Public Document Pack

Performance and Audit Scrutiny Committee

Title:	**Agenda**
Date:	**Thursday 24 September 2015**
Time:	**6.00 pm**
Venue:	**Council Chamber** **District Offices** College Heath Road Mildenhall
Full Members:	***Chairman*** Colin Noble ***Vice Chairman*** Louis Busuttil *Conservative Members (8)*: David Bimson, Ruth Bowman, Louis Busuttil, Brian Harvey, Louise Marston, Christine Mason, Colin Noble, Lance Stanbury *West Suffolk Independent (1)*: Andrew Appleby *UKIP (1)*: Peter Ridgwell
Substitutes:	Named substitutes are not appointed
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Quorum:	Three Members
Committee administrator:	**Christine Brain** Scrutiny Officer **Tel:** 01638 719729 **Email:** christine.brain@westsuffolk.gov.uk

Agenda

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Procedural Matters

Part 1 - Public

Informal Joint Performance and Audit Scrutiny Committee

Forest Heath District Council

Notes of Informal Discussions held on Thursday 30 July 2015 at 5.00pm in the Council Chamber, at Forest Heath District Council, College Heath Road, Mildenhall

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillors Sarah Broughton
(Chairman of the informal discussions)

Carol Bull, Betty McLatchy, David Roach, Paula Wade and Patricia Warby.

Also in attendance: Councillors Susan Glossop and Ivor McLatchy.

Forest Heath District Council (FHDC)

Councillors Andrew Appleby, David Bimson, Ruth Bowman, Louis Busuttil, Brian Harvey, Louise Marston, Christine Mason, Colin Noble, Peter Ridgwell and Lance Stanbury.

IN ATTENDANCE: SEBC – Councillor Ian Houlder, Portfolio Holder for Resources and Performance
FHDC – Councillor Stephen Edwards, Portfolio Holder for Resources and Performance

Prior to the formal meeting, at 5.00pm informal discussions took place on the following four items:

(1) Balanced Scorecard and Quarter 1 Performance Report 2015-2016;
(2) West Suffolk Risk Management Approach and Principles;
(3) West Suffolk Strategic Risk Register Quarterly Report – June 2015;
(4) Work Programme Update

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee had been invited to attend the District Offices, Mildenhall to enable joint informal discussions on the above reports to take place between the two authorities.

The Vice-Chairman of Forest Heath's Performance and Audit Scrutiny Committee welcomed all those present to the District Offices, Mildenhall and advised on the format of the proceedings for the informal joint discussions and subsequent separate meetings of each authority, prior to handing over to the Chairman of St

Edmundsbury's Performance and Audit Scrutiny Committee, who would be chairing the informal joint discussions.

Members noted that each Council permitted public participation at their Performance and Audit Scrutiny meetings. Therefore, for the purpose of facilitating these Constitutional requirements, it was proposed that public speaking should be permitted prior to the start of the informal discussions to enable any questions/statements to be considered by both Performance and Audit Scrutiny Committees on items 1 – 4 above. On this occasion however, there were no questions/statements from members of the public.

Each report was then considered in the order listed on each authorities agenda.

1. **Balanced Scorecard and Quarter 1 Performance Report 2015-2016**

The Business Partner (Resources and Performance) presented the report, which sets out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2015-2016 and an overview of performance against those indicators for the first quarter of 2015-2016. The six balanced scorecards (attached at Appendices A to F) were linked to the Head of Service areas, including the proposed performance measures, targets and quarter one data.

It was envisaged the Balanced Scorecard report would replace a number of existing reports that currently went to the Committee, such as the quarterly Key Performance Indicator (KPI) report, quarterly Strategic Risk Register report and the Bi-annual Corporate Complaints and Compliments report. It was also envisaged that the Balanced Scorecard approach would remove the need to report the current quarterly KPI (Appendix G) and the bi-annual corporate Complaints and Compliments report after quarter 1. From quarter 2, it was envisaged that the quarterly Strategic Risk Register report would no longer be required as this would be covered within the Balanced Scorecard from quarter 2.

Unless otherwise stated, all performance figures reported in the scorecards were from a West Suffolk perspective. Where the performance for either individual Council was significantly different from the West Suffolk figure details would be provided in the comments box.

Members scrutinised the balanced scorecards and asked questions to which officers duly responded. In particular discussions were held on the percentage of non-disputed invoices paid within 30 days, and the number of enforcement cases opened.

(Councillor David Roach arrived at 5.10pm, during the consideration of this item)

2. **West Suffolk Risk Management Approach and Principles**

The Head of Resources and Performance presented the report, which asked Members to consider a new, positive approach to risk based on context, proportionality, judgement and evidence-based decision making that was considered on a case by case basis. The new approach to risk was based on seven core principles as detailed in Appendix 1 to Report No: PAS/SE/15/018:

- A positive approach;
- Contextual decision making;
- Informed risk-taking;
- Proportionate;
- Decision risks vs delivery risks;
- A documented approach; and
- Continuous improvement.

Attached at Appendix 2, to the report was a flowchart which provided a summary of the various tools and documents that supported this evidence-based approach. It was these documents and tools that would enable the Council to achieve a learning culture which supported staff and members, enabling managed risk-taking through positive relationships.

Once the new approach had been scrutinised and agreed, it was intended that it underpinned all thinking about risk by Members and staff. A communication plan would be developed to ensure that all Members and staff were aware of the principles and the available tools. The new approach would be reviewed periodically to ensure it continued to be fit-for-purpose, and relevant to the new types of decisions that both councils were making.

Members scrutinised the report and asked questions to which officers duly responded.

3. **<u>West Suffolk Strategic Risk Register Quarterly Report – June 2015</u>**

The Head of Resources and Performance presented the first quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting in June 2015 the Group reviewed the target risk, the risk level where the Council aimed to be, and agreed a current risk assessment. These assessments formed the revised West Suffolk Risk Register (Appendix 1).

Some individual controls or actions had been updated and those which were not ongoing and had been completed by June 2015 had been removed from the Register. There had been no new risks or amendments made to any existing risks or any existing risk closed since the Strategic Risk Register was last reported to the Committee.

Members considered the report and did not raise any issues.

(Councillor Colin Noble arrived at 5.21pm, during the consideration of this item)

4. **<u>Work Programme Update</u>**

The Head of Resources and Performance presented the report, which provided information on the current status of each Committee's Work Programme for 2015. It was reported that an additional item would be included for the September 2015 meetings on Delivering a Sustainable Budget (2016-2017).

(Councillor Paula Wade arrived at 5.25pm, during the consideration of this item)

On the conclusion of the informal joint discussions at 5.27pm, Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee withdrew from the Council Chamber to the Training Room to hold their formal meeting.

The Chairman then formally opened the Forest Heath District Council's Performance and Audit Scrutiny Committee in the Council Chamber at 5.30 pm.

Performance and Audit Scrutiny Committee

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 30 July 2015** at **5.30 pm** at the **Council Chamber, District Offices,** College Heath Road, Mildenhall IP28 7EY

Present: **Councillors**

Chairman Colin Noble
Vice Chairman Louis Busuttil

Andrew Appleby	Louise Marston
David Bimson	Christine Mason
Ruth Bowman	Peter Ridgwell
Brian Harvey	Lance Stanbury

By Invitation:
Stephen Edwards, Portfolio Holder for Resources and Performance

42. **Apologies for Absence**

There were no apologies for absence.

43. **Substitutes**

There were no substitutes at the meeting.

44. **Minutes**

The minutes of the meeting held on 4 June 2015, were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

45. **Public Participation**

Public participation had been included within the previous informal discussions and there had been no questions/statements from members of the public.

46. **Balanced Scorecard and Quarter One Performance Report 2015-16 (Report No: PAS/FH/15/016)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/15/016.

Members had scrutinised the report in detail and had asked a number of questions to which responses were duly provided.

There being no decision required, the Committee **noted** the performance indicators and targets being used to measure the Council's performance for 2015-2016; and reviewed the Balanced Scorecard for Quarter 1, 2015-2016.

47. **West Suffolk Risk Management Approach and Principles (Report No: PAS/FH/15/017)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/15/017.

Members had scrutinised the report in detail and had asked a number of questions to which responses were duly provided.

With the vote being unanimous, it was

RECOMMENDED TO CABINET:

That the West Suffolk Risk Management Approach and Principles attached at Appendix 1 and the Supporting Flowchart attached at Appendix 2 to Report No: PAS/FH/15/017, be adopted.

48. **West Suffolk Strategic Risk Register Quarterly Monitoring Report - June 2015 (Report No: PAS/FH/15/018)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/15/018. In the informal discussions Members had scrutinised the report in detail and had asked a number of questions. Within the formal discussions, Forest Heath Members further requested as to whether it would be possible to include within future reporting of the Risk Register, the following:

- To highlight any new risks which had been added to the Register since last reported to the Committee.
- To highlight risks which had been closed since last reported to the Committee.
- To highlight where risks had been amended since last reported to the Committee.
- To include defined start/completion dates (where able to do so).

The Head of Resources and Performance agreed to report these comments back to the Risk Management Group for their consideration, with the intention of their inclusion within the next quarter reporting.

There being no decision required, the Committee **noted** the contents of the report.

49. **Work Programme Update (Report No: PAS/FH/15/019)**

Further to the joint informal discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/15/019.

There being no decisions required, the Committee **noted** the contents of the work programme for 2015-2016 (with the inclusion of an additional item for the September 2015 meetings on Delivering a Sustainable Budget 2016-2017).

50. **Financial Performance Report (Revenue and Capital) Quarter One (April - June 2015) (Report No: PAS/FH/15/020)**

The Committee received Report No: PAS/FH/15/020, which set out the financial performance for the first quarter of 2015-2016 and forecasted outturn position for 2015-2016.

Attached at Appendix A and B to the report was details of the Council's revenue performance and year end forecasted outturn position. Explanations of the main year end forecast over/(under) spends was set out within paragraph 1.3.1. Appendix C to the report set out the Council's capital financial position for the first three months of 2014-2015 which showed expenditure of £1,235,000. Finally, a summary of the earmarked reserves was attached at Appendix D, along with the forecast year end position for 2015-2016.

The Resources and Performance Team would continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position would be presented to the Committee on a quarterly basis.

The Committee scrutinised the report in detail and asked a number of questions. Discussions were held around the current budget variances for Quarter 1, in particular, for the Compostable Collections (Brown Bins) (Cost Centre 3042) and Off-Street Car Parks (Cost Centre 3110). Officers agreed to provide Members with a written response to further explain the reasons for these particular variances.

Members also requested that where there were large variances within budget cost centres, that explanations for these variances were provided. The Head of Resources and Performance explained that it was usual practice for Officers to include comments where the variance was over £25,000. However, she would ensure that Officers provided this additional information within future reporting. Members further requested that this reporting should not just be limited to the £25,000, but should also include percentage variances. The Officer also acknowledged this request.

There being no decision required, the Committee **noted** the 2015-2016 year end forecast financial position.

51. **Annual Treasury Management Report 2014-2015 (Report No: PAS/FH/15/021)**

The Committee received Report No: PAS/FH/15/021 which summarised the investment activities for the year 2014-2015.

The Committee scrutinised the report in detail and asked a number of questions, to which Officers duly responded.

With the vote being unanimous, it was

RECOMMENDED TO CABINET/COUNCIL:

That:-

1. The Annual Treasury Management Report be noted.

2. The Annual Treasury Management Report 2014-2015, attached as Appendix 1 to Report No PAS/FH/15/021, be approved.

Councillor Louise Marston left the meeting at 6.15 pm, during the discussion and prior to the voting, on this item.

The Meeting concluded at 6.25 pm

Signed by:

Chairman

Performance and Audit Scrutiny Committee

Title of Report:	**Ernst and Young Presentation of 2014/15 ISA 260 Annual Results Report to those charged with Governance**	
Report No:	**PAS/FH/15/022**	
Report to and date/s:	**Performance and Audit Scrutiny Committee**	24 September 2015
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance **Tel:** 01638 660518 **Email**: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance **Tel:** 01638 719245 **Email:** Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the results of Ernst and Young's audit of the financial statements for 2014/15.	

<table>
<tr><td>Recommendation:</td><td colspan="2">It is <u>RECOMMENDED</u> that:

(1) The Committee <u>notes</u> that the auditor intends to issue an unqualified opinion on the Financial Statements for 2014/15 (page 3 of Appendix A);

(2) The Committee <u>notes</u> that the auditor intends to issue a VFM conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in our use of resources (page 3 of Appendix A); and

(3) The Committee <u>approves</u> the Letter of Representation at <u>Appendix B</u>, on behalf of the Council, before the Audit Director issues his opinion and conclusion.</td></tr>
<tr><td>Key Decision:

(Check the appropriate box and delete all those that <u>do not</u> apply.)</td><td colspan="2">Is this a Key Decision and, if so, under which definition?
Yes, it is a Key Decision - ☐
No, it is not a Key Decision - ☒</td></tr>
<tr><td>Consultation:</td><td colspan="2">• Not applicable</td></tr>
<tr><td>Alternative option(s):</td><td colspan="2">• Not applicable</td></tr>
<tr><td colspan="3">Implications:</td></tr>
<tr><td colspan="2">Are there any financial implications? If yes, please give details</td><td>Yes ☒ No ☐
• The work completed by external audit, as part of the statement of accounts audit, includes consideration by the Audit Director on whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.</td></tr>
<tr><td colspan="2">Are there any staffing implications? If yes, please give details</td><td>Yes ☐ No ☒
•</td></tr>
<tr><td colspan="2">Are there any ICT implications? If yes, please give details</td><td>Yes ☐ No ☒
•</td></tr>
<tr><td colspan="2">Are there any legal and/or policy implications? If yes, please give details</td><td>Yes ☐ No ☒
•</td></tr>
<tr><td colspan="2">Are there any equality implications? If yes, please give details</td><td>Yes ☐ No ☒
•</td></tr>
<tr><td colspan="2">Risk/opportunity assessment:</td><td>(potential hazards or opportunities affecting corporate, service or project objectives)</td></tr>
</table>

Risk area	**Inherent level of risk** (before controls)	**Controls**	**Residual risk** (after controls)
	Low/Medium/ High*		Low/Medium/ High*
None		•	

Ward(s) affected:	All Wards
Background papers: *(all background papers are to be published on the website and a link included)*	None
Documents attached:	Appendix A – Audit Results Report – ISA (UK & Ireland) 260 Appendix B – Letter of Representation

1. Key issues and reasons for recommendation(s)

1.1 Ernst and Young (EY) are the Council's appointed external auditor. The attached report presents the results of their audit of the financial statements for 2014/15.

1.2 It sets out issues they are formally required to report on, to those charged with governance, under the Audit Commission Code of Audit Practice and International Standards on Auditing (ISA (UK & Ireland) 260). This committee is now charged with governance in accordance with powers delegated to it under the Council's Constitution.

1.3 The report also includes the result of the work that EY have undertaken to assess the Council's arrangements to secure value for money in the use of its resources.

1.4 The Council's unaudited 2014/15 statement of accounts, signed by the Councils Chief Financial Officer (Section 151 Officer) on 30 June 2015, have been updated to reflect adjustments recommended by EY from their audit work. It should be noted by Members that these adjustments are all immaterial to the overall financial position of the Council and are, in most cases, simply presentational changes.

1.5 There is one item that Officers have not adjusted, detailed in **Appendix A** of the attached audit report, in respect of the Newmarket Leisure Centre adjudication costs. This item has been carried forward from the 2011/12 statement of accounts audit and it was agreed by Members of the Performance and Audit Scrutiny Committee in that and subsequent years, that this would remain as an unadjusted item for the statement of accounts for the reason set out below.

- FHDC incurred professional costs to determine the appropriate amount of expenditure for Newmarket Leisure Centre. In our view even though these are intangible in nature they continue to be proper capital costs. These adjudication costs would not have been incurred if the asset had not been acquired. They are not attributable to the delivery of services and they do not have the nature of a revenue cost. In our view they are wholly and properly attributable to the construction contract and to the development of the leisure centre.

