2013/2014 Statement of Accounts

Forest Heath District Council

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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.

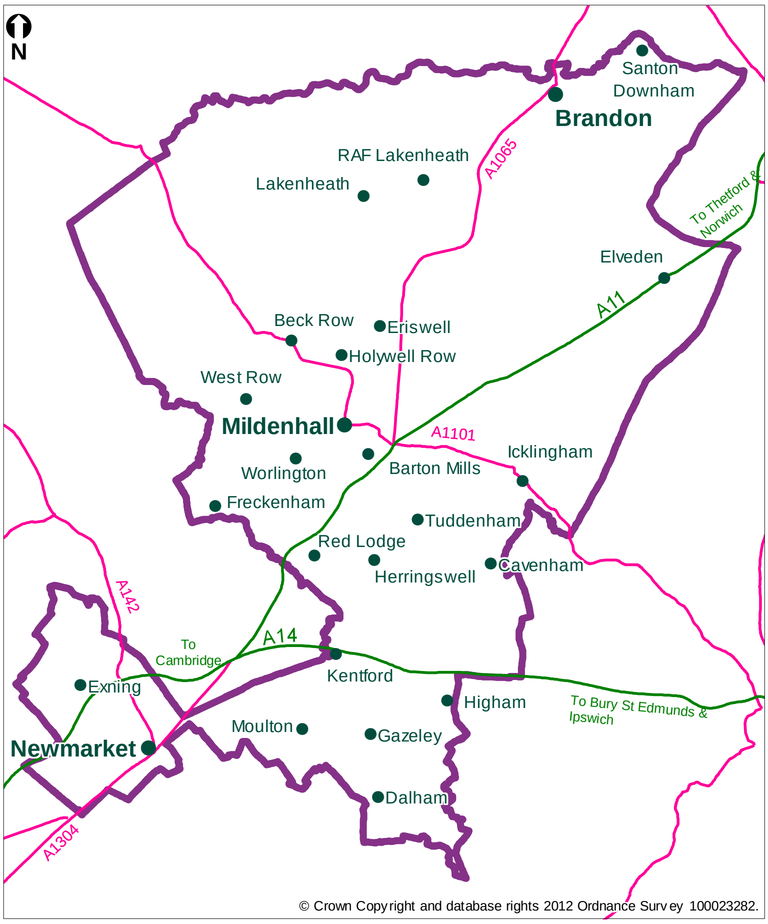
The district covers an area of 380 km^2 (144 sq miles) and is situated on two strategic routes: the A11 trunk road from London to Norwich and the A14 from the Midlands to Ipswich and onwards to the east coast ports.

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 63,264 (mid-year estimate 2013) 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 21.1% 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 4.2%, this is still less than the average for the East of England at 6.2%, and the national average of 7.6% (2013). 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 by following the link:

[West Suffolk Strategic Plan]()

Introduction

The Council

Forest Heath District Council has a workforce of just over 176 full-time equivalent staff which provides its residents with a wide range of services. The Council has 27 councillors (twenty- three Conservatives, two Independents, one Labour and one 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 Join 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 2013/14. 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 2013 to 31 March 2014 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:

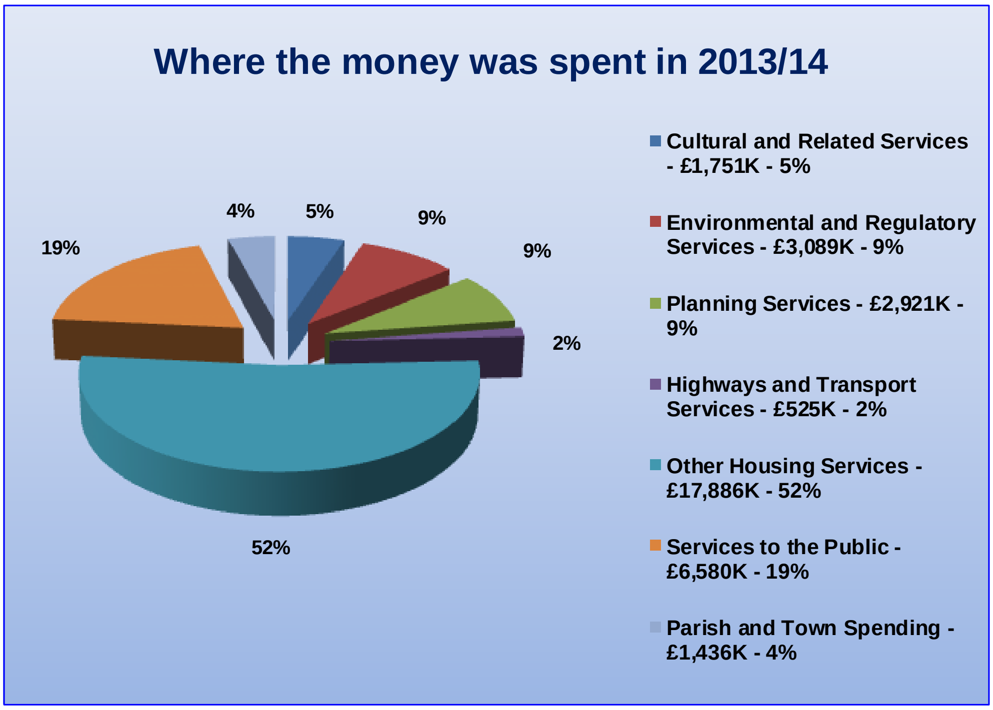
- Did the council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

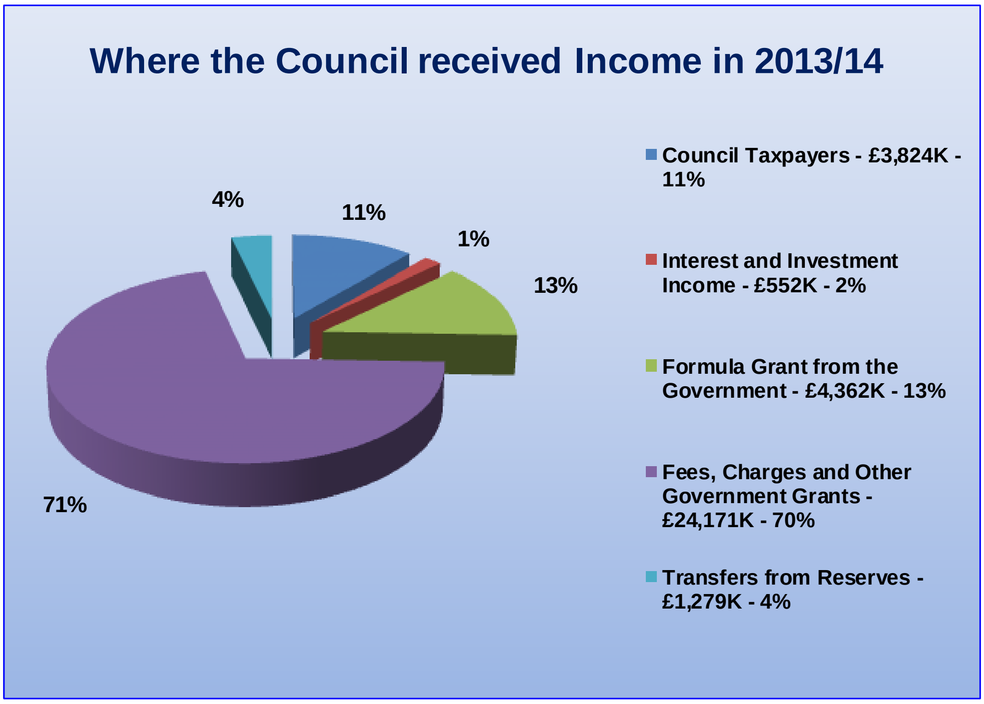
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability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

Overview of the financial year 2013/14

For the 2013/14 financial year, the Council saw an increase of £95k to its general fund reserve, which stands at £2,082k as at 31 March 2014, with an overall level of usable reserves (capital and revenue) of £25m.

The following charts show the sources of the Council's income for 2013/14, and how it was spent on services:





The most significant challenge that the Council faced during 2013/14 was both the continuation of public expenditure cuts and the reduction in central government grant funding and the changing landscape of local government financing such as the business rate retention scheme introduced from April 2013 and the withdrawal of council tax benefits. The Council also faced a number of local challenges in ensuring that its expenditure is constrained in the face of declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness.

The Council further progressed its savings programme, building on the restructuring efficiencies and general cost cutting exercises in previous years for 2013/14, 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 Note 29 of the accounts.

Further details of variances in excess of £25k can be seen in the report reference PAS14/043, entitled ‘Financial Outturn and Highlights Report (Revenue and Capital) 2013/14’ considered by the Performance and Audit Committee on 31 July 2014.

The Council’s capital expenditure for 2013/14 totalled around £1.8m, which included vehicle purchases, ICT projects and the Home of Horseracing project. The Council spent approximately £0.5m in capital grants within the year. Around £0.8m of the total £1.8m spend for 2013/14 was funded from the Council’s usable capital receipts, the remainder being funded from grants and contributions. Overall the capital programme for 2013/14 was on budget, after allowing for project timings.

During 2013/14 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

Material and Unusual charges or credits within the statement

Termination payments charged to the comprehensive income and expenditure statement during the year amounted to £560k, and further details are available in Note 29 Officers Remuneration.

Major variances within the Comprehensive Income and Expenditure Statement – between 2012/13 and 2013/14

The Council had a number of variances in its cost of services between 2012/13 and 2013/14, amounting to an overall decrease of around £732k. The most significant difference between the two years was the reduction in the cost of service as a result of the sharing of services with St Edmundsbury Borough Council.

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 which was consolidated into the Group Accounts Statements as a Joint Venture up until the Statement of accounts for the year ended 31 March 2013. From 2013/14 onwards it is considered that this interest is no longer material and as such the Council has removed the Group Accounts from the statements.

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 2014 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 £16,684k compared to £13,576k at 31 March 2013. This net increase in liabilities is represented by an increase in liabilities of £3,252k and an increase in assets of £144k. The overall increase of £3,108k in the liability is primarily because the financial assumptions at March 2014 were less favourable than those at March 2013.

In 2013/14 the adoption of amendments to the IAS19 standard has resulted in reclassifications of costs/information, which are essentially a re-organisation of existing information. The 2012/13 figures have not been restated for these changes as the overall balances at 31 March 2013 and the changes in individual lines within the accounting statements are not materially different.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £16,684k 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 35 to the accounts.

Significant Provisions, Contingencies or Write-Offs

The Council has provided for £223k of provisions for the financial year ending 31st March 2014. These provisions are detailed in Note 21 to the accounts.

The Council has included a contingent liability (see Note 36) and various contingent assets (See Note 37) within the accounts.

Material Events after the reporting date

Note 4 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. Further details regarding external audit fees incurred by the Council can be found in Note 30 External Audit Costs.

Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant due to almost halve over the next two years 2014-16.

The Government's new arrangements for funding local government through the business rate retention scheme presents local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents the Council with both challenges and opportunities as the new arrangements bed down.

