and they are normally to be used within a specific timescale, failing which the developer may be entitled to repayment with interest, depending upon the terms of the particular agreement.

Section 151 Officer

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 officer also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

Senior Officer

A senior officer (England & Wales) is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 (England); £60,000 (Wales) per year (to be calculated pro rata for a part-time employee) and who is:

- a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- b) the head of staff for a relevant body which does not have a designated head of paid service; or
- c) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

SOLACE (Society of Local Authority Chief Executives)

The representative body for senior strategic managers working in local government, in particular Chief Executives.

Termination Benefits

Employee benefits payable as a result of either:

- a) an entity's decision to terminate employment before the normal employment date, or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Further Information

Further information concerning any matter relating to the Council can be obtained from the following sources:

Council Offices

District Offices, College Heath Road,
Mildenhall,
Bury St Edmunds,
Suffolk,
IP28 7EY

Telephone: 01638 719000
Fax: 01638 716493
Website: www.forest-heath.gov.uk
Email: info@forest-heath.gov.uk

Brandon Customer Information

Elbourne House,
31 High Street,
Brandon,
Suffolk
IP27 0AQ

Telephone: 01842 812085

Newmarket Customer Information

63 The Guineas,
Newmarket,
Suffolk
CB8 8HT

Telephone: 01638 719000



Forest Heath District Council Offices, Mildenhall