Appendix A

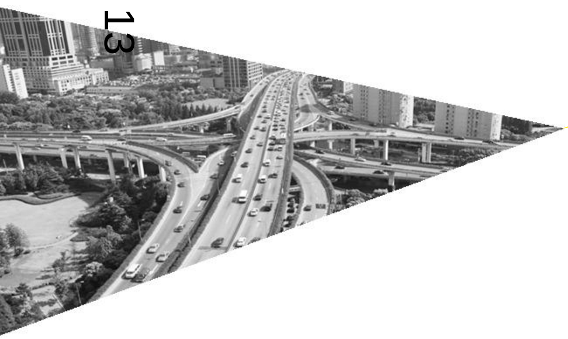
Forest Heath District Council

Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015



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Appendices

Section 1

Executive summary

Executive summary – key findings

Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Performance and Audit Scrutiny Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2014/15 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- As of 10 September 2015, we expect to issue an unqualified opinion on the financial statements. Our audit work raised a number of queries which resulted in amendments to the accounts. These were classification adjustments which have all been agreed and amended by officers. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Section 2

Extent and purpose of our work

Extent and purpose of our work

The Council's responsibilities

- The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

- Our audit was designed to:
  - Express an opinion on the 2014/2015 financial statements and the consistency of other information published with them
  - Report on an exception basis on the Annual Governance Statement
  - Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)
  - Discharge the powers and duties set out in the Audit Commission Act 1998 and the Code of Audit Practice

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

As a component auditor, we also follow the NAO group instructions and report the results on completion of the WGA work through the Assurance Statement to the NAO and to the Council.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Section 3

Addressing audit risks

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Addressing audit risks – significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Audit risk identified within our audit plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Risk of management override As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.	Our approach focused on: ► testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► reviewing accounting estimates for evidence of management bias; ► evaluating the business rationale for significant unusual transactions; and ► reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.	► We did not identify any material misstatements, evidence of bias or significant unusual transactions in our testing. ► We did not identify any expenditure which had been inappropriately capitalised.
Business rates appeals provision Individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2014 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level of claims. Council's may also find it difficult to obtain sufficient information to establish a reliable estimate.	Our approach focused on: ► reviewing the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.	► The business rates appeals provision accounted for by the Council was deemed to have been calculated on a reasonable basis in line with the requirements of IAS 37.

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Addressing audit risks – significant audit risks (cont’d)

- We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
Group accounting standards The 2014/15 CIPFA Code of Practice introduces new accounting practices in relation to: ► the specification of new control criteria under IFRS 10 (Consolidated financial statements); ► new classification requirements for joint arrangements under IFRS 11 (Joint arrangements); and ► the requirements of the new disclosures standard IFRS 12 (Disclosures of interests in other entities). There is a risk that associated group boundary changes may go undetected, and that the required disclosures are not made in accordance with the new standards.	Our approach focused on: ► evaluating management controls in place to ensure all group assessment considerations have been made; and ► reviewing the reasonableness of the group assessment against the requirements of the Code and International Financial Reporting Standards (IFRS).	► Our audit work on the Council’s group boundary assessment is still in progress.

Addressing audit risks – other audit risks

- We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Other audit risks identified from walkthrough testing		
Financial statements closing procedures Our walkthrough of one journal found that the review process was not sufficiently thorough as an incorrect amount had been approved for transfer.	Our approach focused on: ► reviewing journal authorisation procedures to ensure that correct amounts have been approved and agree with supporting documentation.	► Our review of journals and their supporting authorisation and documentation did not raise any issues.
Payroll Our walkthrough identified an amendment (bank account change) that had not been reviewed by a second officer.	Our approach focused on: ► undertaking predictive analytical review procedures and running our payroll analytics tool to confirm the reasonableness of pay data.	► No material issues were identified from our predictive analytical review and analytics procedures.

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Section 4

Financial statements audit – issues and findings

Financial statements audit – issues and misstatements arising from the audit

Progress of our audit

- The following areas of our work programme are in progress but remain to be completed. We will provide an update of progress at the Performance and Audit Scrutiny Committee meeting:
  - Receipt of a Letter of Representation
  - Collection Fund
  - Income and Expenditure transaction testing
  - Aspects of disclosure notes
  - Group accounts
  - Whole of Government Accounts (WGA)
  - Post Balance Sheet Events
  - Executive Director final review of audit work and financial statements
- Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

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Uncorrected misstatements

We have identified 1 error within the draft financial statements which management have chosen not to adjust. This error is brought forward from 2013/14.

We request that this uncorrected misstatement be corrected or a rationale as to why it is not corrected be considered and approved by the Performance and Audit Scrutiny Committee and provided within the Letter of Representation. Appendix A to this report sets out the uncorrected error.

Corrected misstatements

- Our audit identified a number of further misstatements which our team have highlighted to management for amendment. The significant items corrected during the course of our work are provided at Appendix B.

Other matters

- As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following:
  - Qualitative aspects of your accounting practices; estimates and disclosures;
  - Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
  - Any significant difficulties encountered during the audit; and
  - Other audit matters of governance interest

We experienced an improvement in the progress of our audit this year due to the joint finance team being fully integrated and the Agresso system being operational all year. Officers were therefore more able to provide prompt responses to the majority of our queries. Officers are already planning ahead to improve next year's closedown process in advance of the accounts deadline moving forwards in 2017/18.

Financial statements audit – application of materiality

Our application of materiality

- When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	
Planning Materiality and Tolerable error	We determined planning materiality to be £652K (2014: £671k), which is based on 2% of gross operating expenditure reported in the accounts. We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council. We set a tolerable error (TE) for the audit. Tolerable error is the application of planning materiality at the individual account or balance level. It is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality. The level of tolerable error drives the extent of detailed audit testing required to support our opinion. Tolerable error has been calculated at £489k. We have set tolerable error at the upper level of the available range because there were no errors within the 2013/14 financial statements which management chose not to adjust. In addition, the errors identified related only to classification and disclosure issues. We will report corrected misstatements exceeding TE to the Performance and Audit Scrutiny Committee.
Reporting Threshold	We agreed with the Performance and Audit Scrutiny Committee that we would report to the Committee all uncorrected audit misstatements in excess of £34k. This was decreased to £33k on receipt of the draft accounts. (2014: £34k)

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Financial statements audit – internal control, written representations and whole of government accounts

Internal control

- It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.
- We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.
- We have reviewed the Annual Governance Statement and can confirm that:
  - It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
  - It is consistent with other information that we are aware of from our audit of the financial statements.
- We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

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Request for written representations

- We have requested a management representation letter to gain management's confirmation in relation to a number of matters. There were no additional specific representations required other than the standard representations.

Whole of Government Accounts

- Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
- We are currently concluding our work in this area and will report any matters that arise to the Performance and Audit Scrutiny Committee.

Section 5

Arrangements to secure economy, efficiency and effectiveness

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Forest Heath District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 – arrangements for securing financial resilience

- 'Whether the Authority has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future'
- Since issuing our Audit Plan on 26 March 2015, we have identified a significant risk in relation to this criteria. The significant risk reflects the size of the budget gap the Council is facing over the next few years, as a result of reduced funding and increasing demands for services. This is in line with the challenges being faced by many other councils across the country.
- The significant risk we have identified at Forest Heath DC is summarised below:
  - In its medium term financial strategy (MTFS) approved by Council February 2015, the Council identified a cumulative budget gap of £1.9m over the next three years to 2017/18. The MTFS is based on a number of assumptions. Including an estimate of future levels of Government funding from areas such as revenue support grant and the Business Rates Retention Scheme. The reduction of these, or any other Government funding source in future years, would present a risk to achievement of the Council's future budgets.
- Our work in response to this risk is summarised in the table on page 16 of this report.
- Our review of your arrangements to secure financial resilience is substantially complete.
- The Council continues to plan well to secure its longer term financial resilience, and has robust and prudent plans to address volatility and risks to its future budgets from business rates retention and Government funding.
- We have no issues to report in relation to this criteria.

Criteria 2 – arrangements for securing economy, efficiency and effectiveness

- 'Whether the Authority is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity'
- We did not identify any significant risks in relation to this criteria
- We have no issues to report in relation to this criteria
- Our work did not identify any other matters relating to aspects of your corporate performance and financial management framework which are not covered by the scope of the two specified criteria above

Addressing audit risks – significant VFM risks

We identified the following significant VFM risk during our audit. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the value for money conclusion is the risk that the auditor may issue the wrong value for money conclusion. Where auditors identify a significant value for money conclusion risk they will need to undertake additional audit work to enable them to reach an appropriate conclusion.

VFM risk identified	Audit procedures performed	Assurance gained and issues arising
Arrangements for financial resilience – Pressures from economic downturn To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, with the Council forecasting a cumulative budget gap of £1.9m by 2017/18, there remains significant financial pressure on the Council's budget and MTFS during the current and forthcoming financial years.	► We performed a high level review of the current and future potential financial standing of the Council; ► We reviewed the appropriateness of the significant assumptions built into the MTFS; and ► We reviewed the level of savings achieved to date and the progress made in identifying savings/efficiency measures in the medium term to bridge the budget gaps present from 2016/17 onwards.	Through its year end capital and revenue outturn, annual budget setting, use of reserves and its medium term financial planning, the Council continues to plan well to secure its longer term financial resilience. However, along with many other local councils, Forest Heath is facing significant financial challenges over the next three to four years. There have been a number of changes to the way the Council is financed over recent years with external funding sources reducing and new funding mechanisms being introduced. These are subject to change and uncertainty in future years. The Council's financial forecasts that have been reported to Members make clear the scale of the challenge being faced which include a cumulative budget gap of around £1.9 million over the next 3 years (to 2017/18) which will need to be bridged through savings and efficiencies or increased income. Some of the main areas of uncertainty which impact the council relate to: ► Future levels of business rates income, and the volatility in business rate income forecasts; ► Future funding through the New Homes Bonus; and ► Level of Government funding through the Revenue Support Grant (RSG). Business rates income forecasting in particular presents a challenge for the Council, adding a significant degree of uncertainty to the Council's funding position in the medium term. The Council has a good track record of delivering savings and meeting its budget. It is acutely aware of the challenges it faces and good progress has already been made on identifying robust savings and efficiency plans to bridge the medium term budget gap. We will continue to review this area during our 2015/16 audit.

Section 6

Independence and audit fees

Independence and audit fees

Independence

- We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2015.
- We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Performance and Audit Scrutiny Committee on 24 September 2015.

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- We confirm that we have met the reporting requirements to the Performance and Audit Scrutiny Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements were set out in our Audit Plan of March 2015.

Audit fees

- The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2014/2015	Scale fee 2014/2015	Variation comments
	£	£	
Audit Fee: Code work	62,745	62,745	Final fee to be confirmed.
Certification of claims and returns	18,270	18,270	No change proposed, however claims work is still in progress.
Non-Audit work	0	0	No non-audit work has taken place in 2014/15.

- Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Section 7

Appendices

Appendix A – uncorrected audit misstatements

- The following misstatement, which is greater than £33k, has been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- These adjustments have not been made by management within the revised financial statements.

Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
General Fund	As noted in the 2011/12 Annual Governance Report, the Authority has not valued an element of its property, plant and equipment in accordance with the Code of Practice on Local Authority Accounting ('the Code') by erroneously including Adjudication costs in its valuation. These costs are 'abnormal costs' which are not directly attributable to bringing the asset into use and so should be reported as a cost of service. £394k has been capitalised in previous years.	F	394,000	
Capital receipts reserve	As above		(394,000)	
Cumulative effect of uncorrected misstatement			394,000 (394,000)	

Key

- F – Factual misstatement
- P – Projected misstatement based on audit sample error and population extrapolation
- J – Judgemental misstatement

Appendix B – corrected audit misstatements

- The following disclosure misstatements, greater than £489k, have been identified during the course of our audit and in our professional judgement warrant communicating to you.
- These items have been corrected by management within the revised financial statements

Disclosures

Disclosure	Description of misstatement
1. Note 19 Financial Instruments – Categories of Financial Instruments + Fair Values of Assets and Liabilitiies	Financial liabilities at amortised cost was overstated by £702k. Financial liabilities at amortised cost was therefore amended from £1,618k to £916k. This also impacts on the financial liabilities disclosed in the Fair Values of Assets and Liabilities table which was amended from £4,067k to £3,365k
2. Note 11 Property, Plant and Equipment – Capital Commitments	Capital commitments for the Home of Horse Racing Trust were understated by £755k. Capital commitments of £2.943m were amended to £3.698m

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EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

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Forest Heath District Council - Audit for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Forest Heath District Council ('the Council') for the year ended 31 March 2015. We recognise that obtaining representations concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Forest Heath District Council as of 31 March 2015 and of it expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify – nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves.

I confirm that all material transactions have been recorded in the accounting records and are reflected in the financial statements and that the Responsible Officer has reviewed the accounts along with written assurances relating to the accounts and have approved the accounts for issue.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Uncorrected misstatement

The effects of the uncorrected financial statements misstatement shown below is not material to the financial statements. This misstatement has been discussed with those charged with governance within the Council and the reason for not correcting this item is as follows.

- Overstatement of Newmarket Leisure Centre - FHDC incurred professional costs to determine the appropriate amount of expenditure for Newmarket Leisure Centre. In our view even though these are intangible in nature they continue to be proper capital costs. These adjudication costs would not have been incurred if the asset had not been acquired. They are not attributable to the delivery of services and they do not have the nature of a revenue cost. In our view they are wholly and properly attributable to the construction contract and to the development of the leisure centre.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

I have made available all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and the financial statements include, such disclosures, if any, relating to going concern to the Authority and to the Group.

Internal Control

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and / or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

Accounting estimates including fair values

I can confirm that the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

In can confirm that in respect of accounting estimates recognised or disclosed in the financial statements:

- That I believe the measurement processes, including related assumptions and models, used in determining accounting estimates are appropriate and the application of these processes is consistent.

- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions used in making accounting estimates appropriately reflects my intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

Segmental reporting

I can confirm that I have reviewed the operating segments reported internally to the Council and that I am satisfied that it is reporting in accordance with IFRS 8: Operating Segments.

Retirement Benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Use of the Work of an Expert

We agree with the findings of the experts engaged to evaluate non-current assets and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Forest Heath District Council

I confirm that this letter has been discussed and agreed by the Performance and Audit Scrutiny Committee on 24th September 2015.

Signed

……………………………….	……………………………..
Rachael Mann	Cllr Colin Noble
Chief Financial Officer	Chairman of the Performance and Audit Scrutiny Committee
Date…………….	Date…………….

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Performance and Audit Scrutiny Committee

Forest Heath District Council

Title of Report:	**West Suffolk Annual Governance Statement 2014/15**	
Report No:	**PAS/FH/15/023**	
Report to and date/s:	Performance and Audit Scrutiny Committee	24 September 2015
Portfolio holder:	Steven Edwards Portfolio Holder for Resources and Performance **Tel:** 01638 660518 **Email**: steven.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present for approval the draft Annual Governance Statement for 2014/15, which has been produced following completion of the annual review of the councils' governance arrangements.	
Recommendation:	**It is RECOMMENDED that the Committee approves the draft Annual Governance Statement 2014/15 for signing by the Chief Executive and Leader.**	
Key Decision: *(Check the appropriate box and delete all those that **do not** apply.)*	*Is this a Key Decision and, if so, under which definition?* Yes, it is a Key Decision - ☐ No, it is not a Key Decision - ☒	
Consultation:	• This report has been prepared in consultation with the Leadership Team.	
Alternative option(s):	• N/A	

Implications:			
*Are there any **financial** implications? If yes, please give details*		Yes ☐ No ☒ •	
*Are there any **staffing** implications? If yes, please give details*		Yes ☐ No ☒ •	
*Are there any **ICT** implications? If yes, please give details*		Yes ☐ No ☒ •	
*Are there any **legal and/or policy** implications? If yes, please give details*		Yes ☐ No ☒ •	
*Are there any **equality** implications? If yes, please give details*		Yes ☐ No ☒ •	
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)
Failure to regularly monitor and improve the councils' governance arrangements could weaken corporate governance, impacting on service delivery.	Medium*	The statement is fully supported by relevant documentation and evidence.	Low
Ward(s) affected:		All	
Background papers: *(all background papers are to be published on the website and a link included)*		N/A	
Documents attached:		**Appendix A** – Annual Governance Statement 2014/15	

1. Key issues and reasons for recommendation

1.1 <u>Background Information</u>

1.1.1 Both West Suffolk councils are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

1.1.2 In discharging this overall responsibility, the councils are responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions, including arrangements for the management of risk.

1.1.3 The Annual Governance Statement provides stakeholders with assurance that the councils have operated within the law and that they have met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanies the Statement of Accounts.

1.1.4 A copy of the Annual Governance Statement for 2014/15 is attached to this report, at **Appendix A**. The document has been prepared by the Officer Governance Group and is presented as a joint statement for St Edmundsbury Borough Council and Forest Heath District Council to reflect both councils working together and sharing services across West Suffolk

1.1.5 A key function of the councils' Performance and Audit Scrutiny Committees is to review and approve the draft Annual Governance Statement prior to it being signed by the Chief Executive and Leaders of the councils.

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West Suffolk Annual Governance Statement 2014/15

Summary
There is a requirement for local authorities to prepare and publish a governance statement. The statement is a backward-looking document produced annually which reports on the extent to which local authorities comply with their own corporate code of governance, how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

1. Introduction and Scope of Responsibility

1.1 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.

