



Performance and Audit Scrutiny Committee 24 September 2014

2013/14 Annual Statement of Accounts

1. Summary and Reasons for Recommendations

- 1.1. Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2011. The regulations require the Council to submit draft accounts to its external auditors (currently Ernst and Young) by 30 June each year, with member scrutiny and approval of the accounts required once the audit has been concluded (by 30 September each year).
- 1.2. Ernst and Young commenced the audit of the Council's draft Statement of Accounts in July 2014, with a view to its completion prior to the 30 September 2014 deadline for publication. The results of Ernst and Young's review of the accounts are provided in the Annual Governance Report, which is included on this Committee's agenda. The attached accounts (**Appendix 1**) have been amended (as appropriate) to take on board issues raised by the audit process up to the date of distribution.
- 1.3. The auditors intend to issue an unqualified opinion on the financial statements and to issue a VFM conclusion that the Council has made the appropriate arrangements to secure economy, efficiency and effectiveness in our use of resources.
- 1.4. A significant amount of time and resource has gone into the production of the Council's 2013/14 Statement of Accounts. It was a great achievement for the Council to have the unaudited Statement of Accounts signed by the Chief Financial Officer (S151 Officer) before the statutory deadline of 30 June 2014, and for the audit to conclude with no significant changes required. The accounts will subsequently be signed off by our external auditors, again prior to the 30 September deadline. These achievements are particularly acknowledged during a period of significant change for the finance team with the implementation of a new financial management system from 1 April 2014 and the subsequent production of the 2013/14 annual statement of accounts from the new system.

2. Recommendations

2.1 It is recommended that:

- a. the Committee **approves** the 2013/14 Statement of Accounts (attached at **Appendix 1**) in accordance with powers delegated to it under the Council's Constitution;
- b. the Chairman of the Committee signs the certification of the 2013/14 Statement of Accounts on behalf of the Committee;
- c. the Chief Finance Officer, in consultation with the Portfolio Holder for Performance and Resources, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

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3. Corporate Priorities

- 3.1 The production of the council's annual statement of accounts is an important part of understanding how the Council's financial resources have contributed towards the achievement of the Council's corporate priorities.
- 3.2 In order for the Council to be able to meet its corporate priorities it is essential that sufficient and appropriate financial resources are available.

4. Key Issues

4.1 Background

- 4.1.1 The purpose of this report is to present the 2013/14 Statement of Accounts to this committee for scrutiny, and approval in accordance with powers delegated to it under the Council's Constitution. In addition to providing supporting information regarding the preparation and presentation of the 2013/14 accounts, this report also provides a summary of financial highlights for the 2013/14 financial year.
- 4.1.2 The 2013/14 accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is updated annually to reflect statutory and regulatory changes to accounting policies.

4.2 Financial Highlights – 2013/14

- 4.2.1 External economic pressures and uncertainty are continuing to impact on the finances of the Council. A full commentary on the financial performance of the Council can be found in the Explanatory Foreword on pages 2 to 5 of the Statement of Accounts, key aspects of which are highlighted below:
- 4.2.2 **Revenue Expenditure** - The Council set a net expenditure budget for 2013/14 of £12.035m. The actual net expenditure for the year was £11.832m, resulting in a budget underspend for the year of £0.203m. Details of major variances are provided on page 3 of the Statement of Accounts. It is proposed that this budget underspend is transferred to the general fund reserve to help support future years' Council Tax levels.
- 4.2.3 **Capital Expenditure** - Actual capital programme spend for the year was £1.761m against a revised budget for the period of £1.695m (including a carry forward of £0.414m for timing differences); i.e. a budget overspend of £0.066m. This overspend was largely due to additional asset management works which have been funded from the building maintenance reserve. Details of the major variances on the capital programme are provided on page 3 of the Statement of Accounts.
- 4.2.4 **Usable Reserves** - The Council has a track record of sound financial management. An integral part of the Council's financial strategy is to ensure that usable reserves are maintained at a healthy level. Usable reserves are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2013/14 the total value of the Council's usable revenue and capital reserves increased from

£27.899m (at 1 April 2013) to £31.108m (at 31 March 2014), a net increase of £3.2409m. Further details regarding the movement on reserves during the year are provided on page 10 of the Statement of Accounts.

4.2.5 Pension Fund - The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. Annual scheme valuations based on International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. As at 31 March 2013, the Council's IAS19 pension valuation disclosed an overall fund deficit of £37.86m. However, the 31 March 2014 IAS19 valuation showed a marked deterioration in the Fund's position with the deficit having increased to £44.75m. The increase in deficit is primarily due to the financial assumptions at 31 March 2014 being less favourable than at the beginning of the year. It must be emphasised that this change in the Pension Fund's reported IAS19 deficit position has no immediate impact on the Council's General Fund or council tax payers, as the contribution rates to the Suffolk County Council pension fund are determined by a separate triennial actuarial review and not the IAS19 valuations. Further details regarding the Council's pension fund performance are provided on pages 4 to 5 of the Statement of Accounts.

4.2.6 Treasury Management - There has been no let up in the historically low interest rates which have significantly impacted upon the Council's investment income. Budgeted investment income for 2013/14 was £0.619m representing a target investment rate of 1.5%. Actual investment income achieved during the year was £0.511m, an underachievement in investment income of £0.108m. This was due primarily to the continuing low base rate, which subsequently adversely affected the rates achieved when reinvesting maturing investments during the year. The average rate of return achieved for the period was 1.38%.

4.3 Annual Governance Statement

4.3.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review is undertaken in line with the CIPFA/SOLACE '*Delivering Good Governance in Local Government Framework*' guidance. The outcome of this review forms the basis of the Annual Governance Statement (AGS) which was considered earlier on the agenda. The AGS does not form part of the Statement of Accounts (and is not covered by the Chief Finance Officer's certification or the audit report) but will be included alongside it in the final published accounts.

4.4 Payment to Councillors

4.4.1 Note 28 in the Statement of Accounts (Member's Allowances, page 56 provides summary total figures for Councillor allowances and expenses. A more detailed analysis of these allowances, broken down by Members, is provided at **Appendix 2**. In future years these figures will be available online in advance of 30 September each year, in accordance with the statutory responsibility to disclose this information as part of the local government transparency agenda.

4.5 Conclusion

4.5.1 St Edmundsbury, like almost every public and private sector organisation in

the Country, continues to face significant financial challenges. Within this climate the Council has striven to drive out costs whilst continuing to maintain services to the public. In view of the significant financial challenges presented by the 2010 Comprehensive Spending Review and the resulting reductions in Government grant funding, the budget underspend in 2013/14 was a positive result. Officers took action where possible to reduce expenditure during the year, in order to plan for future cuts. The challenge continues as service demand increases in many areas and projected Government funding levels continue to fall.

5. Other Options considered

5.1 Not applicable

6. Community Impact

6.1 **Crime and Disorder Impact** (including Section 17 of the Crime and Disorder Act 1998)
None

6.2 **Diversity and Equality Impact** (including the findings of the Equality Impact Assessment)
None

6.3 **Sustainability Impact** (including completing a Sustainability Impact Assessment)
None

7. Consultation (refer to the Consultation and Community Engagement Strategy)

7.1 Not applicable

8. Resource implications (including asset management implications)

8.1 This report presents the Council's 2013/14 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2013/14 financial year

9. Risk/Opportunity Assessment (potential hazards or opportunities affecting corporate, service or project objectives)

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
Revenue and capital budget management - failure to achieve projected income or expenditure exceeds approved budgets.	High	<ul style="list-style-type: none"> Budgets reflect economic situation facing the Council Clear responsibilities for budget monitoring and control Annual saving programme used to deliver required budget savings Medium term financial planning to capture longer term budget implications 	Medium

<p>10. Legal or policy implications</p> <p>10.1 Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves</p> <p>10.2 Local Government Act 1972 – requirement for the proper administration of financial affairs</p> <p>10.3 Accounts and Audit Regulations 2011 - requirements for the reporting and approval of the Council’s annual financial statements.</p>
<p>11. Ward(s) affected</p> <p>11.1 All</p>
<p>12. Background papers</p> <p>12.1 Budget and Council Tax: 2013/14 (Council 19 February 2013 - D302)</p> <p>12.2 Budget Outturn and Financial Highlights Report 2013/14 (Performance and Audit Scrutiny Committee 31 July 2014 – F79)</p>
<p>13. Documents attached</p> <ul style="list-style-type: none"> • Appendix 1 - Statement of Accounts 2013/14 • Appendix 2 - Schedule of Members Allowances 2013/14

2013/2014 Statement of Accounts
St Edmundsbury Borough Council



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Introduction

St Edmundsbury – About Us

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

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

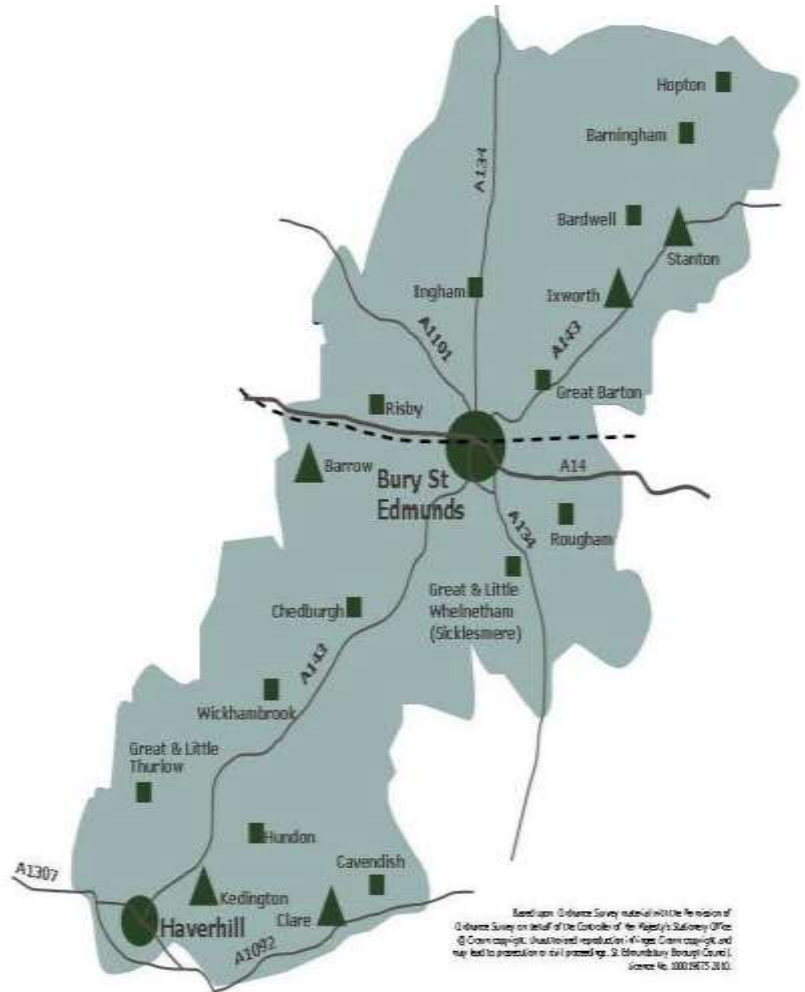
Historic Bury St Edmunds benefits from strong tourism, attracted by the heritage, cultural life, open spaces and independent traders, all actively promoted by the Council.