The Council continues to deliver cost saving efficiencies, the key driver over the last two years has been the delivery of the shared services agenda. This has already delivered £3.5 million in savings across the two councils. By delivering these staffing changes through a shared services approach we have been able to stay ahead of the curve of financial pressures, designing services to maintain capacity and resilience and not putting ourselves in a position where the need for budgetary savings dominates the agenda in a negative way. We are proud of what we have achieved, and of how our partners have adapted to working alongside West Suffolk. However, the savings we have achieved from shared services cannot continue to meet all of the financial challenges we face.

The new West Suffolk Medium Term Financial Strategy (MTFS) adopted in February 2014 outlines how we will be adopting some new ways of working that take advantage of new forms of funding, new technologies and new opportunities that are available to councils. This will allow us to ensure we can meet the priorities set out in our West Suffolk Strategic Plan 2014-16, and to continue to carry out our day-to-day responsibilities within a financially constrained environment. The vision, priorities and projects set out in the Strategic Plan have shaped and informed real choices about the allocation of resources within our Medium Term Financial Strategy.

Some of the new ways of working will involve decisions about how the Council invests resources as we continue to have aspirations to be an ‘investing authority’ in support of the delivery of the Councils’ strategic priorities, in particular to aid economic growth across West Suffolk.

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2013 to 31 March 2014 has been prepared and I confirm that these accounts were approved by Forest Heath District Council at the meeting held on 25 September 2014.

Signed:

Chairman of the Performance, Audit and Scrutiny Committee

Date:

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 2014 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

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 purposes. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

Prior Year Movements - 2012/13	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2012		**1,984**	**4,567**	**20,418**	**754**	**27,723**	**35,215**	**62,938**
Movements 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 and Expenditure		**(1,305)**	**0**	**0**	**0**	**(1,305)**	**(2,503)**	**(3,808)**
Adjustments between accounting basis and funding basis under regulations	6	1,670	0	(3,307)	(49)	**(1,686)**	1,686	**0**
Net increase or (decrease) before Transfers to Earmarked Reserves		**365**	**0**	**(3,307)**	**(49)**	**(2,991)**	**(817)**	**(3,808)**
Transfers (to) / from Earmarked Reserves	7	(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**

The following statement shows the movement in reserves in respect of the current financial year ended 31 March 2014.

Current Year Movements - 2013/14	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2013		**1,987**	**4,929**	**17,111**	**705**	**24,732**	**34,398**	**59,130**
Movements in Reserves during 2013/14								
Surplus (or deficit) on the provision of services		(167)	0	0	0	**(167)**	0	**(167)**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(2,199)	**(2,199)**
Total Comprehensive Income and Expenditure		**(167)**	**0**	**0**	**0**	**(167)**	**(2,199)**	**(2,366)**
Adjustments between accounting basis and funding basis under regulations	6	1,619	0	(400)	(218)	**1,001**	(1,001)	**0**
Net increase or (decrease) before Transfers to Earmarked Reserves		**1,452**	**0**	**(400)**	**(218)**	**834**	**(3,200)**	**(2,366)**
Transfers (to) / from Earmarked Reserves	7	(1,357)	1,441	0	0	**84**	0	**84**
Increase / (Decrease) in 2013/14		**95**	**1,441**	**(400)**	**(218)**	**918**	**(3,200)**	**(2,282)**
Balance as at 31 March 2014 carried forward		**2,082**	**6,370**	**16,711**	**487**	**25,650**	**31,198**	**56,848**

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.

		2013/14			2012/13		
	Note	Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Central Services to the Public		1,190	360	**830**	5,798	5,033	**765**
Cultural and Related Services		2,102	319	**1,783**	3,171	764	**2,407**
Environmental and Regulatory Services		3,260	1,279	**1,981**	4,050	1,455	**2,595**
Planning Services		2,951	1,601	**1,350**	2,517	1,748	**769**
Highways and Transport Services		918	512	**406**	605	520	**85**
Other Housing Services		17,811	16,897	**914**	18,906	16,926	**1,980**
Corporate and Democratic Core		3,199	605	**2,594**	2,821	697	**2,124**
Non-distributed costs		82	0	**82**	34	0	**34**
Cost of Services		**31,513**	**21,573**	**9,940**	**37,902**	**27,143**	**10,759**
Other Operating Expenditure	8	1,480	0	**1,480**	1,339	0	**1,339**
Financing and Investment Income and Expenditure	9	393	1,417	**(1,024)**	457	1,308	**(851)**
Taxation and Non-Specific Grant Income	10	0	10,313	**(10,313)**	0	9,942	**(9,942)**
Deficit on Provision of Services		**33,386**	**33,303**	**83**	**39,698**	**38,393**	**1,305**
Surplus on revaluation of Property, Plant and Equipment assets				**(204)**			**(212)**
Impairment losses on non-current assets charged to the Revaluation Reserve				**0**			**90**
Deficit or (Surplus) on revaluation of available for sales financial assets	22			**(2)**			**(5)**
Actuarial losses on pension assets / liabilities	35			**2,405**			**2,630**
Other Comprehensive (Income) and Expenditure				**2,199**			**2,503**
Total Comprehensive (Income) and Expenditure				**2,282**			**3,808**

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'.

	Note	31 March 2014 £000	31 March 2013 £000
Property, Plant and Equipment	11	39,827	40,198
Heritage Assets	12	369	370
Investment Property	13	10,842	10,401
Intangible Assets	14	338	212
Long-term Investments		6,139	9,539
Long-Term Assets		**57,515**	**60,720**
Short-term Investments		16,186	8,367
Assets Held for Sale	17	285	397
Inventories	18	5	9
Short-term Debtors	15	3,385	5,481
Cash and Cash Equivalents	16	4,102	5,201
Current Assets		**23,963**	**19,455**
Short-term Borrowing	19	(3)	(3)
Short-Term Creditors	20	(3,135)	(2,961)
Provisions	21	(223)	(30)
Current Liabilities		**(3,361)**	**(2,994)**
Long-term Borrowing	19	(4,000)	(4,000)
Other Long-term Liabilities	35	(16,684)	(13,576)
Grants Receipts in Advance - Capital	19	(585)	(475)
Long-Term Liabilities		**(21,269)**	**(18,051)**
NET ASSETS		**56,848**	**59,130**
Usable Reserves		25,650	24,732
Unusable Reserves	22	31,198	34,398
TOTAL RESERVES		**56,848**	**59,130**

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.

	Note	2013/14 £000	2012/13 £000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		82	1,305
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(4,266)	1,317
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	170	(865)
Net cash flows from Operating Activities		**(4,014)**	**1,757**
Investing Activities	24	4,793	(3,860)
Financing Activities	25	320	74
Net (increase) or decrease in cash and cash equivalents		**1,099**	**(2,029)**
Cash and cash equivalents at the beginning of the reporting period	16	(5,201)	(3,172)
Cash and Cash Equivalents at the end of the reporting period	16	**(4,102)**	**(5,201)**

Notes to the Core Financial Statements

Note 1 Accounting Standards that have been issued but have not yet been adopted

Local Authorities are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Code of Practice on Local Authority Accounting in the UK 2014/15 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2014/15 Statement of Accounts and financial statements:

IFRS10 – Consolidated Financial Statements (May 2011)

This standard identifies "control" as a new single definition as the basis for consolidation, however the actual consolidation process itself remains unchanged. This could change the classification of Group Accounts, however it is not expected to impact on the Council's financial statements as there are currently no material group entities.

IFRS11 – Joint Arrangements (May 2011)

This standard focuses on how rights and obligations are shared by parties to the arrangement to classify them as either a Joint Venture or a Joint Operation. The Anglia Revenues Partnership is currently classed as a Joint Venture and this is not expected to change as a result of this standard.

IFRS12 – Disclosures of Interests in Other Entities (May 2011)

This is a new consolidated disclosure standard requiring a range of disclosures about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated "structured entities". This is not expected to make any changes to the Council's accounts.

IAS27 – Separate Financial Statements and IAS28 – Investments in Associates and Joint Ventures (as amended in May 2011)

These have been amended to conform to the changes in IFRS10, 11 and 12 (as shown above). These standards are not expected to have any impact on the Council's accounts at present.

IAS32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (as amended December 2011)

This standard provides guidance on when financial assets and liabilities can be offset within the Financial Instruments note. This will not have any effect on the Council's accounts.

IAS1 – Presentation of Financial Statements (as amended May 2011)

This amendment clarifies the disclosure requirements relating to presentation of comparative information and is not expected to have any impact on the Council.

IFRS13 – Fair Value Measurement

In accordance with the requirements of the 2013/14 Code (that has deferred adoption of IFRS13 to the 2015/16 Code), the Statement of Accounts does not include the measurement and disclosure requirements of this standard.

Note 2 Critical judgements in applying Accounting Policies

In applying the accounting policies, the Council 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 are as follows:

- 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 32 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.

- The Council has included the sum of £160k as a provision for National Non-Domestic Rate appeals, and further details are shown in Note 21 Provisions. As detailed in the note this provision does have a degree of uncertainty as the Council could also be liable for appeals that have yet to be made at the balance sheet date.

Note 3 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.

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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £120k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. 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.	The effects on the net pensions liability of changes in individual assumptions can be measured. 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 £5.495M. A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £1.673M. A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £1.558M. A 0.5% increase in the Pension increase rate would result in an additional 7% employer liability totalling approximately £3.871M.
Arrears	At 31 March 2014, the Authority had a balance of sundry debtors of £3.6M. A review of significant balances suggested that an allowance for doubtful debts of £636K was appropriate. However, in the	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £636K to set aside as an allowance.

	current economic climate it is not certain that such an allowance would be sufficient.	
NNDR Appeals	At 31 March Forest Heath has provided a provision for £160k in respect of NNDR Appeals, however the Council could also be liable for those appeals that have yet to be made as at the balance sheet date.	Based upon sensitivity analysis supported by Wilkes Head and Eve LLP, the Council believes that the worst case scenario for business rate appeals as at 31 March 2014 could be an additional £55k on top of the provision allowed, giving a total of £215k.

Note 4 Material Items of Income and Expense

During the financial year to 31 March 2014 the Council had the following material items of expense:

Purchases of Property and Vehicles

There were no material purchases of Property and Vehicles in 2013/14.

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 2013/14 as a direct result of this initiative, amounting to £452k (2012/13 - £803k), have been charged to the Comprehensive Income and Expenditure Statement. Note 29 Officers Remuneration provides further details.

Note 5 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 30 June 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 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 2014 are as follows:

Current Year - 2013/14	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	1,195	0	0	(1,195)
Revaluation losses on Property, Plant and Equipment	(65)	0	0	65
Movements in the Market Value of Investment Properties	(441)	0	0	441
Amortisation of Intangible Assets	40	0	0	(40)
Capital Grants and Contributions applied	(807)	0	0	807
Revenue Expenditure funded from Capital under Statute	631	0	0	(631)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	212	357	0	(569)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(144)	0	0	144
Capital Expenditure charged against the General Fund Balance	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6	0	(6)	0
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	(31)	0	(212)	243

Continued on the following page.