1.2 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, and that public money is safeguarded and properly accounted for as well as being used economically, efficiently and effectively.

1.3 The councils

- have put in place proper governance of affairs;
- facilitate secure continuous improvement of their functions;
- manage risk effectively; and
- secure continuous improvement of their functions.

1.4 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 councils' website).

2. The Governance Framework

2.1 This section describes the key elements of the West Suffolk governance arrangements in 2014/15 using CIPFA's Delivering Good Governance in Local Governance Framework 2012.

2.2 **Identifying and communicating the authorities' vision of its purpose and intended outcomes for citizens and service users**

- The West Suffolk Strategic Plan and Medium Term Financial Strategy for 2014-16 set out the councils' vision, objectives and proposed projects and actions. When published in 2014, the documents were shared with partners, community groups, parish and town councils and other stakeholders, as well as being proactively communicated to staff.

2.3 **Reviewing the authorities' vision and its implications for the authorities' governance arrangements**

- During the development of the 2014-16 Strategic Plan and Medium Term Financial Strategy, the councils developed six themes which set out how they would work in order to deliver the vision, as follows. Some of these have required new forms of governance, as described later in this document:
  - Aligning resources to both councils' new strategic plan and essential services;
  - Continuation of the shared service agenda and transformation of service delivery;
  - Behaving more commercially;
  - Considering new funding models (e.g. acting as an investor);
  - Encouraging the use of digital forms for customer access; and
  - Taking advantage of new forms of local government finance (e.g. business rate retention).

2.4 **Translating the vision into objectives for the authorities and their partnerships**

- The Strategic Plan and Medium Term Financial Strategy are supported by three major strategies that expand on the councils' vision in three priority areas: economic development, housing, and families and communities. These documents set out how the councils will work in partnership to deliver the following objectives:

    - Increased opportunities for economic growth;
    - Resilient families and communities that are healthy and active; and
    - Homes for our communities

2.5 **Measuring the quality of services for users, ensuring they are delivered in accordance with the authorities' objectives and that they represent the best use of resources and value for money**

- The councils' performance management system monitors and records performance across all service areas. Regular reports are made to the councils' leadership team and to Performance and Audit Scrutiny Committees. These reports consider how the councils' resources are being used to deliver outcomes for residents and other partners.

- During 2014/15, work began on a new approach to performance management using a "balanced scorecard". The new system will use a range of information sources to build a complete picture of the councils' performance including budget and staffing information, risk, records of transactions and works completed, project milestones and customer feedback. The "balanced scorecard" is a flexible tool enabling the councils to use a single system to support the performance management at both operational and strategic levels.

2.6 **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

- The councils' constitutions define and document the roles and responsibilities of members, the Leader, the Mayor (SEBC only) and Cabinet; set out rules of procedure and codes of conduct defining the standards of behaviour for members and staff; and set out a clear framework of delegation to officers. In March 2015, a revised set of articles and procedure rules were adopted following a review that updated, simplified and harmonised the arrangements. Work is ongoing to review other areas of the constitutions.

2.7 **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

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

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

- West Suffolk staff work to four core values which establish clear expectations around acceptable behaviours, regardless of role;

  - Bold – be brave, drive the future;
  - Energy – have the positive and energetic drive to create opportunities;
  - Responsibility – take ownership for delivering a professional service with honesty and clarity; and
  - Together – work as one, delivering for all.

- The first round of performance reviews carried out under the new system and using these values was carried out in October 2014.

- The West Suffolk staff disciplinary and capability procedure, adopted in 2014 sets out how poor behaviour will be addressed.

2.8 **Reviewing the effectiveness of the authorities' decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality**

- The Constitutions set out how the councils operate and the process for policy and decision-making. The Constitutions are published on the West Suffolk website.

- All formal meetings of the councils are clerked by Democratic Services staff with members required to make decisions based on written reports. The reports must pay due regard to legal, staffing, financial implications and risks / opportunities.

- The reports and minutes of meetings are published on each council's website, unless properly restricted from public access by law. The councils implemented the 'modern.gov system' during 2014/15 to facilitate committee reporting. There are opportunities for members of the public to ask questions at council meetings

- The councils have a single Data Quality Policy. We publish our equality data in line with the requirements of the Equality Act 2010.

- A new financial management system was implemented early in 2014/15. As well as achieving automation for key transactional services, and standardisation and cost savings for the two authorities it has provided the platform for increased transparency of information, providing the data needed to support decision-making. Development work continues during 2015/16 on the new financial management system to release its full potential for West Suffolk.

2.9 **Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

- The councils' risk management framework includes a suite of tools to support the identification, appraisal, recording and mitigation of risks. In 2014/15, initial work began to review and update these arrangements through discussions with officers. The new framework will be further developed and considered in 2015/16.

- During 2014/15 a West Suffolk Strategic Risk Register and toolkit were adopted following scrutiny at a Joint Performance and Audit Scrutiny Committee meeting.

- During the course of 2015/16, the Strategic Risk Management Group continued to review and update the strategic risk register on a quarterly basis, with a strategic risk update report received quarterly by Performance and Audit Scrutiny Committee.

2.10 **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

- The West Suffolk Anti-Fraud and Anti-Corruption Policy was approved and adopted within 2014/15. The new policy, which includes material on tackling social housing fraud, was published on the intranet and website. Tackling fraud and corruption in the administration of revenues and benefits for West Suffolk is also covered in the Anglia Revenues and Partnerships anti-fraud policy.

- An annual report is published which summarises the work that has taken place during the year to prevent and detect fraud, theft and corruption. This report shows the councils' commitment to minimising the risk of theft, fraud and corruption and to deter any would-be fraudsters.

2.11 Ensuring effective management of change and transformation

- The Leadership Team (Chief Executive, Directors and Heads of Service) is a small strategically-focused team, consisting of the first two levels of management in West Suffolk. This group is responsible for leading change in West Suffolk. The Chief Executive is also a member of the Suffolk Chief Executives Group and the Leaders are members of Suffolk Public Sector Leaders, both of whom oversee change across the whole of the Suffolk "system", including through the £3.35m Transformation Challenge Award funding which was secured by Suffolk in November 2014.

- In 2014/15 a third tier of managers at service manager level was created who deputise for their heads of service and are responsible for the day-to-day operations of their service areas. The service manager level will also encourage greater cross-boundary working, enabling a consistent approach to programme management and service delivery across West Suffolk.

- Both councils support the delivery of change, transformation and improvement by focusing on key priorities and deploying a range of approaches and resources to support the identification and delivery of opportunities to improve quality and transform services to meet these. These include carrying out business process reviews with a view to transforming the ways in which services are delivered through analysing processes and implementing major change projects.

- To manage the large programme of change projects a Programme Manager has been appointed. A Programme Group has also been put in place which brings together Service Managers to review and monitor all aspects of project development, delivery and management of projects across the West Suffolk councils. Revised project governance arrangements are being introduced from April 2015 to ensure all projects are logical, robust and well thought through. In addition, a temporary Project Manager post was appointed to in 2015/16 to further support major projects.

- A Business Partner model for support services has been created with the model designed to add value and provide support and expertise to all service areas and the project team.

2.12 **Ensuring the authorities' financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact**

- The Head of Resources and Performance is the Section 151 Officer for the purposes of satisfying the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the councils on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

- The financial management arrangements of West Suffolk conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations.

2.13 **Ensuring the authorities' assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact**

- The councils' assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

2.14 **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

- The Service Manager (Legal) is the Monitoring Officer and is responsible for the administration of the councils' political management structures, including ensuring that the councils have acted lawfully and that agreed standards have been met.

2.15 **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

- The responsibilities of the Head of the Paid Service for both councils rest with the Chief Executive, who is responsible for the overall corporate and operational management of West Suffolk.

2.16 **Undertaking the core functions of an audit committee, as identified in CIPFA's publication 'Audit Committees: Practical Guidance for Local Authorities'**

- The Performance and Audit Scrutiny Committees act as the councils' Audit Committees and have specific responsibility for scrutinising the Statement of Accounts, risk management, performance management, audit arrangements, the Annual Governance Statement and budgetary control and monitoring.

2.17 **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- The Monitoring Officer advises management on new legislation and compliance with the Constitutions. She will also use her statutory powers to report to Full Council where there has been non-compliance with legislation or with the councils' own procedures.

- Within service areas, staff monitor the introduction of legislation specific to their area of work, for example changes to planning fees or new food safety regulations. Where legislation has a corporate or cross-cutting effect, Legal Services and the Corporate Policy Team will generally co-ordinate dissemination of information and training, for example through the weekly policy alerts which are collated by the Corporate Policy Team and shared with staff and Members.

- Policies and procedures governing the councils' operations include both Financial and Contracts Procedure Rules.

- It is the role of the councils' Internal Audit section to review, appraise and report on the effectiveness and efficiency of the system of internal control, risk management and governance and how these arrangements are operating. This is achieved by undertaking audit work across the councils' functions in accordance with a risked-based Audit Plan. Annually, the Internal Audit Manager drafts a report for presentation at the Performance and Audit Scrutiny Committee which includes his opinion on the adequacy and effectiveness of the councils' risk management systems and internal control environment.

2.18 **Whistleblowing and receiving and investigating complaints from the public**

- The councils have a Joint Whistleblowing Policy, a copy of which is available on both the website and intranet. It applies to all officers, contractors, partners and those supplying goods and services to the councils.

- The councils have a formal complaints, compliments and comments procedure which allows the public to make complaints regarding the service received from the councils.

- Complaints Co-ordinators within services handle and record complaints, compliments and comments, which are reported twice a year to the Performance and Audit Scrutiny Committees.

2.19 **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

- Staff training needs are identified through performance reviews and regular dialogue between staff and line management.

- The councils provide a number of corporate training courses each year, and staff have access to individual training and development opportunities. Leadership Team have a small number of 'development sessions' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

- Leadership Team, service managers and business partners were involved in a 'Go Make a Difference' accelerated change programme during 2014/15. The programme looked at outcomes to increase collaborative working, better strategic thinking and structured planning.

- The councils' shared approach to member development was recognised nationally during 2014/15 as Forest Heath and St Edmundsbury became the first shared services partnership to receive joint accreditation of the Charter for Elected Member Development. The team of assessors praised West Suffolk for its comprehensive member development programme, our next generation leadership development, as well as our culture change journey.

- Annually, Members can identify their own priorities for improvement via Training Needs Analysis. The Member Development Programme is then implemented by the Joint Member Development Group, supported by the Learning and Development team. In addition, a range of skills workshops and discussion sessions have taken place aimed at front-line (non-executive) members.

2.20 **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- West Suffolk engages routinely with residents, community groups, businesses, organisations, Members and staff on a range of matters using a variety of different mechanisms. Our approach is outlined in 'West Suffolk Works - a strategic direction for communications' which also sets out the need for setting communications objectives and evaluation.

- Our approach includes the use of social media tools to provide new avenues of interaction with the public.

- The new West Suffolk website was introduced in 2014/15. The website features a clear layout that makes it quicker and easier for customers to apply for things, report issues, make payments or find out information. The website's Open Data pages include a range of datasets that describe the councils' business, including all of those required by the Government's Code of Practice on Local Government Transparency.

- Communication and consultation with staff is carried out through staff briefings, team meetings, and the intranet and through formal consultation with Unison.

2.21 **Enhancing the accountability for service delivery and effectiveness of other public service providers**

- As well as shared services the councils use a variety of service delivery models, and are involved in a number of partnership arrangements, for example with our registered housing providers, leisure trust, Anglia Revenues Partnership and the councils' home improvement agency.

- The arrangements are governed by contractual or partnership management agreements, for example:

    - In respect of the Leisure Trust as well as day-to-day contact, and annual negotiations regarding the management fee, there are quarterly or bi-annual meetings between the chair and vice-chair of Abbeycroft and the two cabinet members, plus officers of both organisations, to look at performance.

    - For the Anglia Revenues Partnership there is a Joint Committee which has formal delegation from the seven partner councils. The Committee approves the Delivery Plan and annual budget annually along with monitoring and reviewing performance against the Delivery Plan.

2.22 **Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities' overall governance arrangements.**

- 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.

3. Review of effectiveness

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

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

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

3.3 The Internal Audit team is responsible for giving assurance to members, the Head of Paid Service, s151 Officer, Leadership Team and the Performance and Audit Scrutiny Committees on the design and operating effectiveness of the councils' risk and internal control arrangements.

3.4 Based upon the audit work undertaken during the financial year 2014/15, as well as assurances made available to the council by other assurance providers, the Service Manager (Internal Audit) 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, are 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.

3.5 The councils are 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.

3.6 As part of their approach to sector-led improvement the Local Government Association (LGA) offered the opportunity for forward-looking, improvement-orientated peer challenge to councils. A challenge was carried out across West Suffolk during late 2013 and early 2014 with the report issued in April 2014. The challenge found that despite massive changes which had seen the two councils move to having one chief executive and a slimmed down management structure, the levels of service to residents, businesses and other customers, had been maintained. In addition, they praised the amalgamation of staff to save cash and backed the councils' plans to behave more commercially in order to benefit taxpayers. They also found that together the two councils were in a much stronger financial position than other authorities. Following the receipt of the final report from the LGA, Leadership Team developed an action plan to address the areas for improvement identified by the process.

4. Significant governance issues

4.1 In determining the significant issues to disclose, the councils have considered whether issues have:

- 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 Service Manager (Internal Audit) 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.

4.2 Although not regarded as a significant governance issue, during 2014/15 additional resources were deployed into the councils' planning and regulatory services following a review of staff changes and increased development control and enforcement work volumes. Performance has noticeably improved during 2014/15, however mainly due to statutory changes to charging for permitted developments and the timing of some large planning applications at the year end, the service reported an overspend for 2014/15. This overspend was forecasted during the second half of the year and has been regularly reported through the Performance and Audit Scrutiny Committee. The service continues to be monitored closely during 2015/16.

5. Focus for 2015/16

5.1 Like all local authorities, Forest Heath and St Edmundsbury Councils are influenced by national government policy, funding and spending announcements. Both continue to operate within a context of significant change both nationally and locally which represent significant challenges. Strong governance arrangements are needed to support the number and scale of challenges being faced.

5.2 During 2015/16 a number of key governance areas are planned to be improved and embedded into West Suffolk in support of the changing world of local government, a number of which have already been referred to throughout this document. These areas include:

- our performance and risk management frameworks, ensuring we have the right tools in place to support our increased focus on service and strategic performance and risk management;
- revised project governance arrangements, ensuring all projects are logical, robust and well thought through;
- development work on the new financial management system, releasing its full potential for West Suffolk and recognising the importance of financial data, its availability and reporting abilities;
- continuation of the councils' business process re-engineering programme, ensuring our systems and processes are fit for purpose and deliver against our customer target operating model; and
- our business partner model, ensuring we have the necessary skills and capacity in the right places at the right time to support the delivery of our strategic objectives.

5.3 Nationally, Suffolk is respected as a place for innovation, collaboration and delivery. This credibility was endorsed in November 2014 by the Department for Communities and Local Government's award of £3.35 million Transformation Challenge Award (TCA) funding. The principles of the TCA bid are based on long term, transformational change whereby public services become more integrated and able to provide sustainable models of support for those most in need whilst delivering the spending reductions that will be required over the next ten years. At the heart of Suffolk's TCA proposal is more integrated working between Suffolk's public sector partners. This will require fresh approaches to governance.

5.4 There has been significant debate nationally with support for different governance arrangements between central government and local areas including more powers to be devolved locally to make decisions and use funding based on local needs and opportunities. Suffolk's public sector leaders are at the forefront of devising a solution to devolving power to areas outside the big cities. They will be approaching Government in the autumn to discuss what a "deal" for Suffolk might look like. Any new arrangements would mean a change to West Suffolk's current governance structures.

5.5 A key theme running through the work needed to deliver the councils' outcomes is 'behaving more commercially' with the councils no longer able to behave in all areas as if they are monopoly providers of services, as this is no longer sustainable in the current or future funding climate. We will look to adopt commercial behaviours in a number of areas of council business with a Corporate Commercial Manager service manager post having been created to drive forward the initiative to increase the generation of income.

5.6 Both councils have a long tradition of investing in their communities and will look to continue to do so, in support of the delivery of strategic priorities, in particular to aid economic growth across West Suffolk. However, depleting capital and revenue reserves and increased pressure on external funding mean that both councils will need to consider investing away from the traditional funding models such as using its own reserves. Focus may instead be on the use of making loans, securing the return of the council's funds; joint ventures, sharing the investment required; or borrowing, introducing new funds into both councils.