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

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

Further information can be found by following the link below:

[West Suffolk Strategic Plan](#)



Explanatory Foreword by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2013/14. St. Edmundsbury Borough 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:

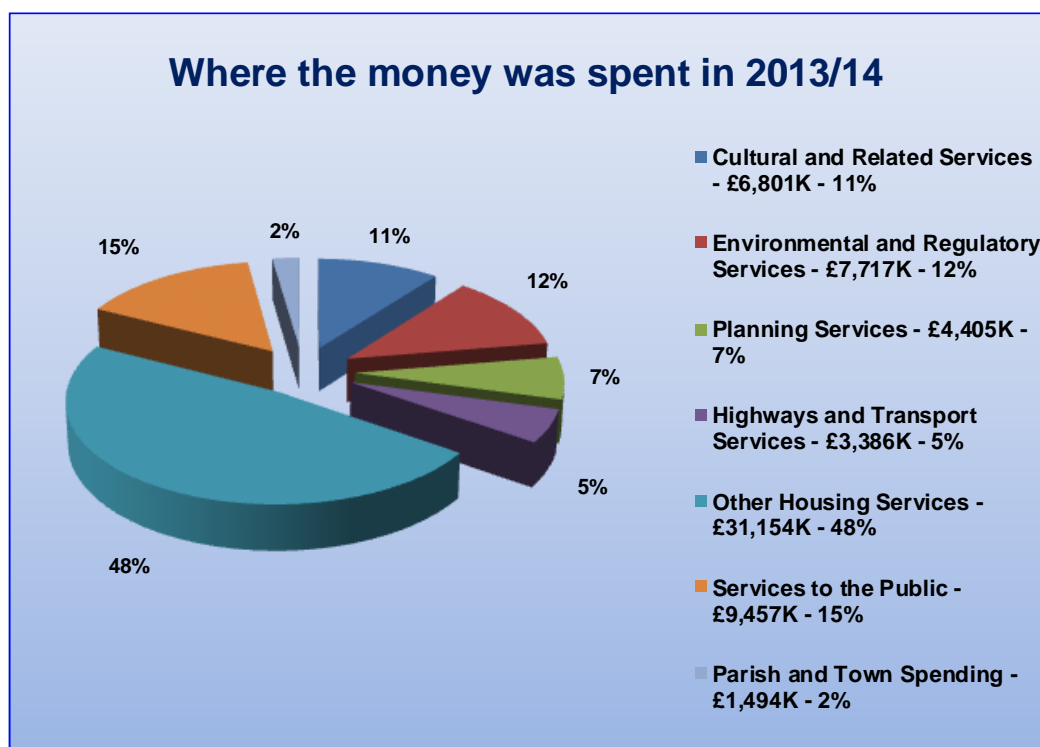
- Did the council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

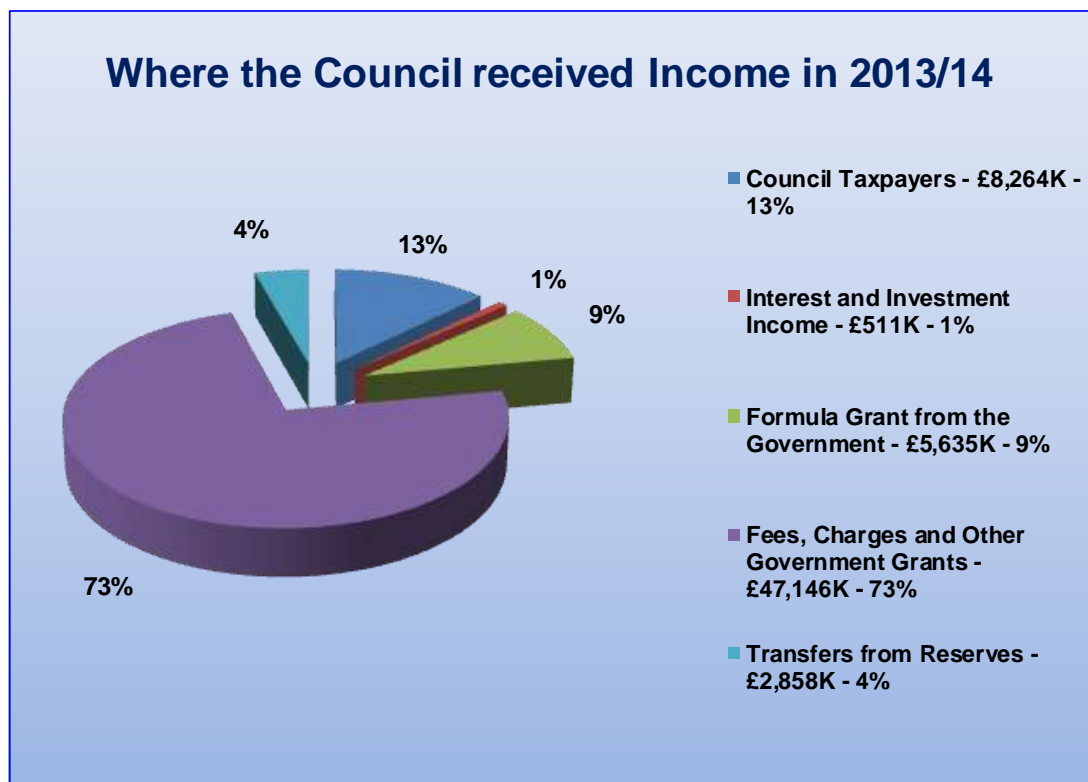
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability 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 £203k to its general fund reserve, which stands at £3,579k as at 31 March 2014, with an overall level of usable reserves (capital and revenue) of £31m.

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 Forest Heath District Council. The redundancy costs associated with the sharing of services are detailed in notes 29 of the accounts.

Further details of variances in excess of £25k can be seen in the report reference F79, 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 £2.1m, which included vehicle purchases and ICT projects. The Council spent approximately £0.9m in capital grants within the year. Around £0.7m of the total £2.1m 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.

Material and Unusual charges or credits within the statement

Termination payments charged to the comprehensive income and expenditure statement during the year amounted to £921k, and further details are available in notes 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 £12k, none of which were material.

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

Explanatory Foreword

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.

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 £44,750k compared to £37,860k at 31 March 2013. This net increase in liabilities is represented by an increase in liabilities of £5,806k and a decrease in assets of £1,084k. The overall increase of £6,890k 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 £44,750k 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.

Explanatory Foreword

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 £494k 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 5 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 St. Edmundsbury Borough 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.



Waste collection

Certificate of approval for the Statement of Accounts

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2013 to 31 March 2014 has been prepared and I confirm that these accounts were approved by St Edmundsbury Council at the meeting held on 24 September 2014.

Signed:

Chairman of the Performance, Audit and Scrutiny Committee

Date:

Statement of responsibilities for the Statement of Accounts

Statement of responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certificate by the Chief Financial Officer (S151 Officer)

I certify that the Statement of Accounts has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2014 and its income and expenditure for the year then ended.

Signed:

R Mann
Chief Financial Officer (Section 151 Officer)

Councillor D Ray
Portfolio Holder for Resources,
Governance and Performance

Date:

Date:

Core Financial Statements

Core Financial Statements

Movement in Reserves Statement

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

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		3,368	10,789	9,708	152	24,017	83,172	107,189
Movements in Reserves during 2012/13								
Surplus (or deficit) on the provision of services		(3,229)	0	0	0	(3,229)	0	(3,229)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(5,396)	(5,396)
Total Comprehensive Income and Expenditure		(3,229)	0	0	0	(3,229)	(5,396)	(8,625)
Adjustments between accounting basis and funding basis under regulations	6	2,997	0	4,114	0	7,111	(7,111)	0
Net increase or (decrease) before Transfers to Earmarked Reserves		(232)	0	4,114	0	3,882	(12,507)	(8,625)
Transfers (to) / from Earmarked Reserves	7	241	(241)	0	0	0	0	0
Increase / (Decrease) in 2012/13		9	(241)	4,114	0	3,882	(12,507)	(8,625)
Balance as at 31 March 2013 carried forward		3,377	10,548	13,822	152	27,899	70,665	98,564

Core Financial Statements

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	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2013		3,376	10,548	13,822	153	27,899	70,666	98,565
Movements in Reserves during 2013/14								
Surplus (or deficit) on the provision of services		(3,048)	0	0	0	(3,048)	0	(3,048)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(3,952)	(3,952)
Total Comprehensive Income and Expenditure		(3,048)	0	0	0	(3,048)	(3,952)	(7,000)
Adjustments between accounting basis and funding basis under regulations	6	5,247	0	940	0	6,187	(6,187)	0
Net increase or (decrease) before Transfers to Earmarked Reserves		2,199	0	940	0	3,139	(10,139)	(7,000)
Transfers (to) / from Earmarked Reserves	7	(1,996)	2,066	0	0	70	0	70
Increase / (Decrease) in 2013/14		203	2,066	940	0	3,209	(10,139)	(6,930)
Balance as at 31 March 2014 carried forward		3,579	12,614	14,762	153	31,108	60,527	91,635

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. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Note	2013/14			Restated 2012/13		
		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		2,840	1,311	1,529	8,756	7,353	1,403
Cultural and Related Services		7,098	1,935	5,163	8,125	2,628	5,497
Environmental and Regulatory Services		7,798	3,238	4,560	8,493	3,847	4,646
Planning Services		4,590	4,361	229	5,144	4,634	510
Highways and Transport Services		5,009	5,066	(57)	3,067	3,958	(891)
Other Housing Services		31,182	29,449	1,733	30,653	29,502	1,151
Corporate and Democratic Core		3,349	1,516	1,833	2,346	270	2,076
Non-distributed costs		655	7	648	1,314	(14)	1,328
Cost of Services		62,521	46,883	15,638	67,898	52,178	15,720
Other Operating Expenditure	8	678	0	678	1,757	0	1,757
Financing and Investment Income and Expenditure	9	1,698	514	1,184	831	709	122
Taxation and Non-Specific Grant Income	10	0	14,522	(14,522)	0	14,370	(14,370)
Deficit on Provision of Services		64,897	61,919	2,978	70,486	67,257	3,229
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(936)			(419)
(Surplus) or deficit on revaluation of available for sales financial assets	22			(55)			(66)
Actuarial (gains) / losses on pension assets / liabilities	35			4,943			5,881
Other Comprehensive (Income) and Expenditure				3,952			5,396
Total Comprehensive (Income) and Expenditure				6,930			8,625

The 2012/13 restatement relates to the movement of trading operations as detailed in Note 27, which is now included within the comprehensive income and expenditure - net cost of services, rather than financing and investment income and expenditure.

Core Financial Statements

Balance Sheet

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

	Note	31 March 2014 £000	31 March 2013 £000
Property, Plant and Equipment	11	96,766	99,137
Heritage Assets	12	6,608	6,608
Investment Property	13	80	80
Intangible Assets	14	337	70
Long-term Investments		519	3,721
Long-Term Debtors	15	613	1,357
Long-Term Assets		104,923	110,973
Short-term Investments		26,438	23,735
Assets Held for Sale	17	0	0
Inventories	18	174	220
Short-term Debtors	15	6,626	7,109
Cash and Cash Equivalents	16	9,574	6,819
Current Assets		42,812	37,883
Short-Term Creditors	20	(5,508)	(6,237)
Provisions	21	(868)	(267)
Current Liabilities		(6,376)	(6,504)
Long-term Creditors	20	0	(100)
Provisions	21	(200)	(200)
Other Long-term Liabilities	35	(44,750)	(37,860)
Grants Receipts in Advance - Capital	31	(4,774)	(5,627)
Long-Term Liabilities		(49,724)	(43,787)
NET ASSETS		91,635	98,565
Usable Reserves		(31,108)	(27,899)
Unusable Reserves	22	(60,527)	(70,666)
TOTAL RESERVES		(91,635)	(98,565)

Core Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. 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)		2,978	3,229
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(5,752)	(9,599)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	641	8,130
Net cash flows from Operating Activities		(2,133)	1,760
Investing Activities	24	71	(1,491)
Financing Activities	25	(693)	(474)
Net (increase) or decrease in cash and cash equivalents		(2,755)	(205)
Cash and cash equivalents at the beginning of the reporting period	16	(6,819)	(6,614)
Cash and Cash Equivalents at the end of the reporting period	16	(9,574)	(6,819)

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.