Current Year - 2013/14 (continued)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£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	0	0	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(757)	0	757
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred Sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,597	0	0	(1,597)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(894)	0	0	894
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	320	0	0	(320)
Total Adjustments	**1,619**	**(400)**	**(218)**	**(1,001)**

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

Prior Year - 2012/13	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	1,052	0	0	(1,052)
Revaluation losses on Property, Plant and Equipment	(190)	0	0	190
Movements in the Market Value of Investment Properties	172	0	0	(172)
Amortisation of Intangible Assets	36	0	0	(36)
Capital Grants and Contributions applied	(564)	0	0	564
Revenue Expenditure funded from Capital under Statute	1,080	0	0	(1,080)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	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
Capital Expenditure charged against the General Fund Balance	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	24	0	(24)	0
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(25)	25

Continued on the following page.

Prior Year - 2012/13 (continued)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£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
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred Sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
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**

Note 7 Transfers to / (from) Earmarked Reserves

General Fund Reserve	Balance at 1 April 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 March 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000
New Homes Bonus Reserve	**506**	(243)	1,320	**1,583**	(253)	1,694	**3,024**
Invest to Save Reserve	**289**	(734)	1,178	**733**	(703)	139	**169**
Corporate Priority Dev.Fund	**405**	(142)	0	**263**	0	0	**263**
Corporate Improvement Fund	**13**	(2)	0	**11**	(1)	0	**10**
Risk/Recession Reserve	**1,164**	(1,161)	167	**170**	(126)	518	**562**
BRR Equalisation Reserve	**0**	0	0	**0**	0	268	**268**
Self Insured Fund	**82**	0	0	**82**	(10)	0	**72**
Computer Equipment	**135**	(10)	0	**125**	0	14	**139**
Professional Fees Reserve	**51**	0	0	**51**	(51)	0	**0**
Single Regeneration Board	**24**	0	0	**24**	0	0	**24**
ARP Reserve	**160**	(112)	121	**169**	0	37	**206**
Wheeled Bins	**38**	(11)	0	**27**	0	0	**27**
Car Park Development Fund	**99**	0	0	**99**	0	0	**99**
Public Cleansing Reserve	**37**	0	9	**46**	0	0	**46**
Commuted Maintenance	**121**	(98)	345	**368**	(79)	194	**483**
Newmarket Stallion Reserve	**28**	0	0	**28**	0	0	**28**
Teal & Woodcock Reserve	**1**	0	0	**1**	0	0	**1**
Rural Sports & Recreation	**23**	0	0	**23**	0	0	**23**
S106 Red Lodge Community Development Officer	**12**	0	0	**12**	0	0	**12**
ECDC/FHDC Voluntary Grants	**3**	0	0	**3**	0	0	**3**
Communities against Drugs	**116**	(5)	0	**111**	(3)	0	**108**
Planning Reserve	**257**	(12)	0	**245**	(45)	0	**200**
Planning Delivery Grant	**143**	(20)	0	**123**	(28)	0	**95**
Local Land Charges Reserve	**49**	0	0	**49**	0	0	**49**
Planning Policy Statement Climate Change	**96**	(42)	0	**54**	(13)	0	**41**
S106 Monitoring Officer Red Lodge	**123**	(35)	39	**127**	(45)	41	**123**
Implementing Smoke Free Legislation	**8**	0	0	**8**	0	0	**8**
Economic Development Reserve (LABGI)	**245**	(44)	0	**201**	(78)	0	**123**
Homelessness Legislation	**165**	(14)	0	**151**	(22)	0	**129**
Election Reserve	**0**	0	0	**0**	0	13	**13**
Staff Training Reserve	**32**	(10)	20	**42**	(20)	0	**22**
Other Earmarked Reserves	**142**	(142)	0	**0**	0	0	**0**
Total	**4,567**	**(2,837)**	**3,199**	**4,929**	**(1,477)**	**2,918**	**6,370**
Net Movement in the year				**362**			**1,441**

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

New Homes Bonus Reserve	Monies received in respect of the New Homes Bonus Grant which have been set aside to support the delivery of the Council's strategic priorities.
Invest to Save Reserve (formerly 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.
Corporate Priority Development Fund	Monies set aside to fund future corporate priority projects.
Corporate Improvement Fund	Monies set aside to fund future corporate improvements.
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.
BRR Equalisation Reserve	To neutralise the impact of any year on year fluctuations in growth or reduction of business rate income.
Self-Insured Fund (formerly Insurance Excess Reserve)	Monies set aside to meet potential future Insurance Excess payments.
Computer Equipment (formerly Computer Development Reserve)	To meet future computer hardware and software requirements.
Professional Fees Reserve	To meet future professional fee obligations.
Single Regeneration Board Reserve	Reserve for single regeneration board.
ARP (formerly 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.
Wheeled Bins Reserve	Monies set aside for the purchase of replacement bins used for trade and domestic refuse collection.
Car Park Development Fund	Monies set aside for future Car Park repairs and service improvements.
Public Cleansing Reserve	Monies set aside to fund public cleansing.
Commuted Maintenance (formerly Commuted Sums – Public Open Space)	Monies received which have been set aside for future Public Open Space development and maintenance.
Newmarket Stallion Reserve	Monies set aside to fund future maintenance cost of the Newmarket Stallion statue.
Teal and Woodcock Reserve	Monies set aside to fund cost in respect of the Teal and Woodcock open space.
Rural Sports and Recreation Reserve	Monies set aside to fund sports and recreation in rural areas.
S106 Red Lodge Community Reserve	Monies received which have been set aside for Red Lodge Community Development Officer activities.
ECDC/FHDC Voluntary Grants	Monies set aside in respect of previous voluntary grant scheme arrangements with East Cambs DC.
Communities against Drugs Reserve	Monies set aside from grants received set aside for future spend on Crime

	Reduction and associated initiatives.
Planning Reserve (formerly Local Plan Preparation Reserve)	Monies set aside to fund the Local Development Framework (LDF).
Planning Delivery Grant Reserve	Grant funding received from central government set aside for development of the Planning service.
Local Land Charges Reserve	Monies set aside in respect of the land charges service.
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.
S106 Monitoring Officer Red Lodge (formerly Planning Monitoring Officer Reserve)	Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.
Implementing Smoke Free 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.
Homelessness Legislation Reserve	Monies set aside to fund future Homelessness legislation requirements.
Election Reserves	Monies set aside to finance the cost of local elections.
Staff Training Reserves	Monies set aside to finance staff training.
Other Earmarked Reserves	The remaining Council reserves which are of a less significant nature.

Note 8 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.

	2013/14 £000	2012/13 £000
Parish Council precepts	1,267	1,439
(Gains) / losses on the disposal of non-current assets	213	(100)
	1,480	**1,339**

Note 9 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".

	2013/14 £000	2012/13 £000
Interest payable and similar charges	171	169
Interest receivable and similar income	(552)	(738)
Net interest on the net defined benefit liability asset	612	239
Income and expenditure in relation to investment properties and changes in their fair value	(1,255)	(521)
	(1,024)	**(851)**

Olympic Torch Relay, Newmarket 2012

Note 10 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.

	2013/14 £000	2012/13 £000
Council tax Income	(3,505)	(3,900)
Non-domestic rates income and expenditure *	(1,780)	(3,993)
Revenue Support Grant *	(2,582)	(77)
Non-service related government grants	(83)	(50)
New Homes Bonus	(1,694)	(1,320)
Council tax freeze grant	(27)	(62)
Capital Grants and contributions	(642)	(540)
	(10,313)	**(9,942)**

** For 2012/13, the Council’s formula grant settlement is made up of National Non-Domestic Rates (NNDR) and Revenue Support Grant (RSG).*

**From April 2013, the distributed NNDR scheme was replaced by the Business Rates Retention Scheme. The level of 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.*

Note 11 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 2013.

2012/13 - Previous Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £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**
Reclassification from Assets under Construction	0	0	0	0	0	0	**0**
Revaluation increases recognised in the Revaluation Reserve	114	0	0	0	0	0	**114**
Revaluation (decreases) recognised in the Revaluation Reserve	(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.

2012/13 - Previous Financial Year	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £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 gains - 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 gains - 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**
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	**0**
Impairment losses / (reversals) recognised in the Surplus / Defict on the Provision of Services	0	0	0	0	0	0	**0**
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**
Other movements in depreciation and impairment	0	0	0	0	0	0	**0**
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**

The note below details the movements on balances in the current financial year ended 31 March 2014.

2013/14 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2013	**35,992**	**3,303**	**819**	**202**	**0**	**1,032**	**41,348**
Additions	218	131	53	0	0	602	**1,004**
Reclassification from Assets under Construction	0	0	0	0	0	0	**0**
Revaluation increases recognised in the Revaluation Reserve	77	0	0	0	0	0	**77**
Revaluation (decreases) recognised in the Revaluation Reserve	(104)	0	(2)	0	0	0	**(106)**
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	28	0	0	0	0	0	**28**
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(528)	0	0	0	0	0	**(528)**
Derecognition - disposals	(453)	(94)	0	0	0	0	**(547)**
Assets reclassified (to) / from Held for Sale	2	0	0	0	0	0	**2**
At 31 March 2014	**35,232**	**3,340**	**870**	**202**	**0**	**1,634**	**41,278**

Continued on the following page.

2013/14 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment							
At 1 April 2013	**(23)**	**(994)**	**(133)**	**0**	**0**	**0**	**(1,150)**
Depreciation Charge	(827)	(327)	(37)	0	0	0	**(1,191)**
Revaluation gains - depreciation written out to the Revaluation Reserve	120	0	0	0	0	0	**120**
Revaluation losses - depreciation written out to the Revaluation Reserve	113	0	4	0	0	0	**117**
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	136	0	0	0	0	0	**136**
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	429	0	0	0	0	0	**429**
Derecognition - disposals	9	79	0	0	0	0	**88**
At 31 March 2014	**(43)**	**(1,242)**	**(166)**	**0**	**0**	**0**	**(1,451)**
Net Book Value							
At 31 March 2014	**35,189**	**2,098**	**704**	**202**	**0**	**1,634**	**39,827**
At 31 March 2013	**35,969**	**2,309**	**686**	**202**	**0**	**1,032**	**40,198**

Depreciation

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

- Other Land and Buildings - 2 to 70 years
- Vehicle, Plant, Furniture & Equipment - 1 to 20 years
- Infrastructure - 12 to 43 years

Impairments

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.

There were no impairment losses in either 2012/13 or 2013/14.

Capital Commitments

At 31 March 2014, the Council had one material capital commitment amounting to £7.334m.

The Home of Horseracing project involves the restoration and sympathetic adaption of the historic Palace House and Stables site, built by Charles II and reputed to be the oldest racing stables in the country. The project will create or enable:

- A new home for the National Horseracing Museum in the Trainers House and Kings Yard Stables
- For the first time ever a national gallery of British Sporting Art – in Palace House
- A live horse attraction and flagship home for the Retraining of Racehorses charity in Palace House stables
- A major destination tourist attraction which contributes significantly to the economic regeneration of the town and region
- The restoration of an important heritage site – the racing palace of Charles II.