6. Assurance by Chief Executive and Leaders of the Councils

We approve this statement and confirm that it forms the basis of the councils' governance arrangements and that these arrangements will be monitored and strengthened in the forthcoming year as described above.

Signed:

James Waters
Leader of the Council

Date:

Signed:

John Griffiths
Leader of the Council

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Performance and Audit Scrutiny Committee

Title of Report:	**2014/15 Annual Statement of Accounts**	
Report No:	**PAS/FH/15/024**	
Report to and date/s:	**Performance and Audit Scrutiny Committee**	24 September 2015
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance **Tel:** 01638 660518 **Email**: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance **Tel:** 01638 719245 **Email:** Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the 2014/15 Statement of Accounts to this committee for scrutiny and approval, in accordance with powers delegated to it under the Council's Constitution.	

Recommendation:	**It is <u>RECOMMENDED</u> that:** **(1) The Committee <u>approves</u> the 2014/15 Statement of Accounts (attached at Appendix A) in accordance with powers delegated to it under the Council's Constitution;** **(2) The Chairman of the Committee signs the certification of the 2014/15 Statement of Accounts on behalf of the Committee; and** **(3) The Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.**
Key Decision: *(Check the appropriate box and delete all those that **<u>do not</u>** apply.)*	*Is this a Key Decision and, if so, under which definition?* Yes, it is a Key Decision - ☐ No, it is not a Key Decision - ☒

Consultation:	• Not applicable
Alternative option(s):	• Not applicable
Implications:	
*Are there any **financial** implications? If yes, please give details*	Yes ☒ No ☐ • This report presents the Council's 2014/15 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2014/15 financial year.
*Are there any **staffing** implications? If yes, please give details*	Yes ☐ No ☒ •
*Are there any **ICT** implications? If yes, please give details*	Yes ☐ No ☒ •
*Are there any **legal and/or policy** implications? If yes, please give details*	Yes ☒ No ☐ • Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves. • Local Government Act 1972 – requirement for the proper administration of financial affairs. • Accounts and Audit Regulations 2011 – requirements for the reporting and approval of the Council's annual financial statements.

<table>
<tr><td colspan="2">Are there any equality implications?
If yes, please give details</td><td colspan="2">Yes ☐ No ☒
•</td></tr>
<tr><td colspan="2">Risk/opportunity assessment:</td><td colspan="2">(potential hazards or opportunities affecting corporate, service or project objectives)</td></tr>
<tr><td>Risk area</td><td>Inherent level of risk (before controls)</td><td>Controls</td><td>Residual risk (after controls)</td></tr>
<tr><td></td><td>Low/Medium/ High*</td><td></td><td>Low/Medium/ High*</td></tr>
<tr><td>Revenue and capital budget management – failure to achieve projected income or expenditure exceeds approved budgets.</td><td>High</td><td>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 the longer term budget implications</td><td>Medium</td></tr>
<tr><td colspan="2">Ward(s) affected:</td><td colspan="2">All Wards</td></tr>
<tr><td colspan="2">Background papers:
(all background papers are to be published on the website and a link included)</td><td colspan="2">Budget and Council Tax Setting:2014/15 and Medium Term Financial Strategy 2014-2016 (Council 26 February 2014 COU14/662)

Financial Outturn Report (Revenue and Capital) 2014-15 (Performance and Audit Scrutiny Committee 4 June 2015 PAS/FH/15/15)</td></tr>
<tr><td colspan="2">Documents attached:</td><td colspan="2">Appendix A – Statement of Accounts 2014/15</td></tr>
</table>

1. Key issues and reasons for recommendation(s)

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 2015, with a view to its completion prior to the 30 September 2015 deadline for publication. The results of Ernst and Young's review of the accounts are provided in the Annual Results Report, which is included on this Committee's agenda. The attached accounts **(Appendix A)** 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 The 2014/15 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.

1.5 The key financial highlights for the 2014/15 financial year are summarised below.

2. Financial Highlights – 2014/15

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 3 to 7 of the Statement of Accounts, key aspects of which are highlighted below:

2.2 **Revenue Expenditure** - The Council set a net expenditure budget for 2014/15 of £8.474m. The actual net expenditure for the year was £8.438m, resulting in a budget underspend for the year of £0.036m. Details of major variances can be seen in the report reference PAS/FH/15/15, entitled 'Financial Outturn Report (Revenue and Capital) 2014/15' considered by this committee on 4 June 2015. It is proposed that this budget underspend is transferred to the general fund reserve to help support future years' Council Tax levels.

2.3 **Capital Expenditure** - Actual capital programme spend for the year was £7.335m against a revised budget for the period of £8.034m; i.e. a budget underspend of £0.699m. This underspend predominantly relates to the timings of capital projects. Details of the major variances on the capital programme can also be seen in report PAS/FH/15/15.

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 2014/15 the total value of the Council's usable revenue and capital reserves increased from £25.650m (at 1 April 2014) to £26.454m (at 31 March 2015), a net increase of £0.804m. Further details regarding the movement on reserves during the year are provided on page 11 of the Statement of Accounts.

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 2014, the Council's IAS19 pension valuation disclosed an overall fund deficit of £16.684m. However, the 31 March 2015 IAS19 valuation showed a marked deterioration in the Fund's position with the deficit having increased to £21.440m. The increase in deficit is primarily due to the financial assumptions at 31 March 3015 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 5 to 6 of the Statement of Accounts.

3. Annual Governance Statement

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.

5. Conclusion

5.1 Forest Heath, like almost every public and private sector organisation in the Country, continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. 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 faced by the Council, the budget underspend in 2014/15 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.

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Appendix A

2014/2015 Statement of Accounts

Forest Heath District Council

Contents

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Introduction

The District

Well-connected with London, the rest of East Anglia and the Midlands, Forest Heath is a safe and comparatively prosperous place in which to live. It also has some beautiful and accessible countryside areas, including grassland, heath and forest.

Forest Heath has three main market towns, Newmarket, Mildenhall and Brandon.

Newmarket, the 'home of horseracing' has more racehorses, trainers, stable staff, stud farms and racing organisations in and around the town than anywhere else in the world, with racing accounting for a significant number of local jobs. Mildenhall and Brandon expanded significantly in the 1970s due to the construction of new housing to accommodate families moving as part of the Greater London Council's expansion programme.

Today, Forest Heath has a thriving, diverse economy, embracing a number of business sectors. These include tourism, food and drink, life sciences and advanced manufacturing, including a number of businesses trading with the two major US Air Force bases in West Suffolk.

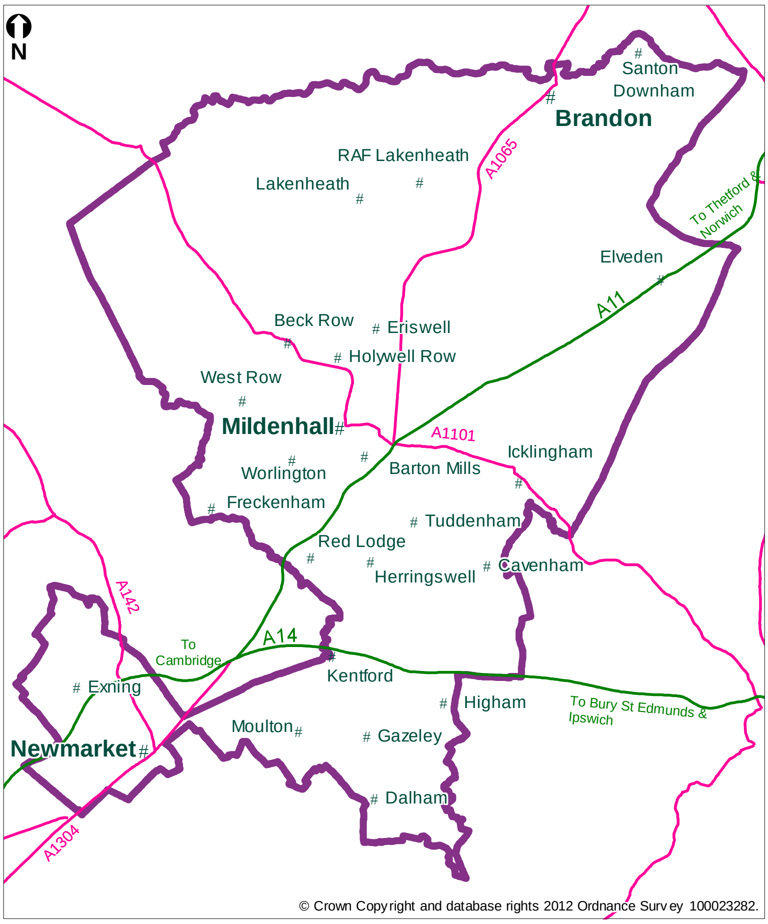
In all of Forest Heath's towns and our rural areas, many of our residents benefit from a good quality of life. However, some areas have suffered more than others from the impact of the economic downturn, and others are facing issues such as rural isolation; a lack of skills or qualifications amongst young people; an ageing population with some in need of more specialist housing or care; poverty; or health deprivation.

The Council is made up of 27 Councillors and is Conservative controlled. It operates under a Leader and Cabinet style of governance.

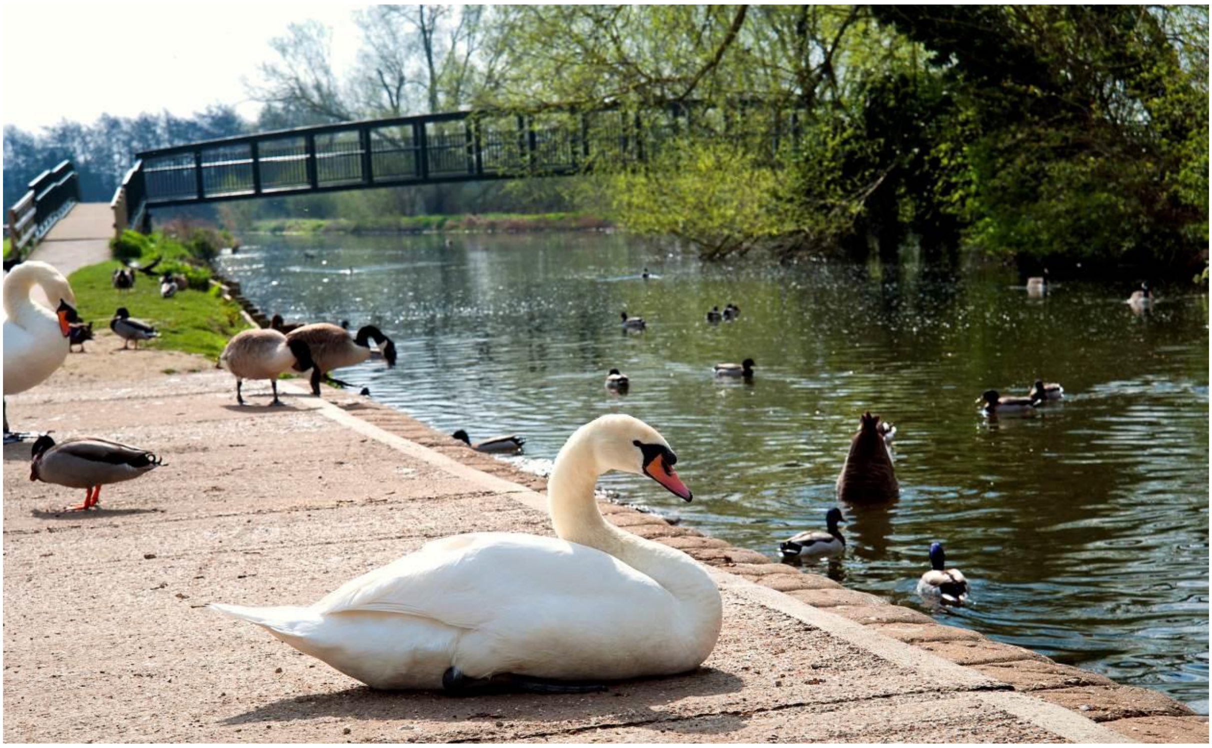
Further information can be found by following the links below:

www.suffolkobservatory.info

West Suffolk Strategic Plan



Introduction



Mildenhall River

Explanatory Foreword by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2014/15. Forest Heath District Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, planning and development control and many more.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2014 to 31 March 2015 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:

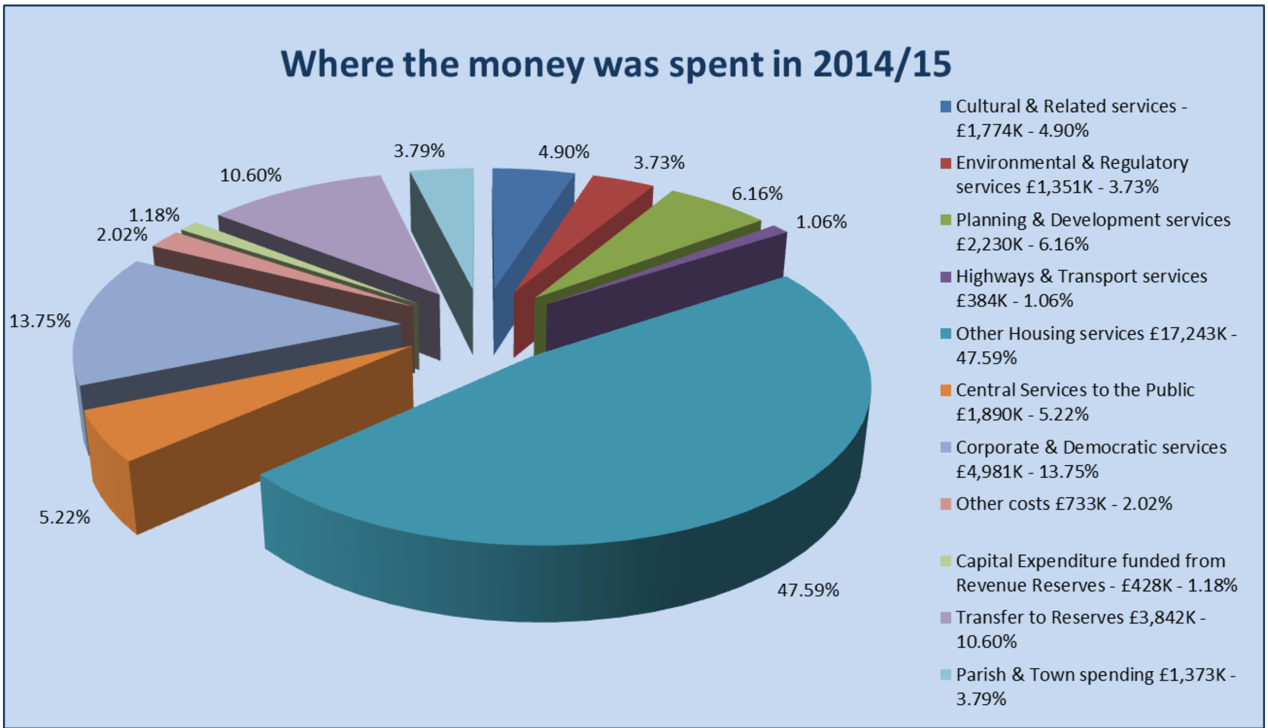
- Did the council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

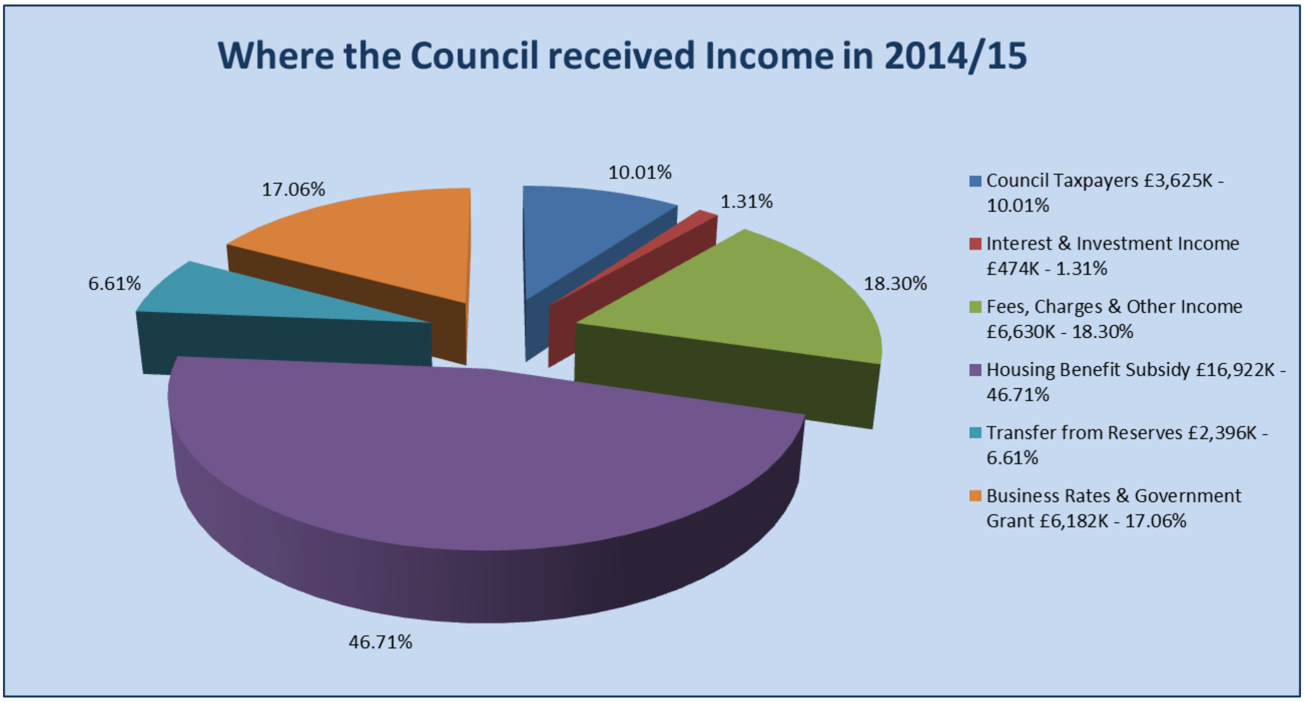
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability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

Overview of the financial year 2014/15

For the 2014/15 financial year, the Council saw an increase of £36k to its general fund reserve, which stands at £2,118k as at 31 March 2015, with an overall level of usable reserves (capital and revenue) of £26m.