Notes to the Core Financial Statements

Note 2 Critical judgements in applying Accounting Policies

In applying the accounting policies set out in pages 86 to 98, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that any of its assets might be impaired as a result of a need to close facilities or reduce levels of service provision.
- On 1st April 2005, the Council entered into a 15 year contract with Abbeycroft Leisure for the operation of its two leisure centres, the athletics track and the management of the bookings of other sports facilities. Abbeycroft Leisure is a company limited by guarantee, with charitable status. The Council does not have control of the company and has therefore determined that the company is not a subsidiary of the Council (see also Note 32– Related Parties).
- On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. On 9th April 2008 St Edmundsbury Borough Council formed a joint committee with Forest Heath District Council with the objective of delivering joint working arrangements within the two Councils' Waste Management and Street Scene Services. On 1st April 2011 the Council joined Forest Heath, Breckland and East Cambridge District Councils within the Anglia Revenues Partnership (ARP). The ARP is also governed on a joint committee basis, the purpose of which is to provide a shared revenues and benefits service for the member Councils. The Council has determined that all of these joint committees are accounted for as 'jointly controlled operations' i.e. each authority accounts for its share of costs and assets (see also Note 32 – Related Parties).
- The Council has undertaken a review of the potential outcome of significant legal claims by or against the Council, full details of which are Note 36, Contingent Liabilities and Note 37 Contingent Assets.
- The Council has included the sum of £574k 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 Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The Council's portfolio of properties is subject to a five year rolling programme of valuation reviews which also provides for the valuation of new properties and revaluation of existing properties where there has been a change of use or significant change in the condition of the property (e.g. following major improvements or enhancements) or evidence of a material and permanent change in the property market. This	Valuation and impairment reviews may have a significant impact on the carrying value of assets held on the Council's Balance Sheet, and are vulnerable to changes in market conditions particularly during periods of market volatility. Revaluation gains for 2013/14 total £0.473m.

Notes to the Core Financial Statements

	programme also includes estimation of the useful remaining lives of the assets.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For example: <ul style="list-style-type: none"> ➤ a 0.5% increase in the discount rate assumption over and above current projections would increase employer liability by approximately £12.146m ➤ a 1 year increase in average member life expectancy would increase employer liability by about £4.115m ➤ a 0.5% increase in salary rates would increase employer liability by about £3.434m ➤ a 0.5% increase in the Pension Increase Rate would increase employer liability by about £8.559m
Depreciation	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.	Changes in the valuation of assets and their estimated remaining useful lives have an impact on depreciation charges within the Comprehensive Income and Expenditure Account and the carrying value of assets within the Balance Sheet. It is estimated that the annual depreciation charge for buildings would increase by £0.173m for every year that useful lives had to be reduced.
Arrears	At 31 March 2014, the Council had a sundry debt balance of £8.022m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2013/14 of £1.840m would be appropriate. However, factors such as the current economic climate may impact on the actual level of bad debts experienced by the Council.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.840m to be set aside as an allowance.
NNDR Appeals	At 31 March St Edmundsbury has provided a provision for £574k 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 £253k on top of the provision allowed, giving a total of £827k.

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

Notes to the Core Financial Statements

Note 4 Material Items of Income and Expense

The Code requires disclosure of the nature and amount of any material items of income and expense incurred during the year.

Purchases of Property and Vehicles

During 2013/14 there were no material purchases or sales of property and vehicles.

In 2012/13 the Council purchased a large number of vehicles, totalling £1.466m. Also in 2012/13, the Council disposed of the land at Hamlet Croft for the purpose of residential development. The sale proceeds amounted to £3.336m.

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 £0.911m (2012/13 £0.916m), have been charged to the Comprehensive Income and Expenditure Statement. Note 29 - Officers' Remuneration and Exit Packages 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.



Haverhill Leisure Centre

Notes to the Core Financial Statements

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			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£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	3,426	0	0	(3,426)
Revaluation losses on Property, Plant and Equipment	463	0	0	(463)
Movements in the Market Value of Investment Properties	0	0	0	0
Amortisation of Intangible Assets	10	0	0	(10)
Capital Grants and Contributions applied	(923)	0	0	923
Revenue Expenditure funded from Capital under Statute	974	0	0	(974)
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	(817)	783	0	34
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	0	0	0	0
Capital Expenditure charged against the General Fund Balance	(527)	0	0	527

Continued on the following page.

Notes to the Core Financial Statements

Current Year - 2013/14 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£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	(657)	0	657
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	1	(1)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	815	0	(815)
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	4,307	0	0	(4,307)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(2,360)	0	0	2,360
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	693	0	0	(693)
Total Adjustments	5,247	940	0	(6,187)

Notes to the Core Financial Statements

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

Prior Year - 2012/13	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£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	(3,650)	0	0	3,650
Revaluation losses on Property, Plant and Equipment	0	0	0	0
Movements in the Market Value of Investment Properties	0	0	0	0
Amortisation of Intangible Assets	(9)	0	0	9
Capital Grants and Contributions applied	1,225	0	0	(1,225)
Revenue Expenditure funded from Capital under Statute	(885)	0	0	885
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	(4,562)	0	0	4,562
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	0	0	0	0
Capital Expenditure charged against the General Fund Balance	1,604	0	0	(1,604)
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	0	0

Continued on the following page.

Notes to the Core Financial Statements

Prior Year - 2012/13 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£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	4,405	(4,405)	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	714	0	(714)
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(1)	1	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	(424)	0	424
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	67	0	0	(67)
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	(3,529)	0	0	3,529
Employer's Pension Contributions and direct payments to pensioners payable in the year	2,473	0	0	(2,473)
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	(135)	0	0	135
Total Adjustments	(2,997)	(4,114)	0	7,111

Notes to the Core Financial Statements

Note 7 Transfers to / (from) Earmarked Reserves

General Fund Reserve	Balance at 1 April 2012	Transfers out 2012/13	Transfers in 2012/13	Balance at 31 March 2013	Transfers out 2013/14	Transfers in 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000		£000	£000
New Homes Bonus Reserve	268	0	568	836	(16)	757	1,577
Invest to Save Reserve	2	(1,160)	2,620	1,462	(1,355)	995	1,102
Capital Reserve	856	(684)	3	175	(175)	0	0
Risk/Recession Reserve	0	0	0	0	0	35	35
BRR Equalisation Reserve	0	0	0	0	0	488	488
Self Insured Fund	298	(24)	107	381	0	74	455
Computer Equipment	118	(30)	50	138	(83)	48	103
Office Equipment	823	(28)	141	936	(128)	180	988
Section 106 - Public Service Village	117	(33)	2	86	(22)	1	65
HB Equalisation Reserve	1,158	(536)	602	1,224	(178)	561	1,607
Special Pension Reserve	312	0	5	317	0	0	317
Interest Equalisation Reserve	727	(500)	0	227	0	0	227
VAT Reserve	675	(600)	2	77	(77)	0	0
Vehicle & Plant Renewal Fund	2,520	(1,467)	452	1,505	(401)	759	1,863
Wheeled Bins	64	(49)	1	16	(61)	120	75
Building Repairs Reserve	1,475	(1,417)	1,362	1,420	(1,479)	1,767	1,708
Procurement Reserve	50	(50)	0	0	0	0	0
Haverhill Masterplan Reserve	98	(98)	0	0	0	0	0
Leisure Centre Reserve	49	(49)	0	0	0	0	0
Private Development	42	0	0	42	(42)	0	0
Commuted Maintenance	0	0	638	638	(139)	330	829
Museums - Gershom	502	(5)	11	508	(5)	16	519
Parkington Bequest							
Museums - Other	65	(1)	1	65	0	0	65
The Apex Reserve	32	0	1	33	(4)	4	33
Abbey Gardens Donation	0	(5)	40	35	(24)	10	21
Cemetery & Gravestone	22	(6)	0	16	(11)	0	5
Rural Areas Action Plan	101	(12)	2	91	0	0	91
Planning Reserve	249	(142)	117	224	(60)	150	314
EI-Historic Building Grants	22	(21)	0	1	0	0	1
Economic Development	78	(32)	1	47	(6)	0	41
Homelessness Legislation	0	0	0	0	(50)	50	0
Election Reserve	17	0	31	48	(7)	44	85
Other Miscellaneous Reserves	49	(73)	24	0	0	0	0
Total	10,789	(7,022)	6,781	10,548	(4,323)	6,389	12,614
Net Movement in the year				(241)			2,066

Notes to the Core Financial Statements

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

New Homes Bonus reserve - is to hold New Homes Bonus funding pending a decision on its use.

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

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

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

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

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

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

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

Special pension reserve - is to repay part of the pension fund deficit referred to in note 35 - Defined Benefit Pension Scheme and fund expenditure arising from departmental restructuring.

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

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

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

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

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

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

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

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

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

Commuted maintenance - is money set aside from developers' contributions to finance the maintenance of open spaces and play areas.

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

The Apex reserve - is to cover fixtures and fittings that are outside the capital works and to support future years marketing and programming of events.

Notes to the Core Financial Statements

Abbey Gardens donation reserve - is for the improvement of the Abbey Gardens.

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

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

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

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

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

Homelessness Legislation reserve – Monies set aside to fund future Homelessness legislation requirements.

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

Other earmarked reserves – the remaining Council reserves which are of a less significant nature.

Notes to the Core Financial Statements

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	2012/13
	£000	£000
Parish Council precepts	1,494	1,673
Payments to the Government Housing Capital Receipts Pool	1	1
(Gains) / losses on the disposal of non-current assets	(817)	83
	678	1,757

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	Restated 2012/13
	£000	£000
Interest receivable and similar income	(520)	(705)
Net interest on the net defined benefit liability asset	1,708	831
Income and expenditure in relation to investment properties and changes in their fair value	(4)	(4)
	1,184	122

The 2012/13 restatement relates to the movement of trading operations as detailed in Note 27, which is now included within the comprehensive income and expenditure - net cost of services, rather than financing and investment income and expenditure.

Notes to the Core Financial Statements

Note 10 Taxation and Non-Specific Grant Income

	2013/14	2012/13
	£000	£000
Council tax Income	(7,571)	(8,250)
Non-domestic rates income and expenditure *	(2,377)	(4,662)
Revenue Support Grant *	(3,259)	(90)
New Homes Bonus	(757)	(559)
Council tax freeze grant	(70)	(168)
Capital Grants and contributions	(417)	(641)
Other Government Grants	(71)	0
	(14,522)	(14,370)

* 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.

Notes to the Core Financial Statements

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	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2012	880	100,676	7,688	2,146	57	111	166	111,724
Additions	0	49	1,517	6	46	0	535	2,153
Reclassification from Assets under Construction	0	373	0	23	0	0	(396)	0
Revaluation increases recognised in the Revaluation Reserve	15	451	0	0	0	0	0	466
Revaluation (decreases) recognised in the Revaluation Reserve	0	(975)	0	0	0	0	0	(975)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	984	0	0	0	0	0	984
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(2,037)	0	0	0	0	0	(2,037)
Derecognition - disposals	(181)	(100)	(1,033)	0	0	0	0	(1,314)
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0
At 31 March 2013	714	99,421	8,172	2,175	103	111	305	111,001

Continued on the following page.

Notes to the Core Financial Statements

2012/13 - Previous Financial Year	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2012	(34)	(5,616)	(4,763)	(202)	0	0	0	(10,615)
Depreciation Charge	(12)	(2,686)	(727)	(79)	0	0	0	(3,504)
Revaluation gains - depreciation written out to the Revaluation Reserve	4	211	0	0	0	0	0	215
Revaluation losses - depreciation written out to the Revaluation Reserve	0	78	0	0	0	0	0	78
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	449	0	0	0	0	0	449
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	642	0	0	0	0	0	642
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	0	(182)	0	0	0	0	0	(182)
Derecognition - disposals	13	13	1,027	0	0	0	0	1,053
Derecognition - other	0	0	0	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0
At 31 March 2013	(29)	(7,091)	(4,463)	(281)	0	0	0	(11,864)

Notes to the Core Financial Statements

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

2013/14 - Current Financial Year	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2013	714	99,421	8,172	2,175	103	111	306	111,002
Additions	0	118	203	0	0	0	301	622
Reclassification from Assets under Construction	0	0	33	0	163	0	(196)	0
Revaluation increases recognised in the Revaluation Reserve	0	1,359	0	0	0	0	0	1,359
Revaluation (decreases) recognised in the Revaluation Reserve	0	(466)	0	0	0	0	0	(466)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	143	0	0	0	0	0	143
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(1,077)	0	0	0	0	0	(1,077)
Derecognition - disposals	0	(1)	(197)	0	0	(40)	0	(238)
At 31 March 2014	714	99,497	8,211	2,175	266	71	411	111,345

Continued on the following page.