Revaluations

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, 3rd Floor, Churchgate, New Road, Peterborough

	Other Land and Buildings	Vehicles, Plant, Funriture and Equipment	Infrastructure Assets	Community Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000
Carried at historical cost	352	2,099	531	202	1,633	**4,817**
Valued at fair value as at:						
31 March 2014	34,837	(1)	173	0	1	**35,010**
Total Net Book Value	**35,189**	**2,098**	**704**	**202**	**1,634**	**39,827**

Note 12 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

	Statues and Monuments £000	Civic Regalia £000	Other Heritage Assets £000	Total Assets £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**
At 1 April 2013	260	30	80	**370**
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	(1)	**(1)**
Depreciation	(1)	0	(3)	**(4)**
Revaluations - depreciation adjustment	1	0	3	**4**
At 31 March 2014	**260**	**30**	**79**	**369**

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.

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

Disposals of Heritage Assets

There were no disposals of any of the Council's Heritage Assets during either 2013/14 or 2012/13.

Five Year Summary of Transactions on Heritage Assets

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.

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and monuments	250	260	260	260	**260**
Civic items	29	30	30	30	**30**
Other heritage assets	5	5	82	80	**79**
Total Heritage Assets	**284**	**295**	**372**	**370**	**369**

Note 13 Investment Properties

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:

	2013/14 £000	2012/13 £000
Income from Investment Properties (including net gain / loss from fair value adjustments) *	**(1,307)**	(570)
Direct Operating expenses arising from Investment Properties	**52**	49
Net (gain) / loss	**(1,255)**	**(521)**

*The rental income from Investment Properties for 2013/14 totalled £775k (£742k in 2012/13).

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:

	2013/14 £000	2012/13 £000
Balance at 1 April	**10,401**	**10,573**
Net gains / (Losses) from fair value adjustments	**441**	(172)
Balance at 31 March	**10,842**	**10,401**

Note 14 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 range from 1 to 7 years.

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

	2013/14 Purchased Assets £000	2012/13 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	**1,110**	1,179
- Accumulated amortisation	**(898)**	(973)
Net carrying amount at start of year	**212**	**206**
Additions:		
- Purchases	**174**	58
Other disposals *	**(636)**	(130)
Impairment losses recognised/reversed directly in the Revaluation Reserve	**(8)**	3
Amortisation for the period	**(40)**	(36)
Amortisation written out on disposal *	**636**	111
Net carrying amount at 31 March	**338**	**212**
Comprising:		
- Gross carrying amounts	**640**	1,110
- Accumulated amortisation	**(302)**	(898)
	338	**212**

*Intangible asset disposals linked to new system purchases, as a result of the council's shared services programme.

Note 15 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 2014 £000	Restated 31 March 2013 £000
Central Government Bodies	454	1,500
Other Local Authorities	1,710	2,586
Other Entities and Individuals	1,221	1,395
Total Short Term Debtors	**3,385**	**5,481**

The movement in Central Government Bodies is primarily due to the Housing Subsidy year end debtor which was £1m for 2012/13 in contrast to £21k raised for 2013/14.

The 2012/13 comparators have been restated to reflect the revised presentation for 2013/14; the overall total remains the same.

Note 16 Cash and Cash Equivalents

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

	31 March 2014 £000	31 March 2013 £000
Cash Held by the Council	0	3
Bank Current Accounts	1,099	298
Short Term Deposits with Clearing Banks & Building Societies	3,003	4,900
Total Cash and Cash Equivalents	**4,102**	**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 17 Assets held for Sale

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

	Current		Non-Current	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Balance Outstanding at start of year	**397**	**112**	**0**	**0**
Assets sold	(110)	0	0	0
Assets Transferred in/(out) of AHFS	(2)	285	0	0
Balance outstanding at Year End	**285**	**397**	**0**	**0**

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.

Note 18 Inventories

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

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

	Property acquired for Sale	
	2013/14	2012/13
	£000	£000
Balance at 1 April	**9**	9
Purchases	0	0
Recognised as an expense in the year	(4)	0
Written off balances	0	0
Balance outstanding at Year End	**5**	**9**

Note 19 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 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Investments				
Loans and receivables				
- Money market loans	6,000	9,500	19,011	11,367
- Other loans	3	3	0	0
- Cash	0	0	1,099	2,201
Available for Sale financial assets	0	38	0	0
Total investments	**6,003**	**9,541**	**20,110**	**13,568**
Debtors				
Loans and receivables	0	0	3	1
Financial assets carried at contract amounts	0	0	1,181	2,923
Total debtors	**0**	**0**	**1,184**	**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	585	475	1,489	2,720
Total creditors	**585**	**475**	**1,489**	**2,720**

Reclassifications

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

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.

	2013/14				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
	£000	£000	£000	£000	£000	£000	£000	£000
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	(552)	0	**(552)**	0	(738)	0	**(738)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(552)**	**0**	**(552)**	**0**	**(738)**	**0**	**(738)**
Gains on revaluation	0	0	0	**0**	0	0	(5)	**(5)**
Losses on revaluation	0	0	213	**213**	0	0	0	**0**
(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**213**	**213**	**0**	**0**	**(5)**	**(5)**
Net (gains) / loss for the year	**171**	**(552)**	**213**	**(168)**	**169**	**(738)**	**(5)**	**(574)**

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 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	1,489	1,489	2,720	2,720
Long-term creditors	4,000	3,855	4,000	3,924
Total liabilities	**5,489**	**5,344**	**6,720**	**6,644**
Money market loans:				
- Short-term investments	19,011	19,315	20,867	21,435
- Long-term investments	6,000	6,256	0	0
Other loans and receivables	3	3	3	3
Cash	1,099	1,099	2,201	2,201
Financial assets (debtors)	1,181	1,181	2,923	2,923
Total assets	**27,294**	**27,854**	**25,994**	**26,562**

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.

Long term creditors relates to the long term loan agreement of £4m which 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.

Note 20 Short Term Creditors

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

	31 March 2014 £000	31 March 2013 £000
Central Government Bodies	345	140
Other Local Authorities	1,197	1,572
Other Entities and Individuals	1,593	1,249
Total Short-term Creditors	**3,135**	**2,961**

Note 21 Provisions

The table below shows the movements in the Council's provisions during the 2013/14 financial year:

	Cost of Change £000	NNDR Appeals £000	Total £000
Balance as at 1 April	**30**	**0**	**30**
Additional Provisions made in 2013/14	63	160	**223**
Amounts used in 2013/14	(30)	0	**(30)**
Total Provisions	**63**	**160**	**223**

The provisions amount of £63k is in respect of further Termination Benefit payments as outlined in Note 29.

This amount is measured at the expected amount to be paid during 2014/15, following a demonstrable commitment by the Council to a detailed plan for terminations at the Balance Sheet date.

The provisions amount of £160k is in respect of non-domestic (business) rates appeals.

This is a new provision under the new system of business rate retention and relates to Forest Heath's share of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31st March 2014. Forest Heath has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

We believe there is some uncertainty with this provision as Forest Heath could also be liable for those appeals that have yet to be made at the balance sheet date.

Our sensitivity analysis, supported by Wilks Head and Eve, indicates that a provision in respect of ‘future’ business rate appeal liabilities could be as high as £55k for Forest Heath’s share. We believe the information used to support this analysis does not meet all the criteria for recognising this as a provision under International Accounting Standard 37. In particular, we believe the data does not provide a sufficiently reliable estimate as it assumes any future appeals would involve:

- a full backdate to the 2010 valuation list; and
- would not be subject to any transitional reliefs, discounts or exemptions.

We have therefore not recognised an additional £55k provision for those appeals that have yet to be made but for the purposes of this note, we believe the worst case scenario for business rate appeals as at 31 March 2014 would be £215k, for Forest Heath’s share.

Note 22 Unusable Reserves

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

	31 March 2014 £000	31 March 2013 £000
Revaluation Reserve	**4,837**	4,778
Available for Sale Financial Instruments Reserve	**0**	36
Capital Adjustment Account	**43,363**	43,196
Pensions Reserve	**(16,684)**	(13,576)
Deferred Capital Receipts Reserve	**14**	14
Collection Fund Adjustment Account	**(370)**	(50)
Total Unusable Reserves	**31,160**	**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:

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**4,778**	**4,768**
Upward revaluation of Assets	197	212
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	6	(90)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	**4,981**	**4,890**
Difference between fair value depreciation and historical cost depreciation	(115)	(112)
Accumulated gains on assets sold or scrapped	(29)	0
Balance at 31 March	**4,837**	**4,778**

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:

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**36**	**31**
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(36)	5
Balance at 31 March	**0**	**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.

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

	31 March 2014 £000	31 March 2014 £000	31 March 2013 £000
Balance at 1 April		**43,196**	**41,088**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
- Charges for depreciation and impairment of non-current assets	(1,195)		(1,052)
- Revaluation gains/(losses) on Property, Plant and Equipment	65		190
- Amortisation of Intangible Assets	(40)		(36)
- Revenue expenditure funded from capital under statute	(631)		(1,080)
- Amounts of of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(568)		(85)
		(2,369)	**(2,063)**
Adjusting amounts written out of the Revaluation Reserve		144	112
Net written out amount of the cost of non-current assets consumed in the year		**40,971**	**39,137**
Capital Financing appiled in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	757		3,492
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	807		564
- Application of grants to capital financing from the Capital Grants Unapplied Account	243		25
		1,807	**4,081**
Minimum Revenue Provision		144	150
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		441	(172)
Balance at 31 March		**43,363**	**43,196**

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:

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**(13,576)**	**(10,682)**
Remeasurements of the net defined benefit liability / (asset)	(2,405)	(2,630)
Reversal of items relating to retirement benefits debited ro credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,597)	(1,328)
Employer's pensions contributions and direct payments to pensioners payable in the year	894	1,064
Balance at 31 March	**(16,684)**	**(13,576)**

For further information regarding the Council's employee pension arrangements please see Note 35 Defined Benefit Pension Schemes.

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 2013/14 or 2012/13.

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**14**	**14**
Balance at 31 March	**14**	**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:

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	**(50)**	**(4)**
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	53	(46)
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements *	(373)	0
Balance at 31 March	**(370)**	**(50)**

* It should be noted that the amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement differs from income calculated in the year in accordance with statutory requirements is a new adjustment that took effect from 1 April 2013 as a result of the changes made to Business Rates Retention regulations.

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £000	2012/13 £000
Interest paid	171	170
Interest received	(552)	(1,144)
	(381)	**(974)**

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2013/14 £000	2012/13 £000
Depreciation	(1,195)	(1,052)
Amortisation	(40)	(36)
Impairment and upward / (downward) valuations	65	17
(Increase) / decrease in Creditors	(120)	(506)
(Increase) / decrease in Provisions	(194)	160
Increase / (decrease) in Debtors and Payments in Advance	(2,304)	2,973
Increase / (decrease) in Inventories	(4)	0
Movement in Pensions Liability	(703)	(264)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	(212)	100
Movement in investment property values	441	0
Other non-cash items charged to the net surplus or deficit on the provision of services	0	(75)
	(4,266)	**1,317**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2013/14 £000	2012/13 £000
Capital grants credited to surplus / (deficit) on the provision of services	832	540
Any other items for which the cash effects are investing or financing cash flows	(662)	(1,405)
	170	**(865)**

Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	1,124	4,023
Purchase of short-term and long-term investments	4,798	0
Other payments for investing activities	802	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(468)	(883)
Proceeds from short-term and long-term investments	(552)	(7,000)
Other receipts from investing activities	(911)	0
Net cash flows rom investing activities	**4,793**	**(3,860)**

Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2013/14 £000	2012/13 £000
Billing authorities - council tax and national non-domestic rates adjustments	320	74
Net cash flows from Financing activities	**320**	**74**

Note 26 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, decisions about resource allocation are taken by the Council's Joint Leadership Team (JLT) and subsequently ratified on a quarterly basis by the Cabinet on the basis of budget reports analysed across services.