The following charts show the sources of the Council's income for 2014/15, and how it was spent on services (excluding accounting adjustments required by International Financial Reporting Standards):





During 2014/15, the Council continued to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending, declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness along with 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 (see Note 10 and Note 31) and the withdrawal of council tax benefits. In order to respond to these pressures, the Council has had to make significant savings, the main contributor to delivering these savings was through sharing resources with St Edmundsbury Borough Council, which has to date achieved in excess of £3.5m in savings across both Councils. The redundancy costs associated with the sharing of services are detailed in Note 29 of the accounts.

Further details of variances in excess of £25k can be seen in the report reference PAS/FH/15/015, entitled ‘Financial Outturn Report (Revenue and Capital) 2014/15’ considered by the Performance and Audit Committee on 4 June 2015. As mentioned in the report, the outturn position reported at that time was still subject to the final stages of the Council’s accounts closure process and could therefore change. Minor amendments have subsequently been made that have reduced the reported outturn surplus by £5k.

The Council’s capital expenditure for 2014/15 totalled around £7.3m, which included photovoltaic installations on council owned properties, asset management plan – property improvements and the Home of Horseracing project in Newmarket. The Council spent approximately £0.9m in capital grants within the year. Around £1.3m of the total £7.3m spend for 2014/15 was funded from the Council’s usable capital receipts, the remainder being funded from grants and contributions. Overall the capital programme for 2014/15 was on budget, after allowing for project timings.

During 2014/15 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

Material and Unusual charges or credits within the statement

Termination payments charged to the comprehensive income and expenditure statement during the year amounted to £228k (including £217k in relation to the shared service initiative with St Edmundsbury Borough Council), and further details are available in Note 4 Material Items of Income and Expense and Note 29 Officers Remuneration.

Capital grants released to the comprehensive income and expenditure statement during the year included £5,286k to fund the Home of Horseracing project. Further details are available in Note 11 Property, Plant and Equipment.

Major variances within the Comprehensive Income and Expenditure Statement – between 2013/14 and 2014/15

The Council had a number of variances in its cost of services between 2013/14 and 2014/15, amounting to an overall decrease of around £2,263k, primarily as a result of net revaluation increases in council properties.

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

Group Accounts

The Code of Practice on Local Authority Accounting requires local authorities with interests in subsidiaries, associates and joint ventures to prepare Group Accounts in addition to their single entity financial statements. A review of the Council's relationships with other bodies is carried out each year to consider whether it is appropriate to prepare group accounts. The Council has an interest in ARP Trading Ltd which was consolidated into the Group Accounts Statements as a Joint Venture up until the Statement of accounts for the year ended 31 March 2013. From 2013/14 onwards it is considered that this interest is no longer material and as such the Council has removed the Group Accounts from the statements.

It is envisaged that during 2015/16 the shareholder ownership of ARP Trading Ltd will be extended to all seven ARP Joint committee partners resulting in a further reduction in Forest Heath's shareholder interest in the company.

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 £21,440k compared to £16,684k at 31 March 2013. This net increase in liabilities is represented by an increase in liabilities of £10,204k and an increase in assets of £5,448k. The overall increase of £4,756k in the liability is primarily because the financial assumptions at March 2015 were less favourable than those at March 2014.
The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £21,440k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However,

the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

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

Further detail in relation to retirement benefits can be found in Note 35 to the accounts.

Significant Provisions, Contingencies or Write-Offs

The Council has provided for £290k of provisions for the financial year ending 31st March 2015. These provisions are detailed in Note 21 to the accounts.

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

Material Events after the reporting date

Note 4 details any material events which occurred after the balance sheet date.

Audit

Following the Government's consultation on the future of local public audit, Ernst and Young LLP were awarded the contract for the audit of Forest Heath District Council's accounts for a five year period commencing with the financial year 2012/13. The external auditors complete their audit in as efficient a manner as possible, and also rely on the Council's own internal auditors so as not to duplicate some areas of work. Further details regarding external audit fees incurred by the Council can be found in Note 30 External Audit Costs.

Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant almost halved over the two year period 2014-16. There will probably be a time when councils receive no support grant from the Government and our future funding for services is more likely to come from income we generate ourselves.

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 councils 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 three years has been the delivery of the shared services agenda. This has already delivered in excess of £3.5 million annually in savings across the two councils. Savings achieved through sharing services with St Edmundsbury Borough Council have to date been predominately delivered through the joining up of services and staff structures. However it was always envisaged that further savings could be achieved through the procuring and commissioning of joint service and supply contracts, many of which were delivered during 2014/15 providing the Council with confidence in its cost base (our known expenditure levels) going into 2015/16.

By delivering these savings through a shared services approach we have continued 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 our work in a negative way. We are proud of what councillors and staff working together have achieved, and of how our partners have adapted to working alongside West Suffolk. However, the savings from shared services cannot continue to meet all of the financial challenges we face, so we go into 2015/16 and future years recognising that we need to embrace our 'behave more commercially' and being an 'investing authority' agendas in order to continue to deliver services that residents value.

The West Suffolk Medium Term Financial Strategy (MTFS) that was approved in February 2014 outlines how we will be adopting 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 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 this Council invests resources as we continue to have aspirations to be an ‘investing authority’ in support of the delivery of the West Suffolk councils’ strategic priorities, in particular to aid economic growth. Many of these key strategic projects are expected to take shape during 2015/16.

The Council is also keeping a close eye on the national picture following the recent parliamentary elections. In particular we are actively engaging with our Suffolk colleagues, both in local government and the wider public sector, in the work around devolution of powers to more local levels. This potentially could lead to major transformations in the way we work and our involvement ensures we are at the centre of designing these local services so we can develop the financial strategies that supports devolution’s sustainability.

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2014 to 31 March 2015 has been prepared and I confirm that these accounts were approved by Forest Heath District Council at the meeting held on 24 September 2015..

Signed:

Chairman of the Performance, Audit and Scrutiny Committee

Date: 24 September 2015

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 2015 and its income and expenditure for the year then ended.

Signed:

R Mann
Chief Financial Officer (Section 151 Officer)

Date:

Councillor S Edwards
Portfolio Holder for Resources, Governance and Performance

Date:

Core Financial Statements

Movement in Reserves Statement

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

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

Restated Prior Year Movements - 2013/14	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2013		**1,987**	**4,929**	**17,111**	**705**	**24,732**	**34,398**	**59,130**
Movements in Reserves during 2013/14								
Surplus (or deficit) on the provision of services		(83)	0	0	0	**(83)**	0	**(83)**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(2,199)	**(2,199)**
Total Comprehensive Income and Expenditure		**(83)**	**0**	**0**	**0**	**(83)**	**(2,199)**	**(2,282)**
Adjustments between accounting basis and funding basis under regulations	6	1,619	0	(400)	(218)	**1,001**	(1,001)	**0**
Net increase or (decrease) before Transfers to Earmarked Reserves		**1,536**	**0**	**(400)**	**(218)**	**918**	**(3,200)**	**(2,282)**
Transfers (to) / from Earmarked Reserves	7	(1,441)	1,441	0	0	**0**	0	**0**
Increase / (Decrease) in 2013/14		**95**	**1,441**	**(400)**	**(218)**	**918**	**(3,200)**	**(2,282)**
Balance as at 31 March 2014 carried forward		**2,082**	**6,370**	**16,711**	**487**	**25,650**	**31,198**	**56,848**

Restated due to late adjustment in 2013/14, now reflected in the transfer from earmarked reserves and deficit on the provision of services

Core Financial Statements

The following statement shows the movement in reserves in respect of the current financial year ended 31 March 2015.

Current Year Movements - 2014/15	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 2014		**2,082**	**6,370**	**16,711**	**487**	**25,650**	**31,198**	**56,848**
Movements in Reserves during 2014/15								
Surplus (or deficit) on the provision of services		7,302	0	0	0	**7,302**	0	**7,302**
Other Comprehensive Income and Expenditure		0	0	0	0	**0**	(3,400)	**(3,400)**
Total Comprehensive Income and Expenditure		**7,302**	**0**	**0**	**0**	**7,302**	**(3,400)**	**3,902**
Adjustments between accounting basis and funding basis under regulations	6	(5,856)	0	(569)	(73)	**(6,498)**	6,498	**0**
Net increase or (decrease) before Transfers to Earmarked Reserves		**1,446**	**0**	**(569)**	**(73)**	**804**	**3,098**	**3,902**
Transfers (to) / from Earmarked Reserves	7	(1,410)	1,410	0	0	**0**	0	**0**
Increase / (Decrease) in 2014/15		**36**	**1,410**	**(569)**	**(73)**	**804**	**3,098**	**3,902**
Balance as at 31 March 2015 carried forward		**2,118**	**7,780**	**16,142**	**414**	**26,454**	**34,296**	**60,750**

Comprehensive Income and Expenditure Statement

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

	Note	2014/15 Gross Expenditure £000	2014/15 Gross Income £000	2014/15 Net Expenditure / (Income) £000	2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure / (Income) £000
Central Services to the Public		1,088	324	**764**	1,190	360	**830**
Cultural and Related Services		973	784	**189**	2,102	319	**1,783**
Environmental and Regulatory Services		3,393	1,381	**2,012**	3,260	1,279	**1,981**
Planning Services		3,676	1,735	**1,941**	2,951	1,601	**1,350**
Highways and Transport Services		473	564	**(91)**	918	512	**406**
Other Housing Services		18,316	17,388	**928**	17,811	16,897	**914**
Corporate and Democratic Core		2,421	669	**1,752**	3,199	605	**2,594**
Non-distributed costs		182	0	**182**	82	0	**82**
Cost of Services		**30,522**	**22,845**	**7,677**	**31,513**	**21,573**	**9,940**
Other Operating Expenditure	8	932	0	**932**	1,480	0	**1,480**
Financing and Investment Income and Expenditure	9	912	1,349	**(437)**	393	1,417	**(1,024)**
Taxation and Non-Specific Grant Income	10	0	15,474	**(15,474)**	0	10,313	**(10,313)**
Deficit on Provision of Services		**32,366**	**39,668**	**(7,302)**	**33,386**	**33,303**	**83**
Surplus on revaluation of Property, Plant and Equipment assets				**(567)**			**(204)**
Deficit or (Surplus) on revaluation of available for sales financial assets	22			**0**			**(2)**
Actuarial losses on pension assets / liabilities	35			**3,967**			**2,405**
Other Comprehensive (Income) and Expenditure				**3,400**			**2,199**
Total Comprehensive (Income) and Expenditure				**(3,902)**			**2,282**

Balance Sheet

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

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

	Note	31 March 2015 £000	31 March 2014 £000
Property, Plant and Equipment	11	47,384	39,827
Heritage Assets	12	365	369
Investment Property	13	10,933	10,842
Intangible Assets	14	354	338
Long-term Investments		10,680	6,139
Long-Term Debtors	15	30	0
Long-Term Assets		**69,746**	**57,515**
Short-term Investments		9,762	16,186
Assets Held for Sale	17	0	285
Inventories	18	0	5
Short-term Debtors	15	4,085	3,385
Cash and Cash Equivalents	16	8,799	4,102
Current Assets		**22,646**	**23,963**
Short-term Borrowing	19	(2)	(3)
Short-Term Creditors	20	(4,994)	(3,135)
Provisions	21	(290)	(223)
Current Liabilities		**(5,286)**	**(3,361)**
Long-term Borrowing	19	(4,000)	(4,000)
Other Long-term Liabilities	35	(21,440)	(16,684)
Grants Receipts in Advance - Capital	31	(916)	(585)
Long-Term Liabilities		**(26,356)**	**(21,269)**
NET ASSETS		**60,750**	**56,848**
Usable Reserves		(26,454)	(25,650)
Unusable Reserves	22	(34,296)	(31,198)
TOTAL RESERVES		**(60,750)**	**(56,848)**

Cash Flow Statement

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

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

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

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie. borrowing) to the Council.

	Note	2014/15 £000	2013/14 £000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		(7,303)	82
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(114)	(4,266)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	4,599	170
Net cash flows from Operating Activities		**(2,818)**	**(4,014)**
Investing Activities	24	(1,539)	4,793
Financing Activities	25	(340)	320
Net (increase) or decrease in cash and cash equivalents		**(4,697)**	**1,099**
Cash and cash equivalents at the beginning of the reporting period	16	(4,102)	(5,201)
Cash and Cash Equivalents at the end of the reporting period	16	**(8,799)**	**(4,102)**

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:

IFRS13 – Fair Value Measurement

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).

The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13.

Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

IFRIC 21 - Levies

This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy.

The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both.

This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle)

These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

Note 2 Critical judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure. Anglia Community Leisure is a company limited by guarantee, with charitable objectives (and secured registered charity status on 10th November 2008). The Council does not have a control of the company and has therefore determined that the company is not a subsidiary of the Council (Note 32 Related Parties provides more details).

- 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.

Note 3 Future Assumptions and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £54k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide Suffolk County Council which administers the pension fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 11% increase in the employer's liability. In monetary terms this equates to around £7.028M. A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £1.979M. A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £2.125M. A 0.5% increase in the Pension increase rate would result in an additional 7% employer liability totalling approximately £4.756M.

Arrears	At 31 March 2015, the Authority had a balance of sundry debtors of £4,545k. A review of significant balances suggested that an allowance for doubtful debts of £430K was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £430K to set aside as an allowance.

Note 4 Material Items of Income and Expense

During the financial year to 31 March 2015 the Council had the following material items of expense:

Property and Vehicles

During 2014/15 the Council spent £5,286k on the Home of Horseracing project which involves the restoration and adaptation of the Palace House and Stables site in Newmarket. This expenditure is being funded by donations. Note 11 Property, Plant and Equipment provides further details.

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 2014/15 as a direct result of this initiative, amounting to £217k (2013/14 - £452k), have been charged to the Comprehensive Income and Expenditure Statement. Note 29 Officers Remuneration provides further details.

Note 5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Resources and Performance (Chief Financial Officer) on 30 June 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 6 Adjustments between Accounting Basis & Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The transactions for the year ended 31 March 2015 are as follows:

Current Year - 2014/15	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,154	0	0	(1,154)
Revaluation losses on Property, Plant and Equipment	(1,857)	0	0	1,857
Movements in the Market Value of Investment Properties	(36)	0	0	36
Amortisation of Intangible Assets	57	0	0	(57)
Capital Grants and Contributions applied	(5,511)	0	22	5,489
Revenue Expenditure funded from Capital under Statute	880	0	0	(880)
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	(458)	769	0	(311)
Amounts of investment assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	17	0	0	(17)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(138)	0	0	138
Capital Expenditure charged against the General Fund Balance	(428)	0	0	428
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	15	0	(95)	80

Continued on the following page.

Current Year - 2014/15 (continued)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £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	(1,338)	0	1,338
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred Sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,695	0	0	(1,695)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(906)	0	0	906
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	(340)	0	0	340
Total Adjustments	**(5,856)**	**(569)**	**(73)**	**6,498**

The transactions for the previous year ended 31 March 2014 are as follows:

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

Continued on the following page.