Notes to the Core Financial Statements

2013/14 - Current Financial Year	Council Dwellings £000	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
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2013	(29)	(7,091)	(4,463)	(281)	0	0	0	(11,864)
Depreciation Charge	(12)	(2,690)	(643)	(81)	0	0	0	(3,426)
Revaluation gains - depreciation written out to the Revaluation Reserve	0	42	0	0	0	0	0	42
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	244	0	0	0	0	0	244
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	228	0	0	0	0	0	228
Derecognition - disposals	0	0	197	0	0	0	0	197
At 31 March 2014	(41)	(9,267)	(4,909)	(362)	0	0	0	(14,579)
<u>Net Book Value</u>								
At 31 March 2014	673	90,230	3,302	1,813	266	71	411	96,766
At 31 March 2013	685	92,330	3,709	1,894	103	111	305	99,137

Depreciation

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

- Council Dwellings - 50 years
- Other Land and Buildings - 1 to 60 years
- Vehicle, Plant, Furniture & Equipment - 4 to 50 years
- Infrastructure - 15 to 50 years

Impairment

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 2013/14.

During 2012/13, the Council recognised total impairment losses of £0.182m in respect of one asset, which was charged to the cost of services in the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Capital Commitments

At 31 March 2014, the Council had not entered into any significant contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15.

Changes in Estimates

During 2013/14 the Council made a change to one of its accounting estimates for Property, Plant and Equipment. The date of revaluation of assets was changed from 1st April 2013 to 31st March 2014.

Revaluations

The Council carries out a rolling programme which ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	0	8,211	266	0	8,477
Valued at fair value as at:						
31 March 2014	0	5,705	0	0	(40)	5,665
31 March 2013	15	618	0	0	0	633
31 March 2012	166	6,672	0	0	(2,870)	3,968
31 March 2011	533	72,960	0	0	2,981	76,474
31 March 2010	0	13,542	0	0	0	13,542
Total Net Book Value	714	99,497	8,211	266	71	108,759

Notes to the Core Financial Statements

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

	Fine and Decorative Art	Horology	Civic Regalia	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2012	3,238	2,357	359	5,954
Additions	18	0	0	18
Revaluations	137	325	174	636
At 31 March 2013	3,393	2,682	533	6,608
At 1 April 2013	3,393	2,682	533	6,608
Additions	0	0	0	0
Revaluations	0	0	0	0
At 31 March 2014	3,393	2,682	533	6,608

Fine and Decorative Art - includes paintings (the most significant of which is a portrait by James Tissot valued at £1.8m), statues and various decorative art collections, notably antique glass, armorial porcelain, snuff and scent bottles/boxes.

Horology - includes the Gershom Parkington collection, the Allen collection of American Clocks, and various clocks by local makers.

Civic Regalia - includes ceremonial items such the maces, sword, chains of office and other ceremonial items.

All the above items are reported in the Balance Sheet at insurance valuations which are based on market values supplied by external valuers with specialist knowledge of these markets. These valuations are subject to review by the Council's Heritage Services staff and updated annually.

Additions, Disposals and Impairment of Heritage Assets

There have been no additions to Heritage Assets during 2013/14.

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

The value of heritage assets that fall below the Council's de minimis level of £5,000 is £0.665m. This does not include any items of archaeological or social history significance as these are not valued.

Notes to the Core Financial Statements

Note 13 Investment Properties

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

	2013/14	2012/13
	£000	£000
Rental income from investment property	(4)	(4)
Total Rental Income for the year:	(4)	(4)

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

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

	2013/14	2012/13
	£000	£000
Balance at 1 April	80	80
Balance at 31 March	80	80



Haverhill football project

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

All software is attributed a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the software suites currently used by the Council range from 3 to 15 years. The website useful life is 20 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.010m charged to revenue in 2013/14 was charged to the owner service and then recharged as an overhead across service headings in the Net Expenditure of Services.

The movement on intangible asset balances during the year was as follows:

	2013/14 Purchased Assets £000	2012/13 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	157	325
- Accumulated amortisation	(87)	(197)
Net carrying amount at start of year	70	128
Additions:		
- Purchases	277	0
Other disposals	0	(168)
Amortisation for the period	(10)	(9)
Amortisation written out on disposal	0	119
Net carrying amount at 31 March	337	70
Comprising:		
- Gross carrying amounts	434	157
- Accumulated amortisation	(97)	(87)
	337	70

Notes to the Core Financial Statements

Note 15 Short and Long Term Debtors

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	31 March 2013 £000
Central Government Bodies	1,580	1,675
Other Local Authorities	2,951	4,331
Other Entities and Individuals	2,095	1,103
	6,626	7,109

Long Term Debtors

	31 March 2014 £000	31 March 2013 £000
Car loans to employees	7	13
Car leasing scheme	20	29
Deferred sale of surplus properties	144	55
Mortgages and long term loans	442	1,260
Total Long Term Debtors	613	1,357

Notes to the Core Financial Statements

Note 16 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.

	31 March 2014 £000	31 March 2013 £000
Cash Held by the Council	7	6
Bank Current Accounts	1,233	638
Short Term Deposits with Clearing Banks & Building Societies	8,334	6,175
Total Cash and Cash Equivalents	9,574	6,819

Note 17 Assets held for Sale

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

	Current		Non-Current	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
Balance Outstanding at start of year	0	4,253	0	0
<u>Assets newly classified as held for sale:</u>				
Assets sold	0	(4,253)	0	0
Balance outstanding at Year End	0	0	0	0

Notes to the Core Financial Statements

Note 18 Inventories

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

	Consumable Stores		Maintenance Materials		Property acquired for Sale		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April	209	179	11	13	0	0	220	192
Purchases	979	1,153	14	14	0	0	993	1,167
Recognised as an expense in the year	(1,008)	(1,117)	(20)	(16)	0	0	(1,028)	(1,133)
Revaluation increases/(decreases) recognised in the	(11)	(6)	0	0	0	0	(11)	(6)
Balance outstanding at Year End	169	209	5	11	0	0	174	220

Notes to the Core Financial Statements

Note 19 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	£000	£000	£000	£000
Investments				
Loans and receivables				
- Money market loans	464	3,250	34,579	23,735
- Other loans	7	7	0	0
- Cash	0	0	1,240	6,175
Available for sale financial assets	519	464	0	0
Total investments	990	3,721	35,819	29,910
Debtors				
Loans and receivables	593	1,357	0	337
Financial assets carried at contract amounts	0	0	1,958	4,566
Total debtors	593	1,357	1,958	4,903
Creditors				
Financial liabilities at amortised cost	0	0	2,432	6,237
Long Term Creditors	0	100	0	0
Total creditors	0	100	2,432	6,237

Soft Loans made by the Council

The Council advanced the following loans at a rate below the Council's prevailing cost of borrowing (soft loans) in the year:

Loan to Abbeycroft Leisure for improvements at the Borough's two sports centres

The loan to Abbeycroft Leisure to carry out a scheme of environmental and energy efficiency improvements at the Borough's two sports centres is deemed to be a soft loan - the loan is at a rate of 2.48%.

Loan to Churchmanor Estates Company for Suffolk Business Park

The loan to Churchmanor Estates Company towards the costs / fees associated with the design and planning approval stages of Suffolk Business Park, including approval of infrastructure works is deemed to be a soft loan - the loan is an interest free loan.

Notes to the Core Financial Statements

	Abbeycroft Leisure	Church- Manor Estates	Total
	£000	£000	£000
Nominal value of loans granted	150	553	703
Loans repaid	(36)	0	(36)
Balance at 31 March 2014	114	553	667

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 income	0	(520)	0	(520)	0	(705)	0	(705)
Total income in Surplus or Deficit on the Provision of Services	0	(520)	0	(520)	0	(705)	0	(705)
Gains on revaluation	0	0	(817)	(817)	0	0	0	0
Losses on revaluation	0	0	0	0	0	0	83	83
(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	(817)	(817)	0	0	83	83
Net (gains) / loss for the year	0	(520)	(817)	(1,337)	0	(705)	83	(622)

Notes to the Core Financial Statements

Valuation assumptions

The interest rate at which the fair value of these soft loans have been made is arrived at by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid. As the Council is debt free, the Council's prevailing cost of borrowing is the Public Works Loan Board rate for the duration of the loans, in these cases 1.73% and 1.18% for Abbeycroft Leisure and Churchmanor Estates Company respectively. The additional allowance for the risk of default is 2.5% for both loans.

Fair Values of Assets and Liabilities

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

The fair values calculated are as follows:

	31 March 2014		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	2,432	2,432	6,237	6,237
Long-term creditors	0	0	100	100
Total liabilities	2,432	2,432	6,337	6,337
Money market loans:				
- Short-term investments	34,579	34,708	23,735	23,775
- Long-term investments	3,257	3,257	3,257	3,848
Cash	1,240	1,240	6,175	6,175
Financial assets (debtors)	1,958	1,958	4,566	4,566
Available for Sale Financial Assets	519	519	464	464
Loans and Receivables	593	593	1,694	1,694
Total assets	42,146	42,275	39,891	40,522

In overall terms, the fair value of the investments is £0.631m more than the book value at 31 March 2013.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future profit (based on economic conditions at 31 March 2013) attributable to the commitment to receive interest above current market rates.

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

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Further details of debtors and creditors are found in Note 15 and Note 20.

Notes to the Core Financial Statements

Note 20 Creditors

The following table shows the short and long-term creditors due within one year of the balance sheet date.

Short-Term Creditors	31 March	31 March
	2014	2013
	£000	£000
Central Government Bodies	656	293
Other Local Authorities	2,231	2,804
Other Entities and Individuals	2,622	3,140
Total Short-term Creditors	5,509	6,237

Long-Term Creditors	31 March	31 March
	2014	2013
	£000	£000
Shop Deposit	0	(100)
Total Long-term Creditors	0	(100)

Note 21 Provisions

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

	Long Term	Short Term
	Provision	Provision
	£000	£000
Balance as at 1 April	200	267
Additional Provisions made in 2013/14	0	661
Amounts used in 2013/14	0	(60)
Total Provisions	200	868

Long term provisions

The provision of £200k relates to accumulated compensated staff absences.

Notes to the Core Financial Statements

Short term provisions

The provision of £868k is composed of:

- £199k relating to a structural defect claim in respect of a previously owned asset
- £87k relating to termination benefits to which the Council was demonstrably committed at the year end
- £8k relating to a legal case in respect of planning advice and
- £574k relating to National Non-Domestic Rate appeals.

The latter is a new provision under the new system of business rate retention and relates to St Edmundsbury'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. St Edmundsbury 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 St Edmundsbury 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 £253k for St Edmundsbury'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 £253k 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 £827k, for St Edmundsbury's share.

Notes to the Core Financial Statements

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	20,228	19,963
Available for Sale Financial Instruments Reserve	469	413
Capital Adjustment Account	85,177	88,104
Pensions Reserve	(44,750)	(37,860)
Deferred Capital Receipts Reserve	376	326
Collection Fund Adjustment Account	(773)	(80)
Accumulated Absences Account	(200)	(200)
Total Unusable Reserves	60,527	70,666

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	19,963	23,456
Upward revaluation of Assets	1,402	1,356
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(466)	(936)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	20,899	23,876
Difference between fair value depreciation and historical cost depreciation	(670)	(648)
Accumulated gains on assets sold or scrapped	(1)	(3,265)
Balance at 31 March	20,228	19,963

Notes to the Core Financial Statements

Available for Sale Financial Instruments Reserve

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

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

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	414	347
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	55	66
Balance at 31 March	469	413

Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 - Adjustments between Accounting Basis and Funding Basis under Regulations provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Core Financial Statements

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		88,104	89,773
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	(3,426)		(3,650)
- Revaluation gains/(losses) on Property, Plant and Equipment	(463)		0
- Amortisation of Intangible Assets	(10)		(9)
- Revenue expenditure funded from capital under statute	(974)		(885)
- 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	(41)		(4,562)
		(4,914)	(9,106)
Adjusting amounts written out of the Revaluation Reserve		671	3,913
Net written out amount of the cost of non-current assets consumed in the year		(4,243)	(5,193)
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	657		714
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	923		1,225
- Capital expenditure charged against the General Fund balance	527		1,604
		2,107	3,543
Loan Principal Repayments		(791)	(19)
Balance at 31 March		85,177	88,104

Notes to the Core Financial Statements

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on the charge for the year are in Note 35 - Defined Benefit Pension Scheme.