During 2012/13 the Council reported based upon its Cabinet structure at portfolio holder level. From 2013/14 onwards, however, quarterly reporting is being performed based upon the Joint Leadership Team structure at Head of Service level. The amounts reported for resource allocation decisions for 2013/14 have therefore been set out in this format.

The decision has been taken not to restate the 2012/13 accounts by Head of Service as it would not be reasonably practical to do so, given the change in the structure of the accounts and the new shared Financial Management System with St Edmundsbury Borough 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 Local Services Support Grant are credited directly to services during the course of the financial year, but are reclassified within Government Grant income in the Comprehensive Income and Expenditure Statement.

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

Following this assessment, it has been decided to report each Head of Service area as a separate segment in line with the Council's quarterly budget monitoring reports in order to give a comparable view of the Comprehensive Income and Expenditure account at this level.

There are nine service areas on which budget monitoring is undertaken, and in addition to this there is a Corporate Expenditure area which is reported separately and monitored primarily by the Council's Head of Resources and Performance (Section 151 Ofiicer).

The nine areas covered by the heads of service are as follows:

- Resources and Performance;
- Human Resources and Organisational Development;
- Legal and Democratic Services;
- Policy, Communications and Customers;
- Waste Management and Property Services;
- Leisure, Culture and Communities;
- Planning and Regulatory Services;
- Economic Development and Growth, and
- Housing.

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:

Current Year - 2013/14	Employees Expenses	Other Service Expenses	Support Service Recharges	Depn & Impairm't	Total Expenses	Fees, Charges & Other Service Income	Government Grants	Total Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Expenditure	937	2,041	0	0	**2,978**	(477)	0	(477)	**2,500**
Resources & Performance	1,642	18,077	0	0	**19,719**	(1,355)	(16,922)	(18,276)	**1,443**
Human Resources & Organisational Development	216	61	0	0	**277**	(78)	0	(78)	**199**
Legal & Democratic Services	401	319	0	0	**720**	(54)	(13)	(67)	**653**
Policy, Communications & Customers	482	70	0	48	**600**	(16)	0	(16)	**584**
Waste Management & Property Services	1,481	2,505	0	(40)	**3,946**	(3,649)	0	(3,649)	**297**
Leisure, Culture & Communities	340	1,688	0	374	**2,402**	(461)	0	(461)	**1,941**
Planning & Regulatory Services	1,255	470	0	7	**1,732**	(1,130)	(18)	(1,149)	**583**
Economic Development & Growth	121	177	0	0	**298**	(126)	0	(126)	**172**
Housing	294	142	0	71	**507**	(38)	0	(38)	**469**
Totals	**7,169**	**25,550**	**0**	**460**	**33,179**	**(7,384)**	**(16,953)**	**(24,337)**	**8,841**

Previous Year - 2012/13	Employees Expenses £000	Other Service Expenses £000	Support Service Recharges £000	Depn & Impairm't £000	Total Expenses £000	Fees, Charges & Other Service Income £000	Government Grants £000	Total Income £000	Total £000
Families and Communities	565	20,656	315	0	**21,536**	(400)	(20,495)	(20,895)	**641**
Economic Development and Tourism	173	809	298	0	**1,280**	(971)	(20)	(991)	**289**
Environment and Waste	1,758	2,266	356	0	**4,380**	(1,387)	0	(1,387)	**2,993**
Health, Leisure and Culture	283	2,240	325	0	**2,848**	(742)	0	(742)	**2,106**
Resources Governance and Performance, and Overview and Scrutiny	4,584	(1,467)	1,548	0	**4,665**	(1,347)	(1,634)	(2,981)	**1,684**
Planning, Housing and Transport	1,313	1,340	491	0	**3,144**	(1,292)	(50)	(1,342)	**1,802**
Totals	**8,676**	**25,844**	**3,333**	**0**	**37,853**	**(6,139)**	**(22,199)**	**(28,338)**	**9,515**

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.

	2013/14 £000	2012/13 £000
Net Expenditure in the Head of Service Analysis	**8,841**	9,515
Net expenditure of services not included in the analysis	**73**	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	**1,262**	(191)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	**(236)**	1,435
Cost of Services in Comprehensive Income and Expenditure Statement	**9,940**	**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.

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.

Current Year - 2013/14	Head of Service Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(6,831)	0	2,213	(3)	**(4,621)**	(865)	**(5,486)**
Interest and investment income	(552)	0	552	0	**0**	(552)	**(552)**
Income from council tax	0	0	0	0	**0**	(3,505)	**(3,505)**
Government grants and contributions	(16,953)	0	0	0	**(16,953)**	(6,808)	**(23,761)**
Total income	**(24,336)**	**0**	**2,765**	**(3)**	**(21,574)**	**(11,730)**	**(33,304)**
Employee expenses	7,167	91	0	0	**7,258**	612	**7,870**
Other service expenses	25,380	0	(2,830)	76	**22,626**	45	**22,671**
Support Service recharges	0	0	0	0	**0**	6	**6**
Depreciation, amortisation and impairment	459	1,171	0	0	**1,630**	(441)	**1,189**
Interest payments	171	0	(171)	0	**0**	171	**171**
Precepts and Levies	0	0	0	0	**0**	1,267	**1,267**
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	**0**	212	**212**
Total expenditure	**33,177**	**1,262**	**(3,001)**	**76**	**31,514**	**1,872**	**33,386**
Surplus or deficit on the provision of services	**8,841**	**1,262**	**(236)**	**73**	**9,940**	**(9,858)**	**82**

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.

Previous Year - 2012/13	Portfolio Service Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other Service Income	(6,139)	(240)	0	0	**(6,379)**	(569)	**(6,948)**
Interest and investment interest	0	0	1	0	**1**	(738)	**(737)**
Income from Council tax	0	0	0	0	**0**	(3,901)	**(3,901)**
Government Grants and contributions	(22,199)	0	1,434	0	**(20,765)**	(6,042)	**(26,807)**
Total Income	**(28,338)**	**(240)**	**1,435**	**0**	**(27,143)**	**(11,250)**	**(38,393)**
Employee Expenses	8,676	0	0	0	**8,676**	0	**8,676**
Other Service Expenses	25,844	0	0	0	**25,844**	281	**26,125**
Support Service Recharges	3,333	0	0	0	**3,333**	7	**3,340**
Depreciation, amortisation and impairment	0	49	0	0	**49**	0	**49**
Interest payments	0	0	0	0	**0**	169	**169**
Precepts and levies	0	0	0	0	**0**	1,439	**1,439**
Gain or loss on disposal of non-current assets	0	0	0	0	**0**	(100)	**(100)**
Total Expenditure	**37,853**	**49**	**0**	**0**	**37,902**	**1,796**	**39,698**
(Surplus) or deficit on the provision of services	**9,515**	**(191)**	**1,435**	**0**	**10,759**	**(9,454)**	**1,305**

Note 27 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.

		2013/14 £000	2013/14 £000	2012/13 £000	2012/13 £000
Industrial & Business Units	Turnover	(1,035)		(887)	
	Expenditure	798		545	
	(Surplus) / Deficit		**(237)**		**(342)**
Trade Refuse	Turnover	(398)		(376)	
	Expenditure	313		345	
	(Surplus) / Deficit		**(85)**		**(31)**
Markets	Turnover	(33)		(42)	
	Expenditure	67		103	
	(Surplus) / Deficit		**34**		**61**
Net Surplus on Trading Operations			**(288)**		**(312)**

Industrial and Business Sites

The Council owns and operates a number of industrial sites and business units in the district. The trading objective is to operate these on a commercial basis and where possible generate an operating surplus.

Trade Refuse

The Council operates a Trade Refuse service on a commercial basis. The objective of this service is to break even as a minimum, and to generate a trading surplus where possible.

Markets

The council operates markets in Newmarket, Mildenhall and Brandon. Whilst the primary trading objective of the Council's markets is to contribute towards economic regeneration and tourism in the district, wherever possible the Council also seeks to cover their running costs.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The income and expenditure of these operations are allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

Note 28 Members Allowances

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

	2013/14 £000	2012/13 £000
Allowances	203	203
Expenses	12	13
Total Members Allowances and Expenses	**215**	**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

Note 29 Officers' Remuneration

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

	Year	Salary, Fees and Allow-ances £	Expenses Allow-ance £	Benefits in kind £	Pension Contrib-ution £	Compens-ation for Loss of Office £	Total £
Head of Resources and Performance (S151 Officer)	**2013/14**	**65,600**	**0**	**1,823**	**12,923**	**0**	**80,346**
	2012/13	27,083	0	712	5,145	0	**32,940**
Head of Housing - Post-holder previously Head of Community Development	**2013/14**	**57,734**	**0**	**2,259**	**11,938**	**0**	**71,931**
	2012/13	59,681	197	2,053	11,340	0	**73,271**
Head of Planning and Regulatory Services - Post-holder previously Head of Planning, left September 2013, and subsequently replaced in February 2014	**2013/14**	**9,739**	**199**	**0**	**1,919**	**0**	**11,857**
	2013/14	**27,481**	**544**	**0**	**5,404**	**0**	**33,429**
	2012/13	60,722	3,220	0	11,537	0	**75,479**
Strategic Manager - Anglia Revenues Partnership - Shared as part of the Anglia Revenues Partnership - postholder left October 2013	**2013/14**	**36,266**	**639**	**0**	**6,385**	**66,240**	**109,530**
	2012/13	63,754	16	0	12,113	0	**75,883**
Strategic Director (Resources)	2012/13	37,158	155	2,040	7,060	99,406	**145,819**
Strategic Director (Services)	2012/13	37,158	106	2,831	7,060	92,343	**139,498**
Head of Environmental Services	2012/13	34,680	91	3,007	6,589	82,663	**127,030**
Head of Finance, ICT, Internal Audit & Procurement (S151 Officer)	2012/13	43,511	251	1,711	7,531	59,474	**112,478**
Head of Human Resources and Corporate Support Services	2012/13	34,680	92	3,139	6,589	56,410	**100,910**
Head of Corporate Development	2012/13	34,680	70	2,027	6,589	31,966	**75,332**

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 (see Note 21) and Contingent Liabilities (see Note 36).

Please see Exit Packages and Termination Benefits below for further information with regards to the overall termination benefits cost for the year ending 31st March 2014 and any necessary cost sharing with the Council's Shared Services partner St Edmundsbury BC.

The Council 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	2013/14 Number of Employees	2012/13 Number of Employees
£50,000 to £54,999	**2**	1
£55,000 to £59,999	**0**	1
£60,000 to £64,999	**2**	0
£65,000 to £69,999	**0**	0
£70,000 to £74,999	**1**	1
£75,000 to £79,999	**1**	1
£80,000 to £84,999	**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.