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

Note 7 Transfers to / (from) Earmarked Reserves

General Fund Reserve	Balance at 1 April 2013 £000	Transfers out 2013/14 £000	Transfers in 2013/14 £000	Balance at 31 March 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000
Strategic Priorities & MTFS	**1,583**	(253)	1,694	**3,024**	(1,008)	2,161	**4,177**
Invest to Save Reserve	**733**	(703)	139	**169**	(219)	489	**439**
Corporate Priority Dev.Fund	**263**	0	0	**263**	(264)	0	**(1)**
Corporate Improvement Fund	**11**	(1)	0	**10**	(10)	0	**0**
Risk/Recession Reserve	**170**	(126)	518	**562**	(155)	145	**552**
BRR Equalisation Reserve	**0**	0	268	**268**	(215)	157	**210**
Self Insured Fund	**82**	(10)	0	**72**	(23)	13	**62**
Computer Equipment	**125**	0	14	**139**	(39)	38	**138**
HB Equalisation Reserve	**0**	0	0	**0**	0	106	**106**
Professional Fees Reserve	**51**	(51)	0	**0**	0	0	**0**
Single Regeneration Board	**24**	0	0	**24**	0	0	**24**
ARP Reserve	**169**	0	37	**206**	0	108	**314**
Wheeled Bins	**27**	0	0	**27**	0	0	**27**
Building Repairs Reserve	**0**	0	0	**0**	(87)	312	**225**
Car Park Development Fund	**99**	0	0	**99**	0	0	**99**
Public Cleansing Reserve	**46**	0	0	**46**	0	0	**46**
Commuted Maintenance	**368**	(79)	194	**483**	(418)	481	**546**
Newmarket Stallion Reserve	**28**	0	0	**28**	0	0	**28**
Teal & Woodcock Reserve	**1**	0	0	**1**	0	0	**1**
Rural Sports & Recreation	**23**	0	0	**23**	(5)	32	**50**
S106 Red Lodge Community Development Officer	**12**	0	0	**12**	(12)	0	**0**
ECDC/FHDC Voluntary Grants	**3**	0	0	**3**	0	0	**3**
Communities against Drugs	**111**	(3)	0	**108**	(78)	0	**30**
Planning Reserve	**245**	(45)	0	**200**	(133)	0	**67**
Planning Delivery Grant	**123**	(28)	0	**95**	0	0	**95**
Local Land Charges Reserve	**49**	0	0	**49**	(45)	0	**4**
Planning Policy Statement Climate Change	**54**	(13)	0	**41**	(13)	0	**28**
S106 Monitoring Officer Red Lodge	**127**	(45)	41	**123**	(49)	34	**108**
Implementing Smoke Free Legislation	**8**	0	0	**8**	0	0	**8**
Economic Development Reserve (LABGI)	**201**	(78)	0	**123**	(77)	0	**46**
Homelessness Legislation	**151**	(22)	0	**129**	0	0	**129**
S106 Revenue Reserve	**0**	0	0	**0**	0	145	**145**
Election Reserve	**0**	0	13	**13**	(6)	45	**52**
Staff Training Reserve	**42**	(20)	0	**22**	0	0	**22**
Total	**4,929**	**(1,477)**	**2,918**	**6,370**	**(2,856)**	**4,266**	**7,780**
Net Movement in the year				**1,441**			**1,410**

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

Strategic Priorities & MTFS Reserve (formerly New Homes Bonus Reserve)	Monies received in respect of the New Homes Bonus Grant which have been set aside to support the delivery of the Council's strategic priorities and medium term financial strategy.
Invest to Save Reserve	Monies set aside for investment in new technologies and streamlined working practices to provide longer term efficiencies and savings.
Corporate Priority Development Fund	Monies set aside to fund future corporate priority projects.
Corporate Improvement Fund	Monies set aside to fund future corporate improvements.
Risk / Recession Reserve	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like.
BRR Equalisation Reserve	To neutralise the impact of any year on year fluctuations in growth or reduction of business rate income, under the new business rates retention scheme.
Self-Insured Fund	Monies set aside to meet potential future Insurance Excess payments.
Computer Equipment	To meet future computer hardware and software requirements.
Housing Benefit (HB) Equalisation Reserve	To cover year on year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.
Professional Fees Reserve	To meet future professional fee obligations.
Single Regeneration Board Reserve	Reserve for single regeneration board.
ARP (formerly ARP Partnership) Reserve	Government Grant monies received by the Anglia Revenues Partnership (ARP) for specific purposes which are held in reserve due to timings of receipts and usage.
Wheeled Bins Reserve	Monies set aside for the purchase of replacement bins used for trade and domestic refuse collection.
Building Repairs Reserve	Monies set aside for significant repairs and improvements to public buildings and investment properties, including energy conservation measures.
Car Park Development Fund	Monies set aside for future Car Park repairs and service improvements.
Public Cleansing Reserve	Monies set aside to fund public cleansing.
Commuted Maintenance	Monies received which have been set aside for future Public Open Space development and maintenance.
Newmarket Stallion Reserve	Monies set aside to fund future maintenance cost of the Newmarket Stallion statue.
Teal and Woodcock Reserve	Monies set aside to fund cost in respect of the Teal and Woodcock open space.
Rural Sports and Recreation Reserve	Monies set aside to fund sports and recreation in rural areas.
S106 Red Lodge Community Reserve	Monies received which have been set aside for Red Lodge Community Development Officer activities.
ECDC/FHDC Voluntary Grants	Monies set aside in respect of previous voluntary grant scheme arrangements

	with East Cambs DC.
Communities against Drugs Reserve	Monies set aside from grants received set aside for future spend on Crime Reduction and associated initiatives.
Planning Reserve	Monies set aside to fund the Local Development Framework (LDF).
Planning Delivery Grant Reserve	Grant funding received from central government set aside for development of the Planning service.
Local Land Charges Reserve	Monies set aside in respect of the land charges service.
Planning Policy Statement Climate Change	Government Grant monies received to assist Local Authorities with the Planning Policy Statement on Climate Change, set aside for future spend in this area.
S106 Monitoring Officer Red Lodge	Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.
Implementing Smoke Free Legislation Reserve	Monies set aside to fund future Homelessness legislation requirements.
Economic Development (LABGI)	Grant funding received from in respect of the “Local Authority Business Growth Incentive” (LABGI) set aside for the promotion of business growth.
Homelessness Legislation Reserve	Monies set aside to fund future Homelessness legislation requirements.
S106 Revenue Reserve	Monies received in respect of S106 agreements held for future revenue spend.
Election Reserves	Monies set aside to finance the cost of local elections.
Staff Training Reserves	Monies set aside to finance staff training.

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.

	2014/15 £000	2013/14 £000
Parish Council precepts	1,373	1,267
(Gains) / losses on the disposal of non-current assets	(441)	213
	932	**1,480**

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".

	2014/15 £000	2013/14 £000
Interest payable and similar charges	171	171
Interest receivable and similar income	(475)	(552)
Net interest on the net defined benefit liability asset	718	612
Income and expenditure in relation to investment properties and changes in their fair value *	(851)	(1,255)
	(437)	**(1,024)**

* The reduction in income and expenditure from investment properties relates to changes in their fair value. The rental income from Investment Properties for 2014/15 totalled £858k (£859k in 2013/14).

Note 10 Taxation and Non-Specific Grant Income

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

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

	2014/15 £000	2013/14 £000
Council tax Income	(3,703)	(3,505)
Non-domestic rates income and expenditure	(2,184)	(1,780)
Revenue Support Grant	(2,008)	(2,582)
Non-service related government grants	(61)	(83)
New Homes Bonus	(2,166)	(1,694)
Council tax freeze grant received in year	(25)	(27)
Capital Grants and contributions *	(5,327)	(642)
	(15,474)	**(10,313)**

* Capital Grants and contributions charged to the comprehensive income and expenditure account in 2014/15 include £5,286k received via donations to fund the Home of Horseracing project.

Newmarket

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 2014.

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

Continued on the following page.

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

The note below details the movements on balances in the current financial year ended 31 March 2015.

2014/15 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2014	**35,232**	**3,340**	**870**	**202**	**0**	**1,634**	**41,278**
Additions	443	569	0	0	0	5,298	**6,310**
Reclassification from Assets under Construction	0	0	0	0	0	0	**0**
Revaluation increases recognised in the Revaluation Reserve	482	0	19	0	0	0	**501**
Revaluation (decreases) recognised in the Revaluation Reserve	(130)	0	0	0	0	0	**(130)**
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	1,653	0	0	0	0	0	**1,653**
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(211)	0	0	0	0	0	**(211)**
Derecognition - disposals	(142)	(77)	0	0	0	0	**(219)**
Assets reclassified (to) / from Held for Sale	(1,379)	0	0	0	0	1,494	**115**
At 31 March 2015	**35,948**	**3,832**	**889**	**202**	**0**	**8,426**	**49,297**

Continued on the following page.

2014/15 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment							
At 1 April 2014	**(43)**	**(1,242)**	**(166)**	**0**	**0**	**0**	**(1,451)**
Depreciation Charge	(807)	(303)	(40)	0	0	0	**(1,150)**
Revaluation gains - depreciation written out to the Revaluation Reserve	146	0	4	0	0	0	**150**
Revaluation losses - depreciation written out to the Revaluation Reserve	46	0	0	0	0	0	**46**
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	311	0	0	0	0	0	**311**
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	104	0	0	0	0	0	**104**
Derecognition - disposals	3	74	0	0	0	0	**77**
At 31 March 2015	**(240)**	**(1,471)**	**(202)**	**0**	**0**	**0**	**(1,913)**
Net Book Value							
At 31 March 2015	**35,708**	**2,361**	**687**	**202**	**0**	**8,426**	**47,384**
At 31 March 2014	**35,189**	**2,098**	**704**	**202**	**0**	**1,634**	**39,827**

Depreciation

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

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

Impairments

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

There were no impairment losses in either 2013/14 or 2014/15.

Capital Commitments

At 31 March 2015, the Council had one material capital commitment amounting to £3.698m.

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

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

Revaluations

From 2014/15 the Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are valued at least every 5 years. Previously all Property, Plant and Equipment was valued annually.

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

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

The valuations were prepared by the District Valuers, Valuation Office, 3rd Floor, Churchgate, New Road, Peterborough

	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	331	2,361	495	202	8,426	**11,815**
Valued at fair value as at:						
31 March 2015	23,657	0	192	0	0	**23,849**
31 March 2014	11,720	0	0	0	0	**11,720**
Total Net Book Value	**35,708**	**2,361**	**687**	**202**	**8,426**	**47,384**

Note 12 Heritage Assets

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

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

	Statues and Monuments £000	Civic Regalia £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation				
At 1 April 2013	260	30	80	**370**
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	(1)	**(1)**
Depreciation	(1)	0	(3)	**(4)**
Revaluations - depreciation adjustment	1	0	3	**4**
At 31 March 2014	**260**	**30**	**79**	**369**
At 1 April 2014	260	30	79	**369**
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Depreciation	(1)	0	(3)	**(4)**
Revaluations - depreciation adjustment	0	0	0	**0**
At 31 March 2015	**259**	**30**	**76**	**365**

Heritage Assets

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

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

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

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

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

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

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

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.

Disposals of Heritage Assets

There were no disposals of any of the Council's Heritage Assets during either 2013/14 or 2014/15.

Five Year Summary of Transactions on Heritage Assets

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

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

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and monuments	260	260	260	260	**259**
Civic items	30	30	30	30	**30**
Other heritage assets	5	82	80	79	**76**
Total Heritage Assets	**295**	**372**	**370**	**369**	**365**

Note 13 Investment Properties

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

	2014/15 £000	2013/14 £000
Income from Investment Properties (including net gain / loss from fair value adjustments) *	**(912)**	(1,307)
Direct Operating expenses arising from Investment Properties	**61**	52
Net (gain) / loss	**(851)**	**(1,255)**

*The rental income from Investment Properties for 2014/15 totalled £858k (£775k in 2013/14).

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2014/15 £000	2013/14 £000
Balance at 1 April	**10,842**	**10,401**
Additions	**72**	0
Disposals	**(17)**	0
Net gains / (Losses) from fair value adjustments	**36**	441
Balance at 31 March	**10,933**	**10,842**

Note 14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range from 1 to 7 years.

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

	2014/15 Purchased Assets £000	2013/14 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	**640**	1,110
- Accumulated amortisation	**(302)**	(898)
Net carrying amount at start of year	**338**	**212**
Additions:		
- Purchases	**74**	174
Other disposals *	**0**	(636)
Impairment losses recognised/reversed directly in the Revaluation Reserve	**0**	(8)
Amortisation for the period	**(57)**	(40)
Amortisation written out on disposal *	**0**	636
Net carrying amount at 31 March	**355**	**338**
Comprising:		
- Gross carrying amounts	**713**	640
- Accumulated amortisation	**(359)**	(302)
	354	**338**

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

Note 15 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 2015 £000	31 March 2014 £000
Central Government Bodies	497	336
Other Local Authorities	850	1,224
Other Entities and Individuals	2,738	1,825
Total Short Term Debtors	**4,085**	**3,385**

Long Term Debtors

	31 March 2015 £000	31 March 2014 £000
Mortgages and long term loans *	30	0
Total Long Term Debtors	**30**	**0**

* The loan given during 2014/15 was to Discover Newmarket Community Interest Company. Further details are given in Note 19 Financial Instruments.

Note 16 Cash and Cash Equivalents

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

	31 March 2015 £000	31 March 2014 £000
Bank Current Accounts	2,398	1,099
Short Term Deposits with Clearing Banks & Building Societies	6,401	3,003
Total Cash and Cash Equivalents	**8,799**	**4,102**

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

Note 17 Assets held for Sale

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

	Current		Non-Current	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Balance Outstanding at start of year	**285**	**397**	**0**	**0**
Assets sold	(170)	(110)	0	0
Assets Transferred in/(out) of AHFS	(115)	(2)	0	0
				0
Balance outstanding at Year End	**0**	**285**	**0**	**0**

Where the sale of assets is expected to be realised in the next financial year, these assets are classified as current assets held for sale in the Balance Sheet. The Council held no assets for sale at 31 March 2015.

Note 18 Inventories

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

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

	Property Acquired for Sale	
	2014/15	2013/14
	£000s	£000s
Balance outstanding at start of year	5	9
Purchases	0	0
Recognised as an expense in the year	0	(4)
Written off balances *	(5)	0
Balance outstanding at year end	**0**	**5**

* The Council's remaining stock balances were written off to the comprehensive income and expenditure statement during 2014/15 as they no longer represent a material asset value.

Note 19 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2015	Restated 31 March 2014	31 March 2015	Restated 31 March 2014
	£000	£000	£000	£000
Investments				
Loans and receivables				
- Money market loans *	10,642	6,098	18,159	19,189
- Other loans	0	3	0	0
- Cash	0	0	402	1,099
Available for sale financial assets	38	38	0	0
Total investments	**10,680**	**6,139**	**18,561**	**20,288**
Debtors				
Loans and receivables	30	0	0	3
Financial assets carried at contract amounts **	0	0	2,707	1,782
Total debtors	**30**	**0**	**2,707**	**1,785**
Borrowings				
Financial liabilities at amortised cost	4,000	4,000	2	3
Total borrowings	**4,000**	**4,000**	**2**	**3**
Creditors				
Financial liabilities at amortised cost	916	585	2,447	1,489
Long Term Creditors	0	0	0	0
Total creditors	**916**	**585**	**2,447**	**1,489**

* Investments restated to include accrued interest.
** Debtors restated to exclude loans from the Financial assets carried at contract amounts as they are included in the Loans and receivables figure.

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 Discover Newmarket Community Interest Company

The loan to Discover Newmarket was to enable the Community Interest Company to purchase a new website, booking system and purchase or lease of a vehicle – the loan is an interest free loan.

	Discover Newmarket £000
Nominal value of loans granted	30
Loans repaid	0
Balance at 31 March 2015	**30**

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.