The movements in the Pensions Reserve were as follows:

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	(37,860)	(30,923)
Remeasurements of the net defined benefit liability / (asset)	(4,943)	(5,881)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,307)	(3,529)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,360	2,473
Balance at 31 March	(44,750)	(37,860)

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.

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	326	664
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	75	(338)
Loan Principal Repayments	(25)	0
Balance at 31 March	376	326

Notes to the Core Financial Statements

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	(80)	55
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(693)	(135)
Balance at 31 March	(773)	(80)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, i.e. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	31 March 2014 £000	31 March 2013 £000
Balance at 1 April	(200)	(200)
Balance at 31 March	(200)	(200)

Notes to the Core Financial Statements

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2013/14	2012/13
	£000	£000
Interest received	(520)	(684)
	(520)	(684)

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

	2013/14	2012/13
	£000	£000
Depreciation	(3,426)	(3,650)
Amortisation	(10)	(9)
Impairment and upward / (downward) valuations	(463)	0
(Increase) / decrease in Creditors	984	(836)
(Increase) / decrease in Provisions	(601)	175
Increase / (decrease) in Debtors and Payments in Advance	(1,152)	2,661
Increase / (decrease) in Inventories	(46)	28
Movement in Pensions Liability	(1,947)	(1,056)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	817	(4,562)
Carrying amount of short and long term investments sold	0	(2,500)
Deferred capital receipts	92	67
Movement in investment property values	0	0
Other non-cash items charged to the net surplus or deficit on the provision of services	0	83
	(5,752)	(9,599)

Notes to the Core Financial Statements

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

	2013/14	2012/13
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	923	1,225
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	2,500
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	4,405
Any other items for which the cash effects are investing or financing cash flows	(282)	0
	641	8,130

Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2013/14	2012/13
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	744	2,271
Purchase of short-term and long-term investments	0	3,250
Other payments for investing activities	1,208	487
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,268)	(4,655)
Proceeds from short-term and long-term investments	(555)	(2,500)
Other receipts from investing activities	(58)	(344)
Net cash flows rom investing activities	71	(1,491)

Notes to the Core Financial Statements

Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2013/14	2012/13
	£000	£000
Other receipts from financing activities	0	0
Other payments for financing activities	0	0
Billing authorities - council tax and national non-domestic rates adjustments	(693)	(474)
Net cash flows from Financing activities	(693)	(474)

Notes to the Core Financial Statements

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to services.

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	1,778	912	0	0	2,690	(859)	0	(859)	1,831
Resources & Performance	2,473	32,932	0	0	35,405	(2,134)	(29,465)	(31,599)	3,806
Human Resources & Organisational Development	471	87	0	0	558	(91)	0	(91)	467
Legal & Democratic Services	432	551	0	0	983	(100)	(7)	(107)	876
Policy, Communications & Customers	436	303	0	0	739	(231)	0	(231)	508
Waste Management & Property Services	5,052	7,695	0	65	12,812	(12,605)	(50)	(12,655)	157
Leisure, Culture & Communities	1,662	4,045	0	26	5,733	(2,532)	(65)	(2,597)	3,136
Planning & Regulatory Services	2,288	712	0	8	3,008	(1,855)	0	(1,855)	1,153
Economic Development & Growth	152	192	0	0	344	(162)	0	(162)	182
Housing	386	502	0	369	1,257	(185)	(50)	(235)	1,022
Totals	15,130	47,931	0	468	63,529	(20,754)	(29,637)	(50,391)	13,138

Notes to the Core Financial Statements

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
Corporate Expenditure	949	375	(665)	0	659	(1)		(1)	658
Resources & Performance	3,740	38,236	(1,091)	0	40,885	(4,063)	(35,183)	(39,246)	1,639
Human Resources & Organisational Development	606	71	(594)	0	83	(75)	0	(75)	8
Legal & Democratic Services	529	539	382	0	1,450	(53)	0	(53)	1,397
Policy, Communications & Customers	288	107	(334)	0	61	(83)	0	(83)	(22)
Waste Management & Property Services	5,391	7,093	(1,745)	0	10,739	(11,949)	0	(11,949)	(1,210)
Leisure, Culture & Communities	2,153	3,598	1,991	0	7,742	(1,999)	(61)	(2,060)	5,682
Planning & Regulatory Services	2,293	660	1,350	0	4,303	(1,747)	0	(1,747)	2,556
Economic Development & Growth	148	72	15	0	235	(34)	(10)	(44)	191
Housing	383	339	282	0	1,004	(42)	(231)	(273)	731
Totals	16,480	51,090	(409)	0	67,161	(20,046)	(35,485)	(55,531)	11,630

Notes to the Core Financial Statements

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

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

	2013/14	2012/13
	£000	£000
Net Expenditure in the Head of Service Analysis	13,138	11,630
Net expenditure of services not included in the analysis	(98)	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	4,138	2,777
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(1,540)	1,313
Cost of Services in Comprehensive Income and Expenditure Statement	15,638	15,720

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the (Surplus)/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	(20,244)	0	2,995	0	(17,249)	(4)	(17,253)
Interest and investment income	(511)	0	511	0	0	(511)	(511)
Income from council tax	0	0	0	0	0	(7,571)	(7,571)
Government grants and contributions	(29,636)	0	0	0	(29,636)	(6,950)	(36,586)
Total income	(50,391)	0	3,506	0	(46,884)	(15,036)	(61,920)
Employee expenses	15,130	239	0	0	15,369	1,708	17,077
Other service expenses	47,931	0	(5,046)	(98)	42,787	(10)	42,777
Depreciation, amortisation and impairment							
Depreciation, amortisation and impairment	468	3,899	0	0	4,367	0	4,367
Precepts and Levies	0	0	0	0	0	1,494	1,494
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1	1
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(817)	(817)
Total expenditure	63,529	4,138	(5,046)	(98)	62,522	2,376	64,898
Surplus or deficit on the provision of services	13,138	4,138	(1,540)	(98)	15,638	(12,660)	2,978

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.

Restated Previous Year - 2012/13	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 and other Service Income	(20,046)	(1,223)	4,280	(409)	(17,398)	162	(17,236)
Interest and investment interest	0	0	705	0	705	(705)	0
Income from Council tax	0	0	0	0	0	(8,250)	(8,250)
Government Grants and contributions	(35,485)	0	0	0	(35,485)	(6,120)	(41,605)
Total Income	(55,531)	(1,223)	4,985	(409)	(52,178)	(14,913)	(67,091)
Employee Expenses	16,480	221	0	0	16,701	831	17,532
Other Service Expenses	51,090	887	(3,489)	0	48,488	(166)	48,322
Support Service Recharges	(409)	0	0	409	0	0	0
Depreciation, amortisation and impairment	0	2,892	0	0	2,892	0	2,892
Interest payments	0	0	(183)	0	(183)	0	(183)
Precepts and levies	0	0	0	0	0	1,673	1,673
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1	1
Gain or loss on disposal of non- current assets	0	0	0	0	0	83	83
Total Expenditure	67,161	4,000	(3,672)	409	67,898	2,422	70,320
(Surplus) or deficit on the provision of services	11,630	2,777	1,313	0	15,720	(12,491)	3,229

Notes to the Core Financial Statements

Note 27 Trading Operations

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

		2013/14	2013/14	2012/13	2012/13
		£000	£000	£000	£000
Industrial, Business Units & Shops	Turnover	(2,755)		(2,589)	
	Expenditure	1,362		1,495	
	(Surplus) / Deficit		(1,393)		(1,094)
Trade Refuse	Turnover	(1,242)		(1,160)	
	Expenditure	1,085		1,030	
	(Surplus) / Deficit		(157)		(130)
Markets	Turnover	(409)		(392)	
	Expenditure	369		329	
	(Surplus) / Deficit		(40)		(63)
Net Surplus on Trading Operations			(1,590)		(1,287)

Note 28 Members Allowances

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

	2013/14	2012/13
	£000	£000
Allowances	313	297
Expenses	16	21
Total Members Allowances and Expenses	329	318

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

Where members have volunteered to reduce their allowance, this has been reflected in the figures.



Abbey Gardens, Bury St Edmunds

Notes to the Core Financial Statements

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 £
Joint Chief Executive (new post Apr12)	2013/14	108,133	0	4,120	21,302	0	133,555
	2012/13	102,375	795	1,346	19,144	0	123,660
Director (new post Oct12) - Postholder previously Corporate Director Community	2013/14	75,750	0	1,989	14,923	0	92,662
	2012/13	37,619	0	1,028	7,035	0	45,682
	2012/13	37,619	0	1,027	7,035	0	45,681
Director (new post Oct12) - Postholder previously Head of Finance, ICT, Rev & Bens, Procurement & Audit	2013/14	75,825	1,239	0	14,923	0	91,987
	2012/13	37,500	620	0	7,013	0	45,133
	2012/13	34,198	0	0	6,395	0	40,593
Head of Human Resources and Organisational Development	2013/14	62,286	127	1,258	11,938	0	75,609
	2012/13	25,000	516	0	4,675	0	30,191
Head of Legal and Democratic Services (Monitoring Officer) - Postholder previously Head of Legal & Democratic Services	2013/14	67,765	1,239	0	13,452	0	82,456
	2012/13	28,498	516	0	5,329	0	34,343
	2012/13	39,898	0	0	7,461	0	47,359
Head of Leisure, Culture and Communities - Postholder previously Head of Leisure	2013/14	67,327	0	1,276	13,249	0	81,852
	2012/13	28,498	0	435	5,329	0	34,262
	2012/13	39,898	0	609	7,461	0	47,968
Head of Waste Management and Property Services - Postholder previously Head of Waste, Street Scene Services & Projects	2013/14	67,327	0	2,523	13,249	0	83,099
	2012/13	28,498	0	684	5,329	0	34,511
	2012/13	39,898	0	958	7,461	0	48,317
Head of Economic Development and Growth	2013/14	55,625	1,239	0	10,943	0	67,807
	2012/13	22,917	516	0	4,285	0	27,718
Head of Policy, Communications and Customers	2013/14	55,625	1,239	0	10,943	0	67,807
	2012/13	22,917	516	0	4,285	0	27,718

Notes to the Core Financial Statements

	Year	Salary, Fees and Allow- ances £	Expenses Allow- ance £	Benefits in kind £	Pension Contrib- ution £	Compens- ation for Loss of Office £	Total £
Corporate Director Economy & Environment	2012/13	35,127	0	2,097	11,654	121,216	170,094
Head of Human Resources & Organisational Development	2012/13	26,048	0	0	11,062	98,903	136,013
Head of Environmental Health & Housing	2012/13	34,593	1,033	0	10,658	95,334	141,618
Head of Property & Engineering Services	2012/13	34,385	0	2,261	10,658	99,740	147,044

General Notes

- Expenses allowances include the lump sum payment made in relation to essential car users and the taxable element of mileage allowance payments (where applicable)
- Benefits in kind relates to employee lease cars.
- Included within the above tables 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 Forest Heath District Council (under accounting standards IAS 19 Employee Benefits and IAS 37 Provisions) – see Note 21.
- See Exit Packages and Termination Benefits below for further information with regards to the overall termination benefit cost for the year ending 31 March 2014 and any necessary cost sharing with the Council's Shared Services partner, Forest Heath District Council.

Notes to the Core Financial Statements

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	2012/13
	Number of Employees	Number of Employees
£50,000 to £54,999	3	5
£55,000 to £59,999	3	1
£60,000 to £64,999	1	3
£65,000 to £69,999	2	1
£70,000 to £74,999	1	0
£75,000 to £79,999	1	2
£80,000 to £84,999	1	0
£100,000 to £104,999	1	0
£110,000 to £114,999	1	0

Shared Service Joint Leadership Team (JLT)

During 2011 Council approval was given to the creation and implementation of a shared officer structure with Forest Heath District Council (FHDC). A Joint Chief Executive was appointed in April 2012 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 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 £0.87m in a full year. All payments made to enable this change were in line with the Council's Human Resources 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 to only those staff employed by the Council. The remuneration details of the staff employed by FHDC, in the format of the table above, are disclosed in that council's Financial Statements.