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.

Notes to the Core Financial Statements

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 councils sharing equally the savings resulting from the restructure.

In the following table 2012/13 reflects a part year due to appointment dates and 2013/14 reflects the first full year of the JLT.

Shared Joint Leadership Team (JLT)		2013/14 FHDC Cost £	2013/14 SEBC Cost £	2012/13 FHDC Cost £	2012/13 SEBC Cost £
Joint Chief Executive	From April 2012	**0**	142,128	**0**	133,458
Director	From October 2012	**0**	98,932	**0**	48,742
Director		**0**	98,896	**0**	48,603
Head of Resources and Performance (S151 Officer)	From November 2012	**84,352**	0	**35,048**	
Head of Human Resources and Organisational Development		**0**	80,509	**0**	32,225
Head of Legal and Democratic Services (Monitoring Officer)		**0**	88,379	**0**	36,858
Head of Leisure, Culture and Communities		**0**	87,551	**0**	36,841
Head of Waste Management and Property Services		**0**	87,551	**0**	36,841
Head of Economic Development and Growth		**0**	71,978	**0**	29,466
Head of Policy, Communications and Customers		**0**	71,978	**0**	29,466
Head of Housing		**77,922**	0	**32,120**	0
Head of Plannng and Regulatory Services		**48,574**	0	**34,395**	0
Total expenditure included in Officers' Remuneration disclosure		**210,848**	**827,902**	**101,563**	**432,500**
Net adjustment between the councils		**169,730**	(169,730)	**85,450**	(85,450)
Expenditure included in the Comprehensive Income and Expenditure Statement		**380,578**	**658,172**	**187,013**	**347,050**

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

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

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

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

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

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

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

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

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

The **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 **Head of Planning & Regulatory Services** was appointed 1 November 2012, the post-holder transferred to the post from Head of Planning FHDC, but left in September 2013. The replacement post-holder was appointed 3 February 2014. FHDC employed both post-holders.

The **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.

Exit Packages

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:

a) Exit package cost band (including special payments)	b) Number of compulsory redundancies		c) Number of other departures agreed		d) Total number of exit packages by cost band [b) + c)]		e) Total cost of exit packages in each band	
	2013/14 Nos	2012/13 Nos	2013/14 Nos	2012/13 Nos	2013/14 Nos	2012/13 Nos	2013/14 £	2012/13 £
£0 - £20,000	**9**	1	**0**	0	**9**	1	**105,410**	12,195
£20,001 - £40,000	**7**	0	**0**	1	**7**	1	**206,048**	20,724
£40,001 - £60,000	**1**	2	**0**	0	**1**	2	**41,428**	115,884
£60,001 - £80,000	**0**	1	**0**	1	**0**	2	**86,840**	145,803
£80,001 - £100,000	**1**	2	**0**	0	**1**	2	**0**	191,756
£100,001 - £150,000	**1**	1	**0**	0	**1**	1	**112,891**	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	**19**	**8**	**0**	**2**	**19**	**10**	**552,617**	**823,793**

Termination Benefits

The Council terminated the contracts of 19 employees in 2013/14, the total value of these termination payments was £552,617 (2012/13 £823,793).

The total cost of £552k is the gross amount of exit packages paid to the Authorities employees. This total cost includes £452k for exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC, of which £274k 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 £382k. 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 £560k in the current year.

Note 30 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.

	2013/14 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year:		
- Audit Commission	0	(6)
- Ernst & Young LLP	62	64
Fees payable in respect of statutory inspections:		
- Ernst & Young LLP	0	0
Fees payable for the certification of grant claims and returns for the year		
- Audit Commission	0	17
- Ernst & Young LLP	18	32
Fees payable in respect of other services provided during the year		
- Audit Commission	0	1
- Ernst & Young LLP	4	0
Total External Audit Costs	**84**	**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 in 2012/13 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. A further rebate of £8,000 relating to 2012/13 has been received in 2014/15.

The fees payable for other services in 2013/14 related to audit services in respect of the National Fraud Initiative (NFI) £1k (2012/13 £1k) and the Home of Horseracing project £3k.

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14 and the preceding financial year.

	2013/14 £000	2012/13 £000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	2,582	77
National Non-domestic Rates	1,780	3,993
New Homes Bonus	1,694	1,320
Council Tax Freeze Grant	27	62
Local Services Support Grant (LSSG) - preventing Homelessness	83	50
Capital Grants and Contributions		
Disabled Facilities Grant *	0	191
Home of Horseracing	601	345
Other Grants and contributions	41	4
Total credited to Taxation and Non-specific Grant Income and Expenditure	**6,808**	**6,042**
Credited to Services		
Revenue Grants and Contributions		
Housing and Council Tax Benefits Subsidy **	16,423	20,106
Housing Benefits and Council Tax Administration Subsidy	372	401
National Non-domestic Rates Administration Grant	91	90
Other Grants and Contributions	13	0
Capital Grants and Contributions		
Disabled Facilities Grant *	172	0
Total credited to services	**17,071**	**20,597**

* It should be noted that Disabled Facilities Grants have been credited to services from 1 April 2013.

** Council Tax Benefit Subsidy was withdrawn with effect from 1 April 2013 as a result of the Local Government 2012 Welfare Reform Act changes.

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:

	2013/14 £000	2012/13 £000
Capital Grants and Contributions Received in Advance		
Home of Horse Racing Trust	128	0
Developer Contribution - The Street, Beck Row (Persimmon)	161	161
Developer Contribution - Red Lodge (Crest Nicholson)	111	111
Developer Contribution - Turnpike Road, Red Lodge (Taylor Wimpey)	86	86
Developer Contributions - Other	65	64
Other Grants	34	53
Total	**585**	**475**

Note 32 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 26 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 completed the shared service agenda during 2013/14 with the implementation of a joint staff structure working across both councils. Further information is available in the Explanatory Foreword and Note 29 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 2013/14 is shown in Note 28 – 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;

Material related party transactions in respect of Councillors during 2013/14 totalled £52k (2012/13 £33k).

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 2013/14 or 2012/13 in respect of the Waste Partnership with St Edmundsbury Borough Council.

Entities controlled or significantly influenced by the Council

Anglia Revenues Partnership (ARP) Trading Limited is a Joint Venture Company set up in 2006 with Breckland District Council to trade with authorities in revenues and benefits services. This arrangement is a legal entity conducted under joint control with 50:50 voting rights and financial share of 66:34 between Breckland District Council and Forest Heath District Council respectively. The main business of the entity in 2013-14 was the provision of revenues and benefits staff.

Group accounts are no longer prepared for this entity as the values are now minimal, therefore the results are reported through this note to the accounts:

	2013/14 £000	2012/13 Restated £000
ARP Trading Ltd - Results Statement		
Turnover	39	132
Profit on Ordinary Activities before Taxation	3	27
Profit on Ordinary Activities after Taxation	3	20
Net Assets	117	114

These transactions and balances are not included within the Council’s accounts and are the draft company results.

Copies of ARP Trading Ltd’s accounts may be obtained by contacting them at:

- Breckland House, St Nicholas Street, Thetford IP24 1BT

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:

	2013/14 £000	2012/13 £000
Income and expenditure in respect of related party transactions during the year		
Expenses	1,066	1,107
Income	(288)	(161)
	778	**946**
Amounts owed to the Council in respect of the related party relationship	**13**	**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 £20,798k in 2013/14 (£23,355k in 2012/13) on their behalf. At 31 March 2014 the Council held debtors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £480k (£829k in 2012/13).

The total sums collected for Suffolk County Council, Suffolk Police and St Edmundsbury Borough Council are shown in the Collection Fund. The Comprehensive Income and Expenditure Account, Balance Sheet and Cash 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 £0.723m was paid to the trust in 2013/14 (2012/13 £0.760m). 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

Copies of Anglia Community Leisure's 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

Note 33 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.

	2013/14 Purchased Assets £000	2012/13 Purchased Assets £000
Opening Capital Financing Requirement	**3,606**	**3,756**
Capital investment		
Property, Plant and Equipment	**1,002**	2,943
Intangible Assets	**174**	58
Heritage Assets	**0**	0
Revenue expenditure funded from capital under statute	**631**	1,080
Loans financed from Capital	**0**	0
Sources of Finance		
Capital receipts	**(757)**	(3,492)
Government grants and other contributions	**(1,050)**	(589)
Sums set aside from revenue		
Direct revenue contributions	**0**	0
Minimum Revenue Provision	**(144)**	(150)
Closing Capital Financing Requirement	**3,462**	**3,606**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	**0**	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	**(144)**	(150)
	(144)	**(150)**

Note 34 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
- Photocopiers – typically 5 years

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

	2013/14	2012/13
	£000	£000
Not later than one year	100	130
Later than one year and not later than five years	272	281
Later than five years	5,204	5,264
Balance as at 31 March carried forward	**5,576**	**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:

	2013/14	2012/13
	£000	£000
Central Services to the Public	0	33
Cultural, Environmental and Planning Services	99	121
Highways, Roads and Transport	0	7
Housing Services	2	4
Corporate and Democratic Core	28	8
Minimum Lease Payments	**129**	**173**

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:

	2013/14 £000	2012/13 £000
Not later than one year	1,264	842
Later than one year and not later than five years	2,352	2,563
Later than five years	10,357	10,858
Balance as at 31 March carried forward	**13,973**	**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 £558k contingent rents receivable in 2013/14 (£439k in 2012/13) 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 35 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 (for those benefits) and to disclose them 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 investment assets.

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

Band	Percentage Contribution	2013/14 Salary Range	2012/13 Salary Range
1	**5.5%**	**Up to £13,700**	Up to £13,500
2	**5.8%**	**£13,701 to £16,100**	£13,501 to £15,800
3	**5.9%**	**£16,101 to £20,800**	£15,801 to £20,400
4	**6.5%**	**£20,801 to £34,700**	£20,401 to £34,000
5	**6.8%**	**£34,701 to £46,500**	£34,001 to £45,500
6	**7.2%**	**£46,501 to £87,100**	£45,501 to £85,300
7	**7.5%**	**Over £87,100**	Over £85,300

These bandings are reviewed in April each year and are generally increased in line with the cost of living. The figures above are those that took effect from 1 April 2013 and were increased by 2.2% in line with the Consumer Prices Index (CPI).

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

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 fo the General Fund via the Movement in Reserves Statement.

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

	2013/14 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	932	836
- past service costs (including curtailments)	53	253
Financing and Investment Income and Expenditure		
Net Interest Expense	612	239
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,597**	**1,328**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	1,035	
- Actuarial gains and losses arising on changes in demographic assumptions	1,015	
- Actuarial gains and losses arising on changes in financial assumptions	1,332	
- Other (if applicable)	(977)	
Sub-total: Actuarial gains and losses	2,405	2,630
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**4,002**	3,958
Movement in Reserves Statement		
- 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	(1,597)	(1,328)
Actual amount charged against General Fund Balance for pensions in year	**2,405**	**2,630**
Employers' contributions payable to scheme	**894**	**1,064**

The actuary report for 2013/14 provided additional details regarding the composition of the actuarial gains and losses, as detailed within the note above. The 2012/13 comparators have not been amended as the adjustments are not material.