	2014/15				2013/14			
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	171	0	0	**171**	171	0	0	**171**
Reductions in fair value	0	0	0	**0**	0	0	0	**0**
Impairment losses	0	0	0	**0**	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**171**	**0**	**0**	**171**	**171**	**0**	**0**	**171**
Interest income	0	(475)	0	**(475)**	0	(552)	0	**(552)**
Increases in fair value	0	0	0	**0**	0	0	0	**0**
Financial assets carried at contra	0	0	0	**0**	0	0	0	**0**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(475)**	**0**	**(475)**	**0**	**(552)**	**0**	**(552)**
Gains on revaluation	0	0	0	**0**	0	0	0	**0**
Losses on revaluation	0	0	0	**0**	0	0	213	**213**
(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**	**0**	**213**	**213**
Net (gains) / loss for the year	**171**	**(475)**	**0**	**(304)**	**171**	**(552)**	**213**	**(168)**

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31 March 2015		Restated 31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities *	3,365	3,365	2,077	2,077
Long-term creditors / Borrowings	4,000	4,963	4,000	3,855
Total liabilities	**7,365**	**8,328**	**6,077**	**5,932**
Money market loans:				
- Short-term investments **	18,159	18,227	19,189	19,315
- Long-term investments **	10,642	10,898	6,098	6,256
Other loans and receivables	0	0	3	3
Cash	402	402	1,099	1,099
Financial assets (debtors)	2,707	2,707	1,785	1,785
Available for Sale Financial Assets ***	38	38	38	38
Loans and Receivables	30	30	0	0
Total assets	**31,978**	**32,302**	**28,212**	**28,496**

* Financial liabilities figure restated to include all Creditors financial liabilities at amortised cost and short term borrowings.
** Investments restated to include accrued interest.
***Available for sale financial assets restated to include ARP Trading Ltd figure.

The fair value of investments is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date.

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

The fair value of the liabilities is higher than the carrying amount because the Authority's loan is a LOBO loan where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

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

Note 20 Creditors

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

	31 March 2015 £000	31 March 2014 £000
Central Government Bodies	971	345
Other Local Authorities	1,569	1,197
Other Entities and Individuals	2,454	1,593
Total Short-term Creditors	**4,994**	**3,135**

Note 21 Provisions

The table below shows the movements in the Council's provisions during the 2014/15 financial year:

	Cost of Change £000	NNDR Appeals £000	Total £000
Balance as at 1 April	**63**	**160**	**223**
Additional Provisions made in 2014/15	0	293	**293**
Amounts used in 2014/15	(63)	(163)	**(226)**
Total Provisions	**0**	**290**	**290**

The provisions amount of £290k is in respect of non-domestic (business) rates appeals.

This is a provision under the system of business rate retention and relates to Forest Heath's share of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31st March 2015. Forest Heath has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

Note 22 Unusable Reserves

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

	31 March 2015 £000	Restated 31 March 2014 £000
Revaluation Reserve	**5,254**	4,837
Available for Sale Financial Instruments Reserve	**38**	38
Capital Adjustment Account	**50,460**	43,363
Pensions Reserve	**(21,440)**	(16,684)
Deferred Capital Receipts Reserve	**14**	14
Collection Fund Adjustment Account	**(30)**	(370)
Total Unusable Reserves	**34,296**	**31,198**

2013/14 figures restated to include ARP Trading Ltd shareholding in Available for Sale Financial Instruments Reserve.

Revaluation Reserve

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

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

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

The movements in the Revaluation Reserve were as follows:

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	**4,837**	**4,778**
Upward revaluation of Assets	651	197
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(84)	6
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	**567**	**203**
Difference between fair value depreciation and historical cost depreciation	(120)	(115)
Accumulated gains on assets sold or scrapped	(30)	(29)
Balance at 31 March	**5,254**	**4,837**

Available for Sale Financial Instruments Reserve

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

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

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

	31 March 2015 £000	Restated 31 March 2014 £000
Balance at 1 April	**38**	**36**
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	0	2
Balance at 31 March	**38**	**38**

2013/14 figures restated to include ARP Trading Ltd shareholding.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

	31 March 2015 £000	31 March 2015 £000	Restated 31 March 2014 £000
Balance at 1 April		**43,363**	**43,196**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
- Charges for depreciation and impairment of non-current assets	(1,154)		(1,195)
- Revaluation gains/(losses) on Property, Plant and Equipment	1,857		65
- Amortisation of Intangible Assets	(57)		(40)
- Revenue expenditure funded from capital under statute	(880)		(631)
- 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	(311)		(568)
- Amounts of Investment Assets written off on Disposal/Sale to CIES	(17)		0
		(562)	**(2,369)**
Adjusting amounts written out of the Revaluation Reserve		150	144
Net written out amount of the cost of non-current assets consumed in the year		**(412)**	**(2,225)**
Capital Financing appiled in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	1,338		757
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	5,489		807
- Application of grants to capital financing from the Capital Grants Unapplied Account	80		243
Capital Expenditure charged against the General Fund Balance	428		0
		7,335	**1,807**
Minimum Revenue Provision		138	144
Loan Principal Repayments		0	0
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		36	441
Balance at 31 March		**50,460**	**43,363**

Restated to exclude opening balance in surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of service

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.
However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

The movements in the Pensions Reserve were as follows:

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	**(16,684)**	**(13,576)**
Remeasurements of the net defined benefit liability / (asset)	(3,967)	(2,405)
Reversal of items relating to retirement benefits debited ro credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,695)	(1,597)
Employer's pensions contributions and direct payments to pensioners payable in the year	906	894
Balance at 31 March	**(21,440)**	**(16,684)**

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

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

There were no movements on the Deferred Capital Receipts Reserve in 2013/14 or 2014/15.

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	**14**	**14**
Balance at 31 March	**14**	**14**

Collection Fund Adjustment Account

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

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

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	**(370)**	**(50)**
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	77	53
Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	263	(373)
Balance at 31 March	**(30)**	**(370)**

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £000	2013/14 £000
Interest paid	171	171
Interest received	(475)	(552)
	(304)	**(381)**

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

	2014/15 £000	2013/14 £000
Depreciation	(1,154)	(1,195)
Amortisation	(57)	(40)
Impairment and upward / (downward) valuations	1,857	65
(Increase) / decrease in Creditors	(746)	(120)
(Increase) / decrease in Provisions	(67)	(194)
Increase / (decrease) in Debtors and Payments in Advance	13	(2,304)
Increase / (decrease) in Inventories	(5)	(4)
Movement in Pensions Liability	(789)	(703)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	458	(212)
Movement in investment property values	36	441
Other non-cash items charged to the net surplus or deficit on the provision of services	340	0
	(114)	**(4,266)**

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

	2014/15 £000	2013/14 £000
Capital grants credited to surplus / (deficit) on the provision of services	5,511	832
Any other items for which the cash effects are investing or financing cash flows	(912)	(662)
	4,599	**170**

Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2014/15 £000	2013/14 £000
Purchase of property, plant and equipment, investment property and intangible assets	5,343	1,124
Purchase of short-term and long-term investments	0	4,798
Other payments for investing activities	880	802
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(260)	(468)
Proceeds from short-term and long-term investments	(1,882)	(552)
Other receipts from investing activities	(5,620)	(911)
Net cash flows from investing activities	**(1,539)**	**4,793**

Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2014/15 £000	2013/14 £000
Billing authorities - council tax and national non-domestic rates adjustments	(340)	320
Net cash flows from Financing activities	**(340)**	**320**

Note 26 Amounts reported for Resource Allocation Decisions

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

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

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

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

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

Current Year - 2014/15	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
Resources & Performance	2,371	22,593	0	0	**24,964**	(5,693)	(17,541)	(23,234)	**1,730**
HR & Democratic Services	605	469	0	0	**1,074**	(200)	0	(200)	**874**
Families & Communities	767	314	0	0	**1,081**	(143)	0	(143)	**938**
Planning & Growth	1,054	907	0	0	**1,961**	(1,501)	0	(1,501)	**460**
Operations	1,679	4,733	0	0	**6,412**	(5,469)	0	(5,469)	**943**
Housing	410	285	0	0	**695**	(134)	0	(134)	**561**
Totals	**6,886**	**29,301**	**0**	**0**	**36,187**	**(13,140)**	**(17,541)**	**(30,681)**	**5,506**

Previous Year - 2013/14	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	937	2,041	0	0	**2,978**	(477)	0	(477)	**2,501**
Resources & Performance	1,642	18,077	0	0	**19,719**	(1,355)	(16,922)	(18,277)	**1,442**
Human Resources & Organisational Development	216	61	0	0	**277**	(78)	0	(78)	**199**
Legal & Democratic Services	401	319	0	0	**720**	(54)	(13)	(67)	**653**
Policy, Communications & Customers	482	70	0	48	**600**	(16)	0	(16)	**584**
Waste Management & Property Services	1,481	2,505	0	(40)	**3,946**	(3,649)	0	(3,649)	**297**
Leisure, Culture & Communities	340	1,688	0	374	**2,402**	(461)	0	(461)	**1,941**
Planning & Regulatory Services	1,255	470	0	7	**1,732**	(1,130)	(18)	(1,148)	**584**
Economic Development & Growth	121	177	0	0	**298**	(126)	0	(126)	**172**
Housing	294	142	0	71	**507**	(38)	0	(38)	**469**
Totals	**7,169**	**25,550**	**0**	**460**	**33,179**	**(7,384)**	**(16,953)**	**(24,337)**	**8,842**

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

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

	2014/15 £000	2013/14 £000
Net Expenditure in the Head of Service Analysis	**5,506**	8,841
Net expenditure of services not included in the analysis	**0**	73
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	**(5,763)**	1,262
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	**7,934**	(236)
Cost of Services in Comprehensive Income and Expenditure Statement	**7,677**	**9,940**

The reason for the £6.9m movement from 2013/14 to 2014/15 in amounts in the comprehensive income and expenditure statement not reported to management in the analysis is largely due to government grants not included in the outturn report in 2014/15.

The change of £8.2m in amounts included in the analysis not included in the comprehensive income and expenditure statement, is mainly due to the inclusion of internal operational recharges in the outturn report in 2014/15. These were not included in 2013/14.

Reconciliation to Subjective Analysis

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

Current Year - 2014/15	Head of Service Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(12,666)	0	6,896	0	**(5,770)**	(6,202)	**(11,972)**
Interest and investment income	(475)	0	475	0	**0**	(475)	**(475)**
Income from council tax	0	0	0	0	**0**	(3,625)	**(3,625)**
Government grants and contributions	(17,541)	(5,887)	6,521	0	**(16,907)**	(6,521)	**(23,428)**
Total income	**(30,682)**	**(5,887)**	**13,892**	**0**	**(22,677)**	**(16,823)**	**(39,500)**
Employee expenses	6,886	0	71	0	**6,957**	718	**7,675**
Other service expenses	29,131	59	(5,858)	0	**23,332**	59	**23,391**
Support Service recharges	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	0	65	0	0	**65**	(36)	**29**
Interest payments	171	0	(171)	0	**0**	171	**171**
Precepts and Levies	0	0	0	0	**0**	1,373	**1,373**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	0	**0**
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	**0**	(441)	**(441)**
Total expenditure	**36,188**	**124**	**(5,958)**	**0**	**30,354**	**1,844**	**32,198**
Surplus or deficit on the provision of services	**5,506**	**(5,763)**	**7,934**	**0**	**7,677**	**(14,979)**	**(7,302)**

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

Previous Year - 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 and other Service Income	(6,831)	0	2,213	(3)	**(4,621)**	(865)	**(5,486)**
Interest and investment interest	(552)	0	552	0	**0**	(552)	**(552)**
Income from Council tax	0	0	0	0	**0**	(3,505)	**(3,505)**
Government Grants and contributions	(16,953)	0	0	0	**(16,953)**	(6,808)	**(23,761)**
Total Income	**(24,336)**	**0**	**2,765**	**(3)**	**(21,573)**	**(11,730)**	**(33,303)**
Employee Expenses	7,167	91	0	0	**7,258**	612	**7,870**
Other Service Expenses	25,380	0	(2,830)	76	**22,626**	45	**22,671**
Support Service Recharges	0	0	0	0	**0**	6	**6**
Depreciation, amortisation and impairment	459	1,171	0	0	**1,630**	(441)	**1,189**
Interest payments	171	0	(171)	0	**0**	171	**171**
Precepts and levies	0	0	0	0	**0**	1,267	**1,267**
Gain or loss on disposal of non-current assets	0	0	0	0	**0**	212	**212**
Total Expenditure	**33,177**	**1,262**	**(3,001)**	**76**	**31,513**	**1,872**	**33,385**
(Surplus) or deficit on the provision of services	**8,841**	**1,262**	**(236)**	**73**	**9,940**	**(9,858)**	**82**

Newmarket Nights

Note 27 Trading Operations

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

		2014/15 £000	2014/15 £000	2013/14 £000	2013/14 £000
Industrial & Business Units	Turnover	(1,392)		(1,035)	
	Expenditure	1,221		798	
	(Surplus) / Deficit		**(171)**		**(237)**
Trade Refuse	Turnover	(463)		(398)	
	Expenditure	533		313	
	(Surplus) / Deficit		**70**		**(85)**
Markets	Turnover	(28)		(33)	
	Expenditure	83		67	
	(Surplus) / Deficit		**55**		**34**
Net Surplus on Trading Operations			**(46)**		**(288)**

Industrial and Business Sites

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

The increase in expenditure from 2013/14 to 2014/15 is due to changes in valuations.

Trade Refuse

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

Markets

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

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

Note 28 Members Allowances

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

	2014/15 £000	Restated 2013/14 £000
Allowances	190	190
Expenses	15	17
Total Members Allowances and Expenses	**205**	**207**

2013/14 figures have been restated to exclude national insurance and the chairman's and vice chairs allowances. Whilst this is not material this has been amended in order to allow comparisons between the years.

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

www.westsuffolk.gov.uk

Note 29 Officers' Remuneration

Senior Officers' Remuneration

The remuneration of those senior officers on the payroll of Forest Heath District Council is as follows:

	Year	Salary, Fees and Allow-ances £	Expenses Allow-ance £	Benefits in kind £	Pension Contrib-ution £	Compens-ation for Loss of Office £	Total £
Head of Resources and Performance (S151 Officer)	**2014/15**	**70,683**	**0**	**2,072**	**15,106**	**0**	**87,861**
	2013/14	65,600	0	1,823	12,923	0	**80,346**
Head of Housing	**2014/15**	**58,017**	**0**	**3,142**	**13,484**	**0**	**74,643**
	2013/14	57,734	0	2,259	11,938	0	**71,931**
Head of Planning and Growth -new post wef 1st Nov 2014	**2014/15**	**27,715**	**516**	**0**	**6,133**	**0**	**34,364**
Head of Planning and Regulatory Services	**2014/15**	**35,350**	**723**	**0**	**7,823**	**0**	**43,896**
- Post-holder previously Head of Planning, left September 2013, and	2013/14	9,739	199	0	1,919	0	**11,857**
subsequently replaced in February 2014	2013/14	27,481	544	0	5,404	0	**33,429**
Strategic Manager - Anglia Revenues Partnership	**2014/15**	**0**	**0**	**0**	**0**	**0**	**0**
- Shared as part of the Anglia Revenues Partnership - postholder left October 2013. New postholder employed by Breckland District Council.	2013/14	36,266	639	0	6,385	66,240	**109,530**

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** relate predominantly to HMRC's prescribed calculation, which is based on the employee's lease car list price (defined by HMRC) and its CO2 emissions, to create a taxable benefit value for income tax purposes. Benefits in kind values are not paid for by the Council or the employee. They are simply a mechanism for calculating the employee's income tax liability. The Council operates a cost neutral car leasing scheme.
- **Pension contribution** is the payment made by the Council into Suffolk County Council's pension fund, not directly to the employee.
- Included within the above table and the tables below are provisions for any relevant termination benefits where the Council, at the year end, was demonstrably committed to such payments either through the Council's Shared Services Agenda with St Edmundsbury Borough Council or through its relationship with Anglia Revenues Partnership (under accounting standards IAS19 Employee Benefits and IAS 37 Provisions) - see Note 21.
- Please see Exit Packages and Termination Benefits below for further information with regards to the overall termination benefits cost for the year ending 31st March 2015 and any necessary cost sharing with the Council's Shared Services partner St Edmundsbury BC.
- The Council has an agreed staff pay policy, which sets out how staff pay is determined. It places a particular focus on the remuneration of Chief Officers and the lowest paid staff, including the relationship between the two.

Remuneration Bands – Other Officers

The Council's other employees (i.e. those not included in the table above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions but including termination payments) were paid the following amounts:

Remuneration Band	2014/15 Number of Employees	2013/14 Number of Employees
£50,000 to £54,999	**0**	2
£55,000 to £59,999	**1**	0
£60,000 to £64,999	**1**	2
£65,000 to £69,999	**1**	0
£70,000 to £74,999	**0**	1
£75,000 to £79,999	**0**	1
£80,000 to £84,999	**0**	0
£85,000 to £89,999	**1**	0

Shared Service Leadership Team (LT)

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

A joint Chief Executive was appointed in April 2012, employed by SEBC, who subsequently carried out a review and restructure of the senior management team across the two councils. This resulted in the appointment of a new joint Leadership Team (LT) comprising of the Chief Executive, two Directors (appointed October 2012), and nine Heads of Service (appointed November 2012). This new LT resulted in ongoing savings amounting to £870k in a full year. The review of senior management continued into 2014/2015, resulting in a further reduction in the number of Heads of Service from nine to six and a strengthening in the service management level below LT.