Details of the 2013/14 cost of the new JLT (inclusive of salary, national insurance and pension fund contributions) are set out in the table below. The table shows how this Council reimbursed FHDC for its share of relevant employee costs, and the corresponding reimbursement from FHDC to this Council. The reimbursement is based on both councils sharing equally the savings resulting from the restructure.

Notes to the Core Financial Statements

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	2013/14	2012/13	2012/13
		SEBC Cost £	FHDC Cost £	SEBC Cost £	FHDC Cost £
Joint Chief Executive	From April 2012	142,128	0	133,458	0
Director	} From October 2012	98,932	0	48,742	0
Director		98,896	0	48,603	0
Head of Resources and Performance (S151 Officer)	} From November 2012	0	84,352	0	35,048
Head of Human Resources and Organisational Development		80,509	0	32,224	0
Head of Legal and Democratic Services (Monitoring Officer)		88,379	0	36,858	0
Head of Leisure, Culture and Communities		87,551	0	36,841	0
Head of Waste Management and Property Services		87,551	0	36,841	0
Head of Economic Development and Growth		71,978	0	29,466	0
Head of Policy, Communications and Customers		71,978	0	29,466	0
Head of Housing		0	77,922	0	32,120
Head of Planning and Regulatory Services		0	48,574	0	34,394
Total expenditure included in Officers' Remuneration disclosure			827,902	210,848	432,499
Net adjustment between the councils		-169,730	169,730	-85,451	85,451
Expenditure included in the Comprehensive Income and Expenditure Statement		658,172	380,578	347,048	187,013

Notes on the Shared Services management restructuring with Forest Heath District Council, (FHDC).

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, one post-holder transferred to the post from Corporate Director Community, and the other transferred to the post from Head of Finance, ICT, Revenue & Benefits, Procurement and Audit. 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 transferred to the post from Head of Legal & Democratic Services, SEBC. The post-holder is employed by SEBC.

Notes to the Core Financial Statements

The **Head of Leisure, Culture & Communities** was appointed 1 November 2012, the post-holder transferred to the post from Head of Leisure, SEBC. 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 transferred to the post from Head of Waste, Street Scene Services & Projects, SEBC. The post-holder is employed by SEBC.

The **Head of Housing** was appointed 1 November 2012, the post-holder is employed by FHDC.

The **Head of Planning & Regulatory Services** was appointed 1 November 2012, 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 St Edmundsbury Borough Council Corporate Director of Economy & Environment post was disestablished with effect from 1 October 2012 and the three Heads of Service posts were disestablished with effect from 1 November 2012.

Exit Packages

Details of exit packages, with total cost per band and total numbers of compulsory and other redundancies/departures, are set out in the table below. This table includes any compensation for loss of office already referred to in the Officers' Remuneration tables above.

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	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	Nos	Nos	Nos	Nos	Nos	Nos	£	£
£0 - £20,000	10	1	0	2	10	3	76,512	31,630
£20,001 - £40,000	8	1	0	2	8	3	198,744	89,098
£40,001 - £60,000	2	2	0	3	2	5	104,203	257,073
£60,001 - £80,000	3	0	0	1	3	1	216,968	62,152
£80,001 - £100,000	1	0	0	1	1	1	91,774	96,627
£100,001 - £150,000	2	1	0	0	2	1	232,910	101,906
£150,001 - £200,000	0	3	0	0	0	3	0	496,819
£200,001 - £250,000	0	0	0	0	0	0	0	0
Total	26	8	0	9	26	17	921,111	1,135,305

Notes to the Core Financial Statements

Termination Benefits

The Council terminated the contracts of 26 employees in 2013/14, the total value of these termination payments was £921,111 (2012/13 £1,135,305).

The total cost of £0.921m in the table above is the gross amount of exit packages paid to Council employees. This total cost includes £0.911m for exit packages that have been committed to as part of the Council's Shared Services agenda with FHDC, of which £0.382m was recharged to FHDC in line with an agreed cost sharing basis. FHDC has incurred similar costs under the Shared Services agenda, the Council in turn, picking up an agreed share amounting to £0.274m. The Council has made allowances for these cost sharings within the overall charge to the Comprehensive Income and Expenditure Statement, resulting in an overall net charge to the Council of £0.803m.

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, statutory inspections, and non-audit services provided by the Council's external auditors:

	2013/14	2012/13
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year:		
- Audit Commission	0	4
- Ernst & Young LLP	57	57
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	42
- Ernst & Young LLP	47	81
Fees payable in respect of other services provided during the year		
- Audit Commission		1
- Ernst & Young LLP	1	0
Total External Audit Costs	105	185

A rebate of £8,000 has been received in 2014/15 from the Audit Commission and relates to work carried out during 2012/13.

Neither the Audit Commission nor Ernst & Young carried out any non-audit services for the Council during the year.

Notes to the Core Financial Statements

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2013/14	Restated 2012/13
	£000	£000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	(3,259)	(90)
National Non-domestic Rates *	(2,377)	(4,662)
New Homes Bonus	(757)	(559)
Other Government Grants	(71)	0
Council Tax Freeze Grant	(70)	(168)
Capital Grants and Contributions		
Growth Area Initiative grant (DCLG)	(267)	(496)
Public Venue Grant - EEDA	0	(18)
Other Grants and contributions	(149)	(126)
Total credited to Taxation and Non-specific Grant Income and Expenditure	(6,950)	(6,119)
Credited to Services		
Revenue Grants and Contributions		
Housing and Council Tax Benefits Subsidy **	(28,618)	(34,351)
Housing Benefit and Council Tax Administration Subsidy	(570)	(586)
National Non-domestic Rates Administration Grant	(164)	(162)
Other Grants and Contributions	(122)	(439)
Capital Grants and Contributions		
Disabled Facilities Grant	(275)	(349)
Growth Area Initiative grant (DCLG)	(165)	0
Regional Housing Pot Grant - Decent Homes	0	(54)
Other Grants and Contributions	(66)	(182)
Total credited to services	(29,980)	(36,123)

*The 2012/13 figures have been restated to show National Non-domestic Rates previously treated as taxation income not grant income.

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

Notes to the Core Financial Statements

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

	2013/14	2012/13
	£000	£000
Capital Grants and Contributions Received in Advance		
Growth Area Initiative Grant (DCLG)	(2,880)	(3,313)
Other Grants	(599)	(679)
Developer Contribution - ASDA	(692)	(938)
Developer Contribution - Centros Miller	(350)	(375)
Developer Contributions - Other	(253)	(322)
Total	(4,774)	(5,627)

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 significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details on grants received from government departments are set out in the Comprehensive Income and Expenditure Account, Note 10 - Taxation and Non Specific Grant Income. Grant receipts outstanding at 31 March 2014 are shown in Note 31 - Grant Income.

Forest Heath District Council

St Edmundsbury Borough Council and Forest Heath District 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 Note 29 - Officers Remuneration and Exit Packages.

Members and Senior Staff

Members of the Council have direct control over the Council's finances and operating policies. The total of councillors' allowances paid in 2013/14 is shown in Note 28 - Members' Allowances.

Councillors are able to serve on outside bodies either as a representative of the Council or in a personal capacity. Some of those bodies receive financial support from the Council. In all instances financial support was made with proper consideration of councillors' declaration of interest and the relevant councillors did not take part in any discussion or decision relating to the financial support. Full details of councillors' declared interests are published on the Council's web site www.stedmundsbury.gov.uk. The bodies on which they serve as a representative of the Council are listed below:

- Abbeycroft Leisure Trust
- Association for Suffolk Museums Management Committee
- Bid 4 Bury Board of Directors
- Brecks Partnership

Notes to the Core Financial Statements

- Bury St Edmunds and District Volunteer Centre
- Choose Suffolk
- Clare Country Park Joint Advisory Panel
- Dedham Vale and Stour Valley
- District Councils' Network
- East of England Local Government Association
- George Savage Trust
- Greater Cambridge Greater Peterborough Local Enterprise Partnership
- Guildhall Feoffment Trust
- Havebury Housing Partnership Management Board
- Health and Well-being Board
- King Edward VI Grammar School Bury St. Edmunds Foundation
- Local Government Association (including General Assembly and Rural Commission)
- New Anglia Local Enterprise Partnership
- One Haverhill
- Rural Services Network
- Smith's Row Art Gallery (formerly Bury St Edmunds Art Gallery)
- Southgate Community Partnership
- St Edmund and Waveney YMCA (Services) Ltd (formerly Bury St Edmunds YMCA)
- St John's Centre Trustees Bury St Edmunds
- Stiff's Almshouses Charity Trustees, Rougham
- Suffolk Flood Management Joint Scrutiny Committee
- Suffolk Health Overview and Scrutiny Committee
- Suffolk Joint Emergency Planning Policy Panel
- Suffolk Joint Municipal Waste Management Members' and Directors' Group
- Suffolk Police and Crime Panel
- Suffolk Rail Policy Group
- Suffolk Sport
- Suffolk West Citizens' Advice Bureau (formerly Bury St Edmunds Citizens' Advice Bureau and Haverhill Citizens' Advice Bureau)
- Theatre Royal Management Board
- West Stow Anglo-Saxon Village Trust
- West Suffolk Strategic Group (West Suffolk Partnership)
- Western Suffolk Community Safety Partnership

During 2013/14 the Council made grant payments totalling £351,000 to 8 organisations on which 11 members had an interest. Transactions with Abbeycroft Leisure are disclosed separately below.

During 2013/14 there were no transactions of a material nature to either the Council or related third parties involving members or senior officers of the Council serving in a personal capacity.

Abbeycroft Leisure Trust

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

The contract involved the transfer of leisure centre staff and leasing the leisure centres and athletics track to the trust at a peppercorn rent in return for a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid quarterly in advance. The Council is consulted on the business plans of Abbeycroft Leisure prior to the agreement of a management fee to the Company. A management fee amounting to £280,000 was paid to the trust in 2013/14 compared to £300,000 in 2012/13.

Notes to the Core Financial Statements

Partnership Joint Arrangements

The following joint committee partnership arrangements are accounted for as jointly controlled operations – i.e. each authority accounts for its share of costs and assets.

Suffolk County Council – West Suffolk House Joint Committee

On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. The agreement between the Councils provides for each authority sharing costs on a 50/50 basis. The amounts of the Council's share of expenditure incurred by the West Suffolk House Joint Committee are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. The Council's net contribution to the operational costs of the building during 2013/14 was £574,950 (2012/13 £547,552).

Anglia Revenues Partnership

On 1st April 2011 St Edmundsbury Borough Council joined Forest Heath, Breckland and East Cambridge District Councils within the Anglia Revenues Partnership (ARP). The ARP 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. Staff transferred to the ARP remain employees of the Council. Each partner authority contributes to the shared costs of joint committee services undertaken on its behalf. During 2013/14 payments totalling £1,421,240 (2012/13 £1,276,667) were made to ARP. The amounts of the Council's share of expenditure incurred by the ARP are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet.

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 £44,852,000 in 2013/14 (£49,591,000 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 £551,000. The total sums collected for Suffolk County Council, Suffolk Police and St Edmundsbury Borough Council are shown in the Collection Fund (see page 86). The Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statements show the council tax collected on behalf of the Council but excludes the agency transactions.



East Town Park, Haverhill

Notes to the Core Financial Statements

Note 33 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2013/14 Purchased Assets £000	2012/13 Purchased Assets £000
Opening Capital Financing Requirement	(833)	(833)
Capital investment		
Property, Plant and Equipment	623	2,153
Intangible Assets	277	0
Heritage Assets	0	18
Revenue expenditure funded from capital under statute	974	885
Loans financed from Capital	234	487
	2,108	3,543
Sources of Finance		
Capital receipts	(657)	(714)
Government grants and other contributions	(923)	(1,225)
Direct revenue contributions	(527)	(1,604)
	(2,108)	(3,543)
Closing Capital Financing Requirement	(833)	(833)

Notes to the Core Financial Statements

Note 34 Leases

Council as Lessor

Operating Leases

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

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

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

	2013/14	2012/13
	£000	£000
Not later than one year	2,588	2,551
Later than one year and not later than five years	8,055	8,456
Later than five years	99,281	101,911
Balance as at 31 March carried forward	109,924	112,918

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £0.001m in contingent rents was payable by the Council (2012/13 contingent rents payable £0.002m).