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2013/14 £000	2012/13 £000
Present value of the defined benefit obligation	(55,752)	(52,500)
Fair value of plan assets	39,068	38,924
Sub-total	**(16,684)**	**(13,576)**
Other movements in the liability (asset) (if applicable)	0	0
Net liability arising from defined benefit obligation	**(16,684)**	**(13,576)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	2013/14 £000	2012/13 £000
Opening fair value of scheme assets	**38,924**	**34,395**
Interest income	1,738	1,643
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	(1,035)	3,224
- Other (if applicable)	0	0
The effect of changes in foreign interest rates	0	0
Contributions from employer	894	1,064
Contributions from employees into the scheme	256	287
Benefits paid	(1,709)	(1,689)
Other (if applicable)	0	0
Closing fair value of scheme assets	**39,068**	**38,924**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	2013/14 £000	2012/13 £000
Opening balance at 1 April	**52,500**	**45,077**
Current service cost	932	836
Interest cost	2,350	2,156
Contributions from scheme participants	256	287
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	1,015	0
- Actuarial gains / losses arising from changes in financial assumptions	1,332	5,660
- Other (if applicable)	(977)	(80)
Past service cost	53	253
Losses / (gains) on curtailment (where relevant)	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(1,709)	(1,689)
Liabilities extinguished on settlements (where relevant)	0	0
Closing fair value of scheme assets	**55,752**	**52,500**

Local Government Pension Scheme assets comprised:

Asset Category	2013/14 Quoted prices in active markets £000	2013/14 Quoted prices not in active markets £000	2013/14 Total £000	2013/14 Percent-age of Total Assets %	2012/13 Quoted prices in active markets £000	2012/13 Quoted prices not in active markets £000	2012/13 Total £000	2012/13 Percent-age of Total Assets %
Equity Securities:								
- Consumer	3,392	0	**3,392**	**9%**	3,239	0	**3,239**	**8%**
- Manufacturing	2,065	0	**2,065**	**5%**	2,065	0	**2,065**	**5%**
- Energy and Utilities	1,536	0	**1,536**	**4%**	1,648	0	**1,648**	**4%**
- Financial Instruments	2,310	0	**2,310**	**6%**	2,154	0	**2,154**	**6%**
- Health and Care	1,461	0	**1,461**	**4%**	1,320	0	**1,320**	**3%**
- Information Technology	791	0	**791**	**2%**	772	0	**772**	**2%**
- Other	801	0	**801**	**2%**	649	0	**649**	**2%**
	12,356	**0**	**12,356**	**32%**	**11,847**	**0**	**11,847**	**30%**
Debt Securities:								
- Corporate Bonds (Investment Grade)	5,360	0	**5,360**	**14%**	5,491	0	**5,491**	**14%**
- UK Government	774	0	**774**	**2%**	811	0	**811**	**2%**
- Other	1,554	0	**1,554**	**4%**	1,651	0	**1,651**	**4%**
	7,688	**0**	**7,688**	**20%**	**7,953**	**0**	**7,953**	**20%**
Private Equity:								
All	**0**	**1,349**	**1,349**	**3%**	**0**	**1,606**	**1,606**	**4%**
Real Estate:								
UK Property	**0**	**3,924**	**3,924**	**10%**	**0**	**3,432**	**3,432**	**9%**
Investment Funds and Unit Trusts:								
Equities	8,311	0	**8,311**	**21%**	8,481	0	**8,481**	**22%**
Bonds	0	0	**0**	**0%**	0	0	**0**	**0%**
Hedge Funds	1,424	0	**1,424**	**4%**	1,461	0	**1,461**	**4%**
Infrastructure	0	627	**627**	**2%**	0	364	**364**	**1%**
Other	2,450	674	**3,124**	**8%**	2,408	136	**2,544**	**7%**
	12,185	**1,301**	**13,486**	**35%**	**12,350**	**500**	**12,850**	**34%**
Derivatives:								
Foreign Exchange	**0**	**0**	**0**	**0%**	**811**	**0**	**811**	**2%**
Cash and Cash Equivalents:								
All	**266**	**0**	**266**	**0%**	**425**	**0**	**425**	**1%**
Totals (rounded)	**32,495**	**6,574**	**39,069**	**100%**	**33,386**	**5,538**	**38,924**	**100%**

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 2013.

The significant assumptions used by the actuary have been:

	2013/14	2012/13
Mortality assumptions:		
Longevity at age 65 for current pensioners:		
- Men	**22.4 years**	21.4 years
- Women	**24.4 years**	23.3 years
Longevity at age 65 for future pensioners:		
- Men	**24.3 years**	23.7 years
- Women	**26.9 years**	25.7 years
Financial assumptions:		
Rate of increase in pensions	**2.8%**	2.8%
Rate of increase in salaries	**4.6%**	5.1%
Rate for discounting scheme liabilities	**4.3%**	4.5%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increase or decreases for men and women.

In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous reporting period.

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability %	Approximate monetary amount £000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	10%	5,495
Longevity (1 year increase or decrease in member life expectancy)	3%	1,673
Rate of increase in salaries (increase or decrease by 0.5%)	3%	1,558
Rate of increase in pensions (increase or decrease by 0.5%)	7%	3,871

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The contributions paid by the employer are set by the fund Actuary at each triennial valuation, the most recent formal valuation being 31 March 2013. The next formal triennial valuation is due to be completed on 31 March 2016.

The Council anticipated to pay £865k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years for 2013/14 (18.9 years 2012/13).

Note 36 Contingent Liabilities

Property Searches

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £48K 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 and the value of this claim against the Council is £293k plus interest and costs. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Note 37 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 £533,815 covering the period February 2006 to March 2014. 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 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 38 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

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)	£3.0m or 10% of fund whichever is the greater or £5m for a Clearing Bank.
	Or Building Societies with £1bn+ Assets	
	Or Local Authorities which are not subject to capping	
	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
	Note: - In both cases above placing £5m with a Clearing Bank requires approval from the S151 Officer, in consultation with the Leader of the Council (or Deputy Leader in their absence). - 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)	£1.5m
	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	
	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	

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.

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£000s	%	%	£000s	£000s
	A	B	C	**A x C**	
Deposit with banks and other financial institutions	**22,500**	1.173	0.580	**13,050**	17,500
	22,500			**13,050**	**17,500**

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.

Of the £3.586m total debt outstanding at 31 March 2014, £250k has exceeded its due date for payment, and is analysed by age as follows:

	2013/14	2012/13
	£000	£000
Less than three months	**230**	89
Three to six months	**5**	6
Six months to one year	**7**	4
More than one year	**8**	13
	250	112

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:

	2013/14 £000	2012/13 £000
Less than one year	**2,874**	2,720
Between one and five years	**0**	0
More than five years	**4,000**	4,000
	6,874	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.

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 2013/14, 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 32 – 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.

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. This 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.

	2013/14			2012/13		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£000	£000	£000	£000	£000	£000
Income						
Income Receivable						
Council Tax receivable	(24,674)	0	**(24,674)**	(27,295)	0	**(27,295)**
National Non-Domestic Rates receivable	0	(21,497)	**(21,497)**	0	(20,700)	**(20,700)**
Transitional Protection receivable	0	175	**175**	0	0	**0**
Repayment of previous years deficit						
Forest Heath District Council	(26)	0	**(26)**	0	0	**0**
Suffolk County Council	(134)	0	**(134)**	0	0	**0**
Suffolk Police Authority	(20)	0	**(20)**	0	0	**0**
Total Income	**(24,854)**	**(21,322)**	**(46,176)**	**(27,295)**	**(20,700)**	**(47,995)**
Expenditure						
Apportionment of previous years surplus						
Forest Heath District Council	0	0	**0**	26	0	**26**
Suffolk County Council	0	0	**0**	136	0	**136**
Suffolk Police Authority	0	0	**0**	19	0	**19**
	0	**0**	**0**	**181**	**0**	**181**
Precepts						
Forest Heath District Council	3,477	8,641	**12,118**	3,921	0	**3,921**
Central Government	0	10,802	**10,802**	0	20,610	**20,610**
Suffolk County Council	18,117	2,160	**20,277**	20,343	0	**20,343**
Suffolk Police Authority	2,682	0	**2,682**	3,012	0	**3,012**
	24,276	**21,603**	**45,879**	**27,276**	**20,610**	**47,886**
Charges to the Collection Fund						
Write-off of uncollectable amounts	188	106	**294**	356	0	**356**
Increase/(Decrease) in Bad Debts Provision	18	54	**72**	(196)	0	**(196)**
Increase/(Decrease) in Appeals Provision	0	401	**401**	0	0	**0**
Cost of Collection	0	91	**91**	0	90	**90**
Renewal Energy Income retained by Council	0	0	**0**			**0**
	206	**652**	**858**	**160**	**90**	**250**
(Surplus) / Deficit for the Year	**(372)**	**933**	**561**	**322**	**0**	**322**
Fund balance as at 1 April	**348**	**0**	**348**	**26**	**0**	**26**
(Surplus) / Deficit carried forward	**(24)**	**933**	**909**	**348**	**0**	**348**

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
Band A	up to £40,000	**6,449**	**2,393**
Band B	between £40,001 and £52,000	**9,614**	**5,144**
Band C	between £52,001 and £68,000	**5,758**	**3,474**
Band D	between £68,001 and £88,000	**3,866**	**2,364**
Band E	between £88,001 and £120,000	**1,840**	**1,313**
Band F	between £120,001 and £160,000	**662**	**721**
Band G	between £160,001 and £320,000	**420**	**601**
Band H	over £320,000	**54**	**72**
Council Tax Base		**28,663**	**16,082**

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 £1,509.53 (2012/13 £1,510.44).

Note C2 Business Rates

NNDR (also known as 'business rates') are currently organised on a national basis. The Government specifies amounts, 46.2p in 2013/14 (45p in 2012/13) and 47.1p for small businesses in 2013/14 (45.8p in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of the business premises by the relevant amount.

The Council is responsible for collecting rates due from the ratepayers in its area and pays the proceeds into an NNDR pool administered by the Government. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government and the Suffolk County Council

The total non-domestic rateable value for the Council's area at 31st March 2014 was £52,874,333 (31st March 2013: £53,175,980).

Note C3 Precepts and Demands

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

	2013/14 Precept/Demand £000	Share of balance 31 March 2014 £000	2013/14 Total £000	2012/13 Total £000
Council Tax				
Suffolk County Council	18,117	(18)	**18,099**	20,603
Suffolk Police Authority	2,682	(3)	**2,679**	3,050
Forest Heath District Council	3,477	(3)	**3,474**	3,971
	24,276	**(24)**	**24,252**	**27,624**
NNDR				
Suffolk County Council	2,160	93	**2,253**	0
Central Government	10,802	466	**11,268**	20,610
Forest Heath District Council	8,641	374	**9,015**	0
	21,603	**933**	**22,536**	**20,610**

Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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.

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

<u>Benefits Payable during Employment</u>

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 2013/14 and 2012/13 the Council has determined that such an accrual is not material to the accounts.

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 2013/14 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

- 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.

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.

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.

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 deminimis 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 or 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 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 the amounts involved are not material, however, group accounts have not been prepared. 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.

<u>The Authority as Lessee</u>

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.

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).

<u>The Authority as Lessor</u>

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 2013/14* (SeRCoP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the 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.

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.

- 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 deprecation value when componentising the asset. This normally only results in a component basis between Land and Building for assets under £250k.

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

Disposals and Non-current Assets Held for Sale

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 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.

<u>Donated Assets</u>

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.

<u>Minimum Revenue Provision:</u>

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 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.

Annual Governance Statement

West Suffolk Annual Governance Statement 2013/14

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.

1. Introduction and scope of responsibility

1.1 To ensure that public money is safeguarded, Forest Heath District Council and St Edmundsbury Borough Council are responsible for seeing that their business is conducted properly; that public money is safeguarded and properly accounted for as well as being used economically, efficiently and effectively.

1.2 The councils

(a) have put in place proper governance of affairs;
(b) facilitate the effective exercise of its functions;
(c) manage risk effectively; and
(d) secure continuous improvement of its functions.

> The councils have each 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).

2. Governance

2.1 Governance is how:

(a) the authority is directed and controlled;
(b) it engages with, and leads the community;
(c) it monitors its corporate objectives; and
(d) to deliver appropriate, cost effective services.

2.2 Internal control is designed to manage risk. It continues to identify and prioritise the councils' risks to note the likelihood of those risks being realised and their impact so they are to managed efficiently, effectively and economically.

The Governance Framework
The six core principles of good governance 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.

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

3.1 Going forward the West Suffolk Strategic Plan 2014-16 represents the key planning document for the councils (which was previously contained within Forest Heath District Council Strategic Plan and the St Edmundsbury Borough Council Corporate Plan) together with the councils':

- Medium Term Financial Strategy;
- Asset Management Plan; and
- Local Development Framework.

The West Suffolk Strategic Plan sets out the councils' vision for the future establishing the priorities and actions that the councils need to take to help make that vision a reality.

3.2 The Annual Reports provide highlights of the councils' achievements and progress against priorities over the past 12 months.

3.3 Annual Business Plans set a clear direction for the service areas by outlining what the future tasks and projects are and linking these to the corporate priorities.

3.4 The Medium Term Financial Strategy sets the councils' overall financial arrangements and the financial framework for delivery of the councils' priorities.

3.5 Budget monitoring and forecasting information is available to budget holders showing current expenditure, over / under spend, and remaining budget for the year. Budget information is also considered quarterly by Joint Leadership Team and at Performance and Audit Scrutiny Committee meetings.

3.6 Key performance indicators are considered quarterly by Joint Leadership Team and the Performance and Audit Scrutiny Committees to enable progress against targets to be monitored.

4 Members and officers working together to achieve a common purpose with clearly defined functions and roles

4.1 The Constitution:

- defines and documents the roles and responsibilities of members, the Leader, the Mayor and Cabinet;
- sets out rules of procedure and codes of conduct defining the standards of behaviour for members and staff; and

- sets out a clear framework of delegation to officers.

4.2 The statutory roles are:
- **Head of Paid Service** (Chief Executive);
- **Section 151 Officer** (Head of Resources and Performance); and
- **Monitoring Officer** (Head of Legal and Democratic Services).

A single staff team delivers services across West Suffolk.

5 Promoting the values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

5.1 **The Monitoring Officer** advises on legislation and compliance with the Constitution. She may report to Full Council about non-compliance with legislation or with the council's own procedures.

5.2 **Staff** monitor the introduction of legislation specific to their expertise. Where legislation has a corporate effect, Legal Services, HR and Policy will co-ordinate information and training.

5.3 **The Head of Resources and Performance** has overall responsibility for the financial administration of the council. The authority's financial management and internal audit arrangements conform to the governance requirements of the CIPFA Statements on the Role of the Chief Financial Officer in Local Government and the Role of the Head of Internal Audit in public service organisations respectively.

5.4 The councils have Financial and Contracts Procedure Rules. Ensuring compliance with these is the responsibility of management across the council. Internal Audit checks they are being complied with and agrees with management the appropriate action to be taken if they are not.

5.5 Codes of Conduct have been formally approved and adopted for members and officers.

5.6 West Suffolk Joint Standards Committee promotes and maintains high standards of conduct by councillors, assisting councillors to observe the Members' Codes of Conduct, monitoring its operation and overseeing any breaches.

5.7 The councils each have a:
- Whistleblowing Policy;
- Anti-Fraud and Anti-Corruption Policy;
- Anti-Money Laundering Policy;
- ICT Security Policy; and
- E-mail and internet usage guidance.

All members of staff are made aware of these documents through the induction programme and they are publicised through the internal staff bulletin, intranet and council website.

5.8 Registers for the recording of interests and the offer or receipt of gifts and hospitality are maintained for both officers and members.

5.9 Each staff post has a detailed job description and person specification. Training needs are identified through reviews and other routes. Corporate training is coordinated through the Learning and Development Team.

5.10 The staff disciplinary and capability procedure sets out how poor behaviour will be addressed. The new performance review process outlines the councils' expectations regarding behaviour, conduct and performance. The review period commenced Summer 2013.

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

6.1 The Constitutions set out how the councils operate and the process for policy and decision making. The Constitutions are published on each council's website.

6.2 The councils operate the Leader and Cabinet Executive Model. The Cabinet has responsibility for the majority of the councils' services.

6.3 The councils have committees with regulatory or scrutiny functions:

- Development Control Committee – determines planning matters;
- West Suffolk Joint Standards Committee – see above;
- Performance and Audit Scrutiny Committee – deals with service performance and governance having regard to a variety of information, including key performance indicators, financial information, audit reports, corporate risks and complaints;
- Licensing Committee – deals with licensing and gambling matters;
- Overview and Scrutiny Committee –
  a) scrutinises decisions taken in discharging the councils' functions;
  b) researches matters affecting the councils' area or community; and
  c) includes the Councillor Call for Action protocol and policy development.

6.3 A standard report template is used to ensure that reports address all relevant issues and deal with all relevant aspects of the councils' duties and obligations.

6.4 The reports and minutes of meetings are published on each council's website, unless properly restricted from public access by law. There are opportunities for members of the public to ask questions at council meetings.

6.5 Each council has a Data Quality Policy. We publish our equality data in line with the requirements of the Equality Act 2010.

6.6 A Risk Management Strategy is in place at each council which provide guidance to members and officers on responsibilities and on the application of risk management processes. A Joint Policy is currently being developed.

6.7 The Corporate Complaints Procedure provides for a Complaints Co-ordinator in services. Complaints are reported twice a year to the Performance and Audit Scrutiny Committees.

7 Developing the capacity and capability of members to be effective

7.1 Both councils have the Member Development Charter recognising the continuing commitment and support provided to members in their role as community leaders and the development required to assist them.

7.2 Induction training courses for members are provided after each election which are open to experienced as well as new members, and include a section on standards, ethics and codes of conduct.

7.3 Annually, members can identify their own priorities for improvement via a Member Development Plan. In addition, a range of skills workshops via the Member Development Programme is offered to members.

7.4 Budget provision is made annually to ensure training / development needs are met.

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

8.1 Each council's Community Engagement Strategy sets out an approach to consultation and community involvement, along with providing guidance to members and officers about how to consult people effectively.

8.2 The councils consult routinely with residents, businesses, organisations, members and staff on a range of matters. The councils' websites provide links to various activities that invite consultation with the public.

8.3 The SEBC Corporate Plan, the FHDC Strategic Plan and Joint Annual Report are available to stakeholders via the websites.

8.4 The councils are using social media tools to provide new avenues of interaction with the public.

8.5 The councils publish their expenditure information on their websites, along with a pay policy statement detailing the remuneration of senior officers.

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

8.7 As well as shared services the councils use a variety of service delivery models, and are involved in a number of partnership arrangements.

8.8 Governance arrangements for these partnerships are subject to on-going review, as appropriate, with funding agreements being reviewed on at least an annual basis. Regular liaison meetings take place with key partners.

8.9 The councils continue to review how services should be delivered and this remains a key part of budget deliberations.

9. Review of effectiveness

9.1 The annual review of the governance framework and system of internal control involves:

- a self-assessment exercise;
- internal audit's annual report (which includes the Internal Audit Manager's annual audit opinion);
- external auditors comments and other review agencies and inspectorates' reports; and
- an action plan where progress is assessed and recorded.

9.2 The Joint Leadership Team reviews the draft Annual Governance Statement prior to submission to each Performance and Audit Scrutiny Committee, which approves this Statement.

9.3 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 s151 Officer, Joint Leadership Team and the Performance and Audit Scrutiny Committee on the design and operating effectiveness of the council's risk and control arrangements.

9.4 Based upon the audit work undertaken during the financial year 2013/14, as well as assurances made available to the council by other assurance providers, the Internal Audit Manager has confirmed that reasonable assurance can be provided that the systems of internal control within these areas of the council, as well as the risk management systems, were operating adequately and effectively. Similar to previous years Internal Audit work has, however, identified a number of areas where existing arrangements could usefully be improved, and agreed actions will be followed up by Internal Audit in the usual way.

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

10. Significant governance issues

10.1 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 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.

10.2 As a result of the work undertaken to review arrangements within the governance framework we have highlighted a number of key developments that arose this year:-

- The new single staffing structure and the roles within it are significantly different from the previous arrangements 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 required 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 was implemented on 1 April 2014 and will improve on current arrangements and deliver significant cost savings for the two authorities.

- The joint Procurement Manager will continue to review procurement arrangements in order to deliver better value for money.

- Risk management practices, and the council's risk appetite are reviewed by both councils with a view to achieving greater clarity, consistency and support to the shared service structure.

- The adoption of a West Suffolk Strategic Plan providing a single vision for the two authorities to work towards will enable Members and staff to be clear about the ambitions of the Councils. Building on this the two Councils plan to undertake a full constitutional review during 2014/15 with a view to aligning key decision making arrangements and creating joint committees where appropriate.

- During the year the Councils commissioned a West Suffolk Corporate Peer Challenge. This resulted in the production of an Action Plan which includes work on governance issues. These actions are noted but not included in the AGS Action Plan to avoid the necessity for the same actions being mentioned more than once'.

10.3 An action plan for these issues has been compiled. We will monitor implementation and operation of these actions as part of the next annual review. This is attached as an appendix.

11. 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 strengthened in the forthcoming year as described above.

Signed:

James Waters

Leader of the Council

Date:

Signed:

Ian Gallin

Chief Executive

Date:

Auditors Report

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

Opinion on the Authority's financial statements

We have audited the financial statements of Forest Heath District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Forest Heath District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Chief Financial Officer's Responsibilities set out on page 9, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Forest Heath District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Auditors Report

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Forest Heath District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the accounts of Forest Heath District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
One Cambridge Business Park, Cambridge, CB4 0WZ, United Kingdom

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.

Business Rate Retention Scheme

A new scheme introduced in April 2013 for allocating business rates collected locally between the collecting authority (district council), central government and the county council.

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.

Glossary

Contingent Liabilities

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

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.

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