Notes to the Core Financial Statements

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



West Stow Country Park

Notes to the Core Financial Statements

Transactions relating to Post Employment Benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out to 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	2012/13
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	2,494	2,138
- past service costs (including curtailments)	105	560
Financing and Investment Income and Expenditure		
Net Interest Expense	1,708	831
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,307	3,529
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)	3,498	
- Actuarial gains and losses arising on changes in demographic assumptions	2,531	
- Actuarial gains and losses arising on changes in financial assumptions	3,438	
- Other (if applicable)	(4,524)	
Sub-total: Actuarial gains and losses	4,943	5,881
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	9,250	9,410
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	(4,307)	(3,529)
Actual amount charged against the General Fund Balance for pensions in the year	4,943	5,881
Employers' contributions payable to scheme	2,360	2,473

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.

Notes to the Core Financial Statements

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	2012/13
	£000	£000
Present value of the defined benefit obligation	(137,153)	(131,347)
Fair value of plan assets	92,403	93,487
Sub-total	(44,750)	(37,860)
Other movements in the liability (asset) (if applicable)	0	0
Net liability arising from defined benefit obligation	(44,750)	(37,860)

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

	2013/14	2012/13
	£000	£000
Opening fair value of scheme assets	93,487	83,290
Interest income	4,165	4,622
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	(3,498)	7,434
- Other (if applicable)	0	0
The effect of changes in foreign interest rates	0	0
Contributions from employer	2,227	1,956
Contributions from employees into the scheme	644	688
Contributions in respect of unfunded benefits	133	517
Benefits paid	(4,622)	(4,503)
Unfunded benefits paid	(133)	(517)
Other (if applicable)	0	0
Closing fair value of scheme assets	92,403	93,487

Notes to the Core Financial Statements

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

	2013/14	2012/13
	£000	£000
Opening balance at 1 April	131,347	114,213
Current service cost	2,494	2,138
Interest cost	5,873	5,453
Contributions from scheme participants	644	688
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	2,531	0
- Actuarial gains / losses arising from changes in financial assumptions	3,438	13,315
- Other (if applicable)	(4,524)	0
Past service cost	105	560
Losses / (gains) on curtailment (where relevant)	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(4,622)	(4,503)
Unfunded benefits paid	(133)	(517)
Liabilities extinguished on settlements (where relevant)	0	0
Closing fair value of scheme assets	137,153	131,347



Aerial view of Arc, Bury St Edmunds

Notes to the Core Financial Statements

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 %
<u>Equity Securities:</u>								
- Consumer	8,023	0	8,023	9%	7,779	0	7,779	8%
- Manufacturing	4,885	0	4,885	5%	4,959	0	4,959	5%
- Energy and Utilities	3,632	0	3,632	4%	3,958	0	3,958	4%
- Financial Instruments	5,464	0	5,464	6%	5,175	0	5,175	6%
- Health and Care	3,454	0	3,454	4%	3,170	0	3,170	3%
- Information Technology	1,871	0	1,871	2%	1,853	0	1,853	2%
- Other	1,895	0	1,895	2%	1,558	0	1,558	2%
	29,224	0	29,224	32%	28,452	0	28,452	30%
<u>Debt Securities:</u>								
- Corporate Bonds (Investment Grade)	12,676	0	12,676	14%	13,190	0	13,190	14%
- UK Government	1,830	0	1,830	2%	1,948	0	1,948	2%
- Other	3,676	0	3,676	4%	3,965	0	3,965	4%
	18,182	0	18,182	20%	19,103	0	19,103	20%
<u>Private Equity:</u>								
All	0	3,189	3,189	3%	0	3,857	3,857	4%
<u>Real Estate:</u>								
UK Property	0	9,282	9,282	10%	0	8,243	8,243	9%
<u>Investment Funds and Unit Trusts:</u>								
Equities	19,657	0	19,657	21%	20,369	0	20,369	22%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	3,369	0	3,369	4%	3,511	0	3,511	4%
Infrastructure	0	1,482	1,482	1%	0	874	874	1%
Other	5,794	1,595	7,389	8%	5,783	328	6,111	7%
	28,820	3,077	31,897	34%	29,663	1,202	30,865	34%
<u>Derivatives:</u>								
Foreign Exchange	0	0	0	0%	1,947	0	1,947	2%
<u>Cash and Cash Equivalents:</u>								
All	629	0	629	1%	1,020	0	1,020	1%
Totals	76,855	15,548	92,403	100%	80,185	13,302	93,487	100%

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

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

The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk County Council Fund being based on the latest full valuation of the scheme as at 31 March 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%)	9%	12,146
Longevity (1 year increase or decrease in member life expectancy)	3%	4,115
Rate of increase in salaries (increase or decrease by 0.5%)	3%	3,434
Rate of increase in pensions (increase or decrease by 0.5%)	6%	8,559

Notes to the Core Financial Statements

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 £2,175k expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years for 2013/14 (17.3 years 2012/13).

Note 36 Contingent Liabilities

Insurance: In 1993 Municipal Mutual Insurance (MMI), our insurer at that time, stopped accepting new business. MMI and its policy holders, including local authorities, set up a scheme of arrangement to allow for the orderly treatment of the outstanding liabilities of the company. Under the scheme, MMI can reclaim, from policy holders, part of any sums paid out against MMI insurance claims since 1993.

The scheme of arrangement was triggered in the year, and the scheme administrators issued a levy notice for £0.031m. A provision had been included in the 2012/13 accounts to meet this liability. Further levies may be due, and it is calculated that the Council's maximum exposure is £0.227m.

Property Searches: A group of Property Search companies is 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 £0.068m plus interest and costs. The 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 £0.416m plus interest and costs. It is possible that additional claimants may come forward to submit claims for refunds, but none has 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 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 submitted to date is £5.08m and covers the period July 1999 to August 2012, with potential further claims to March 2014 of £1.241m. There is a potential for future on-going reductions in VAT payments to the value of about £0.8m per annum.

VAT 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 £0.66m.

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 £0.33m.

Notes to the Core Financial Statements

Note 38 Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

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

Overall procedures for managing risk

The Council's finance team work actively to minimise the Council's exposure to the unpredictability of the financial markets, and to protect the financial resources available to fund services. Risk management is carried out by the finance team under policies approved by the Council in the Annual Treasury Management and Investment Strategy. 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 exposures to the Council's customers.

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

The Council's original lending criteria for 2013/14 was set out in the Annual Treasury Management and Investment Strategy 2013/14, which was approved by the Council in February 2013. The following table shows the credit criteria applicable as at 31 March 2013.

Rated Banks & Institutions

Sector Treasury Services Colour Code Key *	Credit Criteria 31 March 2014
Purple	£10m for maximum of 2 years (subject to max 50% of portfolio)
Orange	£9m for maximum of 2 years (subject to max 40% of portfolio)
Red	£8m for maximum of 1 year (subject to max 35% of portfolio)
Green	£6m for maximum of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government)	£15m for maximum of 2 years

Notes to the Core Financial Statements

Rated Building Societies

Sector Treasury Services Colour Code Key *	Credit Criteria 31 March 2014
Red	£8m for maximum of 1 year (subject to max 35% of portfolio)
Green	£6m for maximum of 1 year (subject to max 30% of portfolio)

Non-Rated Building Societies

Asset Base **	Credit Criteria 31 March 2014
Asset base > £2,500m	£3m for maximum of 6 months
Asset base > £1,000m	£2.5m for maximum of 6 months

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

** Use of non-rated building societies is also subject to obtaining a satisfactory report from an independent credit rating organisation.

The full Annual Treasury Management and Investment Strategy for 2013/14 is available on the Council's website.

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

	Amount at 31 March 2014 £000s	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 £000s	Estimated maximum exposure at 31 March 2013 £000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	34,250	1.173	0.580	19,865.00	0.00

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

Notes to the Core Financial Statements

Of the £8.022m total debt outstanding at 31 March 2014, £1.102m has exceeded its due date for payment, and is analysed by age as follows:

	2013/14	2012/13
	£000	£000
Less than three months	860	1,831
Three to six months	15	113
Six months to one year	50	25
More than one year	177	101
	1,102	2,070

Liquidity risk

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

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

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

Market risk

Maturity risk

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

The approved treasury limits for investments placed for more than one year in duration are also a key parameter used to address this risk. As at 31 March 2014, the Council had two investments totalling £5.25m placed for a period of more than one year.

Interest rate risk

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

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

Changes in interest receivable on variable rate investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management and Investment Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations,

Notes to the Core Financial Statements

including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be an increase in interest receivable on variable rate investments of £0.410m. The impact of a 1% fall in interest rates would be a identical reduction in interest receivable.

[Price risk](#)

The Council does not generally invest in equity shares but does have historic shareholdings to the value of £0.519m. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As a general guide a 5% movement (positive or negative) in the value of these shares would result in a £0.026m gain or loss.

[Foreign exchange risk](#)

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

Note 39 Trust Funds

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

	Balance at 31 March 2013	Income	Expenditure	Balance at 31 March 2014
	£	£	£	£
West Stow Anglo-Saxon Village Trust	(6,448)	(4,104)	5,220	(5,332)
Gershom Parkington Memorial Trust	(11,334)	(170)	0	(11,504)
94th Bomb Group Memorial Association	(16,164)	(241)	137	(16,268)
Totals	(33,946)	(4,515)	5,357	(33,104)

Notes to the Core Financial Statements

There are no formal investments for the trust funds, but notional interest is credited from the General Fund, based on the budgeted average rate of interest earned on the Council's own investments of 1.50%. This amounted to:

	Interest Income 2013/14 £	Interest Income 2012/13 £
West Stow Anglo-Saxon Village Trust	(34)	(196)
Gershom Parkington Memorial Trust	(170)	(186)
94th Bomb Group Memorial Association	(241)	(266)
Total	(445)	(648)

West Stow Anglo Saxon Village Trust

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

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

Gershom Parkington Memorial Trust

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

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

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

94th Bomb Group Memorial Association Fund

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

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

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

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

Notes to the Core Financial Statements

Note 40 Agency Services

The Council manages Suffolk County Council's on-street parking, through our Car Parks team. The net expenditure is part of Highways, Roads and Transport costs.

	2013/14	2013/14	2012/13	2012/13
	£000	£000	£000	£000
<u>Work undertaken on behalf of Suffolk County Council</u>				
On-Street Car Parking				
Income from parking fees		(833)		(861)
Expenditure:				
Running Expenses	40		33	
Administration	255		252	
		295		285
Net Surplus paid to Suffolk County Council		(538)		(576)



Fleet Management Apprentice

Collection Fund and Notes

Collection Fund and Notes

Collection Fund Comprehensive Income and Expenditure Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. 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		Total	Council		Total
	Tax	NNDR	£000	Tax	NNDR	£000
Income						
Income Receivable						
Council Tax receivable	(52,944)	0	(52,944)	(58,010)		(58,010)
National Non-Domestic Rates receivable	0	(45,489)	(45,489)		(44,218)	(44,218)
Transitional Protection receivable	0	13	13			0
Repayment of previous years deficit						
St Edmundsbury Borough Council	(30)	0	(30)	(7)	0	(7)
Suffolk County Council	(155)	0	(155)	(34)	0	(34)
Suffolk Police Authority	(23)	0	(23)	(5)	0	(5)
Total Income	(53,152)	(45,476)	(98,628)	(58,056)	(44,218)	(102,274)
Expenditure						
Precepts						
St Edmundsbury Borough Council	7,571	18,185	25,756	8,392		8,392
Central Government	0	22,731	22,731		43,289	43,289
Suffolk County Council	39,069	4,546	43,615	43,196		43,196
Suffolk Police Authority	5,784	0	5,784	6,395		6,395
	52,424	45,462	97,886	57,983	43,289	101,272
Charges to the Collection Fund						
Write-off of uncollectable amounts	167	183	350	156	794	950
Increase/(Decrease) in Bad Debts Provision	355	91	446	634	(29)	605
Increase/(Decrease) in Appeals Provision	0	1,436	1,436			0
Cost of Collection	0	164	164		164	164
Renewal Energy Income retained by Council	0	36	36			0
	522	1,910	2,432	790	929	1,719
(Surplus) / Deficit for the Year	(206)	1,896	1,690	717	0	717
Fund balance as at 1 April	556	0	556	(161)	0	(161)
(Surplus) / Deficit carried forward	350	1,896	2,246	556	0	556

Collection Fund and Notes

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	5,244	1,824
Band B	between £40,001 and £52,000	17,421	9,880
Band C	between £52,001 and £68,000	9,315	6,904
Band D	between £68,001 and £88,000	7,236	6,259
Band E	between £88,001 and £120,000	4,307	4,755
Band F	between £120,001 and £160,000	1,917	2,555
Band G	between £160,001 and £320,000	1,471	2,296
Band H	over £320,000	131	208
Council Tax Base		47,042	34,681

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 £1,472.64 (2012/13 £1,468.53).

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, prior to 1 April 2013, paid the proceeds into an NNDR pool administered by the Government. From 1 April 2013 the Government introduced a new local government funding regime, the Business Rate 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 centrally determined baselines and limits. The remainder of business rates collected are paid as precepts to the Government and Suffolk County Council.

The total non-domestic rateable value for the Council's area at 31st March 2014 was £111,264,489 (31st March 2013/14: £110,643,497).

Collection Fund and Notes

Note C3 Precepts and Demands

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

	2013/14 Share of balance		2013/14	2012/13
	Precept/Demand	31.03.2014	Total	Total
	£000	£000	£000	£000
Council Tax				
Suffolk County Council	39,069	260	39,329	43,610
Suffolk Police Authority	5,784	39	5,823	6,457
St Edmundsbury Borough Council	7,571	50	7,621	8,472
	52,424	349	52,773	58,539
NNDR				
Suffolk County Council	4,546	190	4,736	0
Central Government	22,731	948	23,679	43,289
St Edmundsbury Borough Council	18,185	759	18,944	0
	45,462	1,897	47,359	43,289

Accounting Policies

This section of the accounts sets out the accounting policies used in compiling the accounts. Any technical terms are explained in the glossary at page 106.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council 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 Council Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice (SeRCOP) 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.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. As the Council is debt free, no interest is payable on borrowings.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Exceptional Items

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

Accounting Policies

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

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

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

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Construction Contracts

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Accounting Policies

Post Employment Benefits

Employees of the Council 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 Council.

The Local Government Pension Scheme

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% based on the average gilt yield projections on corporate bonds over a 20 year basis.

The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value.

The change in the net pensions liability is analysed into seven components:

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
- contributions paid to the Suffolk County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

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

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

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

Exceptional Items

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

I Financial Instruments - Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

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

During 2013/14 the Council retained its debt free status.

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of the amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Accounting Policies

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

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

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

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-For-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Transactions

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

III Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received .

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital

Accounting Policies

expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

IV Heritage Assets

The Council's heritage assets can be categorised as follows:

- **Historic buildings and monuments** – including the West Stow Anglo Saxon Village and St Saviours Hospital ruins
- **The Museum Collections** – including fine and decorative art, horology, textiles, archaeology and social history collections
- **Civic Regalia** – including civic and ceremonial items

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. Recognition of the heritage assets is subject to a £5,000 de minimis threshold. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

Heritage buildings and monuments

Assets used in the provision of services (e.g. museum buildings) are accounted for within the Council's operational assets. The only properties which fall within the definitions of heritage assets are St Saviours Hospital (largely foundations only remaining) and West Stow Anglo Saxon Village (a historic recreation of an Anglo Saxon village constructed as an educational project during the latter half of the twentieth century). As cost and valuation information is not available for these assets they are not reported on the Council's Balance Sheet.

The Museum Collections

- **Fine and Decorative Art** - The Fine and Decorative Art collection includes paintings (the most notable of which is a portrait by James Tissot valued at £1.8m), statues and various decorative art collections including antique glass, armorial porcelain, snuff boxes and scent bottles. These items are reported in the Balance Sheet at insurance valuation which is based on market values supplied by external valuers with specialist knowledge of this market. These valuations are kept under review by the Council's Heritage Services staff and updated annually.
- **Horology** - Horology includes the Gershom Parkington collection, the Allen collection of American clocks, and various clocks by local makers. These items are reported in the Balance Sheet at insurance valuation which is based on market values supplied by external valuers with specialist knowledge of this market. These valuations are kept under review by the Council's Heritage Services staff and updated annually.
- **Textiles** - Textiles incorporate the Irene Barnes collection of 1920s costume along with a wide range of other textile and costume related items, focusing on the period 1850-1950. Due to the number and diverse nature of the artefacts within this collection, and to the lack of comparable values, the Council considers that the cost of obtaining valuations for these items would be disproportionate in comparison to the benefits to the users of the Council's financial statements. The Council does not therefore recognise this collection of heritage assets on the Balance Sheet.
- **Archaeology** - Includes prehistory, bronze age, iron age, Romano British, Anglo Saxon and Medieval material. In the opinion of the Council the archaeological collection cannot be valued because the number and wide variety of the artefacts makes it impractical to do so. Conventional valuation approaches lack sufficient reliability in this field and the council considers that the cost of obtaining valuations for these items would be disproportionate in terms of the benefit gained. The Council does not therefore recognise this collection of heritage assets on its Balance Sheet.
- **Social History** - The Social History collection includes everything post Medieval which does not fall into the specialist categories of Horology, Fine and Decorative Art or Archaeology. In the opinion of the Council the Social History collection cannot be valued because the number and wide variety of the artefacts makes it impractical to do so. Conventional valuation approaches lack sufficient reliability in this field and the Council considers that the cost of obtaining valuations for these items would be disproportionate in terms of the benefit gained. The Council does not therefore recognise this collection of heritage assets on the Balance Sheet.

Civic Regalia

Civic regalia includes ceremonial items such the maces, swords, chains of office and other ceremonial items. These items are reported in the Balance Sheet at insurance valuations which are based on market values supplied by external valuers with specialist knowledge of this market. These valuations are kept under review by the Council's Heritage Services staff and updated annually.

Heritage Assets – General

The heritage assets 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. Acquisitions of heritage items are primarily by donation and purchase. Significant bequests include a portrait by James Tissot of Sydney Milner-Gibson (donated to the Borough in the 1920s) and the Gershom-Parking collection of watches and clocks (donated to the Borough in 1953). Acquisitions are initially recognised at cost and donations recognised at valuation. The carrying value of heritage assets are reviewed for evidence of impairment e.g. through physical deterioration or breakages or where doubts arise as to their authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. The Council does not normally purchase or dispose of significant heritage asset items. On rare occasions where items may be disposed of the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

The Council has adopted a formal Acquisitions and Disposal Policy for its Heritage Services, which is available via the Council's web site – www.stedmundsbury.gov.uk. This policy outlines the principles governing the acquisition and disposal of material by St Edmundsbury Heritage Service within the context of its mission to “develop, preserve and explain the collections held by St Edmundsbury Borough Council for as wide an audience as possible, to foster the region's diverse cultural, natural and archaeological heritage, and to improve the quality of life for the Borough's residents and visitors.”

V Intangible Assets

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

VI Interests in Companies and Other Entities

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

VII Inventories

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

VIII Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed

out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

IX Jointly Controlled Operations and Jointly Controlled Assets

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

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

X Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-

Accounting Policies

line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

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

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

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

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

XII Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Accounting Policies

Recognition

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

The following de minimis levels are applied:

- Land and buildings - all land and buildings are included
- Operational vehicles and plant - £5,000 de minimis
- Other assets - £10,000 de minimis.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Impairment

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

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

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

Depreciation

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

Depreciation is calculated on the basis of a straight line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council only accounts for an asset on a component basis of the cost or valuation if that asset exceeds £1.5m unless there is clear evidence that this would lead to a material misstatement in the Council's financial statements.

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

XIII Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

XIV Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year and charged against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

XV Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year (for example, improvement grants made to individuals and capital expenditure on assets not owned by the Council). Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XVIVAT

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.



Haverhill Cemetery

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.

Annual Governance Statement

- 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:

John Griffiths
Leader of the Council

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Auditors Report

Independent auditor's report to the Members of St Edmundsbury Borough Council

Opinion on the Authority's financial statements

We have audited the financial statements of St Edmundsbury Borough 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 40. 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 St Edmundsbury Borough 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 8, 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 St Edmundsbury Borough 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.

Conclusion on the 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, St Edmundsbury Borough 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 St Edmundsbury Borough 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.

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.

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.

Glossary

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

West Suffolk House,
Western Way,
Bury St Edmunds,
Suffolk,
IP33 3YU

Telephone: 01284 763233

Website: www.stedmundsbury.gov.uk

Email: customer.services@westsuffolk.gov.uk

Payments to Councillors - 2013/14

Name	Basic Allowance	Special Responsibilities	Employers N.I. and Pension	Expenses	Total
	£	£	£	£	£
L Ager - (Deceased)	3,024	0	0	20	3,044
T Beckwith	5,236	0	0	269	5,505
S O Broughton	5,184	1,570	44	0	6,798
A Brown	1,196	0	0	0	1,196
T L Buckle	5,236	0	0	11	5,247
M Byrne	5,236	0	0	200	5,436
H Chung	5,236	0	0	242	5,478
T G Clements	5,236	5,763	456	513	11,968
R L Clifton-Brown	5,236	0	0	108	5,344
R J Cockle	5,236	0	0	29	5,265
G Cox	5,236	0	0	797	6,033
R D Everitt	5,236	5,763	456	421	11,876
P S Farmer	5,236	0	0	62	5,298
J G Farthing	5,236	0	0	0	5,236
P French	5,236	0	0	0	5,236
P A Gower	5,184	5,136	363	706	11,389
J H M Griffiths	5,236	10,472	1,106	1,432	18,246
J R Hale - (Deceased)	1,267	768	15	281	2,331
D Hind	5,184	1,364	0	0	6,548
P Hopfensperger	5,236	0	1,031	0	6,267
R Hopfensperger	5,236	0	0	0	5,236
I C Houlder	5,236	2,951	88	876	9,151
C Howard - (Deceased)	1,714	0	0	0	1,714
H M Levack	5,236	1,311	0	0	6,547
T Marks	5,236	0	0	559	5,795
J P McManus	5,236	0	0	0	5,236
S J Mildmay-White	5,184	6,222	513	826	12,745
D Nettleton	5,236	389	16	0	5,641
S R Oliver	5,236	1,573	0	0	6,809
A Pugh	5,236	5,050	2,281	1,810	14,377
D A Ray	5,184	5,706	441	1,112	12,443
J Rayner	2,576	0	0	0	2,576
D Redhead	5,236	0	0	956	6,192
K D Richardson	5,236	1,204	0	0	6,440
M Rushbrook	5,236	0	0	0	5,236
A Rushen	5,184	236	0	494	5,914
I Rynsard (J Wakelam)	5,184	0	0	0	5,184
P Simner	5,236	0	0	0	5,236
C J E Spicer	5,236	786	48	331	6,401
C Springett	5,184	0	0	122	5,306
S Stamp	5,184	5,000	402	214	10,800
P A Stevens	5,236	5,763	456	1,604	13,059
J Thorndyke	5,236	4,191	239	1,260	10,926
P Wade	2,952	0	0	0	2,952
F J Warby	5,236	1,045	0	172	6,453
P A Warby	5,236	452	0	296	5,984
A Whittaker	5,236	0	0	0	5,236
D A Whittaker	5,236	0	0	138	5,374
Sub-Totals	232,173	72,715	7,955	15,861	328,704

Notes:

1. The schedule of payments as shown above is in line with the Members' Allowances scheme, as held on the Council's website at the following link:

http://www.stedmundsbury.gov.uk/council_and_democracy/your_council/upload/Modernised-Constitution-Part-6-updated-July-2014.pdf

2. Future payment analyses will be held on the Council's website in line with the local government Transparency agenda.