All payments made to enable these changes were in line with the Council's HR policies and procedures, and the Local Government Pension Scheme regulations. The post-holders continue to be employed by the authority which employed them prior to the introduction of the shared LT and the remuneration details above relate only to those staff employed by Forest Heath District Council.

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

Details of the total cost of the LT (inclusive of salary, national insurance and pension contributions) are set out in the table below. The table shows how the council reimbursed SEBC for its share of relevant employee costs. The reimbursement is based on both councils sharing equally the savings resulting from the restructure.

Shared Leadership Team (LT)	Note	2014/15 FHDC Cost £	2014/15 SEBC Cost £	2013/14 FHDC Cost £	2013/14 SEBC Cost £
Chief Executive			148,734		142,128
Director			104,693		98,932
Director			104,656		98,896
Head of Resources and Performance (S151 Officer)		**86,294**		**84,352**	
Head of Housing		**80,609**		**77,922**	
Head of Human Resources and Organisational Development	1		47,121		80,509
Head of Human Resources and Democratic Services	2		35,408		
Head of Policy, Communications and Customers	1		44,398		71,978
Head of Families and Communities	2		33,794		
Head of Waste Management and Property Services	1		51,497		87,551
Head of Operations	2		38,152		
Head of Planning and Regulatory Services	1	**46,926**		**48,574**	
Head of Planning and Growth	2	**36,876**			
Head of Leisure, Culture and Communities	3		68,803		87,551
Head of Legal and Democratic Services (Monitoring Officer)	4		78,430		88,379
Head of Economic Development and Growth	4		67,356		71,978
Total expenditure included in Officers' Remuneration disclosure		**250,705**	**823,042**	**210,848**	**827,902**
Net adjustment between the councils		**120,990**	(120,990)	**169,730**	(169,730)
Expenditure included in the Comprehensive Income and Expenditure Statement		**371,695**	**702,052**	**380,578**	**658,172**

Notes on the Shared Leadership Team:

1. The posts of Head of Human Resources and Organisational Development, Head of Policy, Communications and Customers, Head of Waste Management and Property Services and Head of Planning and Regulatory Services were disestablished with effect from 31 October 2014.
2. The posts of Head of Human Resources and Democratic Services, Head of Families and Communities, Head of Operations and Head of Planning and Growth were created with effect from 1 November 2014.
3. The post of Head of Leisure, Culture and Communities was disestablished with effect from 31 December 2014.
4. The posts of Head of Legal and Democratic Services and Head of Economic Development and Growth were disestablished with effect from 28 February 2015.

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	
	2014/15 Nos	2013/14 Nos	2014/15 Nos	2013/14 Nos	2014/15 Nos	2013/14 Nos	2014/15 £	2013/14 £
£0 - £20,000	**2**	9	**0**	0	**2**	9	**12,835**	105,410
£20,001 - £40,000	**2**	7	**0**	0	**2**	7	**60,042**	206,048
£40,001 - £60,000	**1**	1	**0**	0	**1**	1	**56,710**	41,428
£60,001 - £80,000	**0**	0	**0**	0	**0**	0	**0**	0
£80,001 - £100,000	**1**	1	**0**	0	**1**	1	**92,879**	86,840
£100,001 - £150,000	**0**	1	**0**	0	**0**	1	**0**	112,891
Total	**6**	**19**	**0**	**0**	**6**	**19**	**222,466**	**552,617**

Termination Benefits

The Council terminated the contracts of 6 employees in 2014/15, the total value of these termination payments was £222k (2013/14 £553k).

The total cost of £222k is the gross amount of exit packages paid to the Authorities employees. This total cost includes £211k for exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC, of which £111k was recharged to St Edmundsbury BC as part of an agreed cost sharing basis. St Edmundsbury BC has made similar provisions for exit packages under the Shared Services agenda, of which Forest Heath DC is in turn, picking up an agreed cost sharing basis amounting in total to £117k. The Council has made allowances for these cost sharing's within the overall charge to the Comprehensive Income and Expenditure Statement; resulting in an overall net charge to the Council of £228k.

Brandon

Note 30 External Audit Costs

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

	2014/15 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year:		
- Ernst & Young LLP	53	62
Fees payable for the certification of grant claims and returns for the year		
- Ernst & Young LLP	21	18
Fees payable in respect of other services provided during the year		
- Ernst & Young LLP	3	4
Total External Audit Costs	**77**	**84**

The fees payable for other services in 2014/15 related to audit services in respect of the Home of Horseracing project.

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and the preceding financial year.

	2014/15 £000	2013/14 £000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	2,008	2,582
National Non-domestic Rates	2,184	1,780
New Homes Bonus	2,166	1,694
Council Tax Freeze Grant	25	27
Non-service related government grants	61	83
Capital Grants and Contributions		
Home of Horseracing	5,286	601
Other Grants and contributions	41	41
Total credited to Taxation and Non-specific Grant Income and Expenditure	**11,771**	**6,808**
Credited to Services		
Revenue Grants and Contributions		
Housing Benefits Subsidy	16,374	16,423
Housing Benefits and Council Tax Administration Subsidy	274	372
National Non-domestic Rates Administration Grant	90	91
Other Grants and Contributions	15	13
Capital Grants and Contributions		
Disabled Facilities Grant	169	172
Total credited to services	**16,922**	**17,071**

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

	2014/15 £000	2013/14 £000
Capital Grants and Contributions Received in Advance		
Home of Horse Racing Trust	0	128
Developer Contribution - Turnpike Road, Red Lodge (Taylor Wimpey)	223	86
Developer Contribution - Kennet Park, Kentford	200	0
Developer Contribution - The Street, Beck Row (Persimmon)	195	161
Developer Contribution - Tesco Fordham Rd	117	0
Developer Contribution - Red Lodge (Crest Nicholson)	58	111
Developer Contributions - Other	65	65
Other Grants	58	34
Total	**916**	**585**

Note 32 Related Parties

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits). Details on grants received from government departments are set out in Note 10 Taxation and Non Specific Grant Income, Note 26 – Amounts reported for resource allocation decisions and Note 31 Grant Income.

St Edmundsbury Borough Council

Forest Heath District Council and St Edmundsbury Borough Council have formally agreed that both councils are each other's preferred partners for Shared Services. The two councils appointed a shared Leadership Team (LT) during 2012/13 and completed the shared service agenda during 2013/14 with the implementation of a joint staff structure working across both councils. The review of joint senior management continued into 2014/2015, resulting in a further reduction in the number of Heads of Service and a strengthening in the service management level below LT. Further information is available in Note 29 - Officers Remuneration.

Members and Senior Staff

Members of the Council have direct control over its financial and operating policies. The total of members' allowances paid in 2014/15 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.

The bodies on which they serve as a representative of the Council are listed below:

- Anglia Community Leisure
- Aspal Close Working Group
- Brandon Heritage Centre Trust
- Brandon Remembrance Playing Fields Management Committee
- Brecks Partnership
- Citizens' Advice Bureau Management Committee - Newmarket
- District Councils' Network Assembly (LGA)
- East of England Local Government Association - (EELGA) - Regional Assembly
- Greater Cambridge Partnership Board
- Home of Horseracing Trust
- Internal Drainage Board - Lakenheath
- Internal Drainage Board - Mildenhall
- Local Government Association General Assembly
- Mildenhall Community Association
- Newmarket Market Traders Liaison Committee
- Suffolk Flood Management Joint Scrutiny Committee
- Suffolk Health Overview and Scrutiny Committee
- Suffolk Joint Emergency Planning Policy Panel
- Suffolk Police and Crime Panel
- Suffolk Rail Policy Group
- Suffolk Strategic Partnership (SSP)/ Local Area Agreement 2 (LAA) Delivery Partnerships
- Supporting People in Suffolk

During 2014/15 the Council made grant payments totalling £66k to organisations on which members served. Transactions with Anglia Community Leisure are disclosed separately below.

Material related party transactions in respect of Councillors during 2014/15 totalled £30k (2013/14 £52k).

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

Anglia Revenues Partnership (ARP) Trading Limited

Anglia Revenues Partnership (ARP) Trading Limited is a Joint Venture Company set up in 2006 with Breckland District Council to trade with authorities in revenues and benefits services. This arrangement is a legal entity conducted under joint control with 50:50 voting rights and financial share of 66:34 between Breckland District Council and Forest Heath District Council respectively. The main business of the entity in 2014-15 was the provision of revenues and benefits staff.

It is envisaged that during 2015/16 the shareholder ownership of ARP Trading Ltd will be extended to all seven ARP Joint Committee partners resulting in a further reduction in Forest Heath's shareholder interest in the company. The net assets of the company will be distributed to existing shareholders before the new shareholders join.

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

	2014/15 £000	2013/14 Restated £000
ARP Trading Ltd - Results Statement		
Turnover	0	39
Loss on Ordinary Activities before Taxation	2	2
Loss on Ordinary Activities after Taxation	2	2
Net Assets	110	112

2013/14 figures have been restated to reflect adjustments within the final audited accounts.

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

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

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

Anglia Revenues Partnership – Joint Committee

Anglia Revenues Partnership is delivered through a Joint Committee comprising the District Councils of Forest Heath, Breckland, East Cambridgeshire, St Edmundsbury, Fenland, Suffolk Coastal and Waveney.

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

	2014/15 £000	2013/14 £000
Income and expenditure in respect of related party transactions during the year		
Expenses	1,026	1,066
Income	(235)	(288)
	791	**778**

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

www.angliarevenues.gov.uk

Anglia Community Leisure

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

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

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

A management fee amounting to £625k was paid to the trust in 2014/15 (2013/14 £723k). This management fee is included in the Council's Comprehensive Income and Expenditure Statement under the Cultural heading.

ACL has been working in partnership with Abbeycroft Leisure since February 2013. This project commenced with the appointment of a joint CEO and progressed to a sharing of a management team and other staff resources, along with some service and systems alignment. Both Boards have subsequently agreed a merger with a target date of 1 April 2015. The merged single entity will be named Abbeycroft Leisure.

The new board will allow for 12 trustees. St Edmundsbury currently has the power to appoint up to 2 trustees to the board of Abbeycroft Leisure, whereas Forest Heath District Council currently appoints 2 observers to the board of ACL. In light of the continuing development of this organisation and the fact that it operates contracts beyond the local authorities' areas, as well as their own facilities, the automatic right to appoint board members (or send observers) will be removed under the merger.

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

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

Further information regarding Anglia Community Leisure can be found on its website:
www.angcomleisure.com

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 £21,200k in 2014/15 (£20,798k in 2013/14) on their behalf. At 31 March 2015 the Council held debtors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £69k (£480k in 2013/14).

The total sums collected for Suffolk County Council, Suffolk Police and St Edmundsbury Borough Council are shown in the Collection Fund. The Comprehensive Income and Expenditure Account, Balance Sheet and Cash Flow Statements show the council tax collected on behalf of the Council but excludes the agency transactions.

Note 33 Capital Expenditure and Capital Financing

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

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2014/15 Purchased Assets £000	2013/14 Purchased Assets £000
Opening Capital Financing Requirement	**3,462**	**3,606**
Capital investment		
Property, Plant and Equipment	**6,310**	1,002
Intangible Assets	**74**	174
Investment Properties	**71**	0
Heritage Assets	**0**	0
Revenue expenditure funded from capital under statute	**880**	631
Loans financed from Capital	**0**	0
Sources of Finance		
Capital receipts	**(1,338)**	(757)
Government grants and other contributions	**(5,569)**	(1,050)
Sums set aside from revenue		
Direct revenue contributions	**(428)**	0
Minimum Revenue Provision	**(138)**	(144)
Closing Capital Financing Requirement	**3,324**	**3,462**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	**0**	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	**(138)**	(144)
	(138)	**(144)**

Note 34 Leases

Council as Lessee

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

Finance Leases

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

Operating Leases

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

- Car Leases – 3 years
- Office accommodation – 99 years
- Land used for cultural services – 99 years
- Photocopiers – typically 5 years

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

	2014/15 £000	2013/14 £000
Not later than one year	89	100
Later than one year and not later than five years	249	272
Later than five years	5,143	5,204
Balance as at 31 March carried forward	**5,481**	**5,576**

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

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

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

	2014/15 £000	2013/14 £000
Cultural, Environmental and Planning Services	74	99
Housing Services	4	2
Corporate and Democratic Core	16	28
Minimum Lease Payments	**94**	**129**

Council as Lessor

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

Finance Leases

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

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

Operating Leases

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

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

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

	2014/15 £000	2013/14 £000
Not later than one year	1,206	1,264
Later than one year and not later than five years	2,914	2,352
Later than five years	9,811	10,357
Balance as at 31 March carried forward	**13,931**	**13,973**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into. There were £746k contingent rents receivable in 2014/15 (£558k in 2013/14) by the Authority for a percentage of rents received from retail tenants occupying Mildenhall town centre shopping precinct and land used for the Guineas shopping centre at Newmarket.

Note 35 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

	2014/15		2013/14	
Band	Percentage Contribution	Salary Range	Percentage Contribution	Salary Range
1	**5.5%**	**Up to £13,500**	5.5%	Up to £13,700
2	**5.8%**	**£13,501 to £21,000**	5.8%	£13,701 to £16,100
3	**6.5%**	**£21,001 to £34,000**	5.9%	£16,101 to £20,800
4	**6.8%**	**£34,001 to £43,000**	6.5%	£20,801 to £34,700
5	**8.5%**	**£43,001 to £60,000**	6.8%	£34,701 to £46,500
6	**9.9%**	**£60,001 to £85,000**	7.2%	£46,501 to £87,100
7	**10.5%**	**£85,001 to £100,000**	7.5%	Over £87,100
8	**11.4%**	**£100,001 to £150,000**		
9	**12.5%**	**Over £150,000**		

These bandings are reviewed in April each year and are generally increased in line with the cost of living.

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

www.suffolk.gov.uk

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

www.lge.gov.uk

Transactions relating to Post Employment Benefits

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

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

	2014/15 £000	2013/14 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	971	932
- past service costs (including curtailments)	6	53
Financing and Investment Income and Expenditure		
Net Interest Expense	718	612
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**1,695**	**1,597**
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)	(4,257)	1,035
- Actuarial gains and losses arising on changes in demographic assumptions	0	1,015
- Actuarial gains and losses arising on changes in financial assumptions	8,811	1,332
- Other (if applicable)	(587)	(977)
Sub-total: Actuarial gains and losses	3,967	2,405
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**5,662**	4,002
Movement in Reserves Statement		
- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,695)	(1,597)
Actual amount charged against General Fund Balance for pensions in year	**3,967**	**2,405**
Employers' contributions payable to scheme	**906**	**894**

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:

	2014/15 £000	2013/14 £000
Present value of the defined benefit obligation	(65,956)	(55,752)
Fair value of plan assets	44,516	39,068
Sub-total	**(21,440)**	**(16,684)**
Other movements in the liability (asset) (if applicable)	0	0
Net liability arising from defined benefit obligation	**(21,440)**	**(16,684)**

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

	2014/15 £000	2013/14 £000
Opening fair value of scheme assets	**39,068**	**38,924**
Interest income	1,669	1,738
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	4,257	(1,035)
- Other (if applicable)	0	0
The effect of changes in foreign interest rates	0	0
Contributions from employer	906	894
Contributions from employees into the scheme	269	256
Benefits paid	(1,653)	(1,709)
Other (if applicable)	0	0
Closing fair value of scheme assets	**44,516**	**39,068**

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

	2014/15	2013/14
	£000	£000
Opening balance at 1 April	**55,752**	**52,500**
Current service cost	971	932
Interest cost	2,387	2,350
Contributions from scheme participants	269	256
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	0	1,015
- Actuarial gains / losses arising from changes in financial assumptions	8,811	1,332
- Other (if applicable)	(587)	(977)
Past service cost	6	53
Losses / (gains) on curtailment (where relevant)	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(1,653)	(1,709)
Liabilities extinguished on settlements (where relevant)	0	0
Closing fair value of scheme liabilities	**65,956**	**55,752**

Local Government Pension Scheme assets comprised:

Asset Category	2014/15 Quoted prices in active markets £000	2014/15 Quoted prices not in active markets £000	2014/15 Total £000	2014/15 Percent-age of Total Assets %	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 %
Equity Securities:								
- Consumer	3,334	0	**3,334**	**8%**	3,392	0	**3,392**	**9%**
- Manufacturing	1,534	0	**1,534**	**3%**	2,065	0	**2,065**	**5%**
- Energy and Utilities	747	0	**747**	**2%**	1,536	0	**1,536**	**4%**
- Financial Instruments	1,927	0	**1,927**	**4%**	2,310	0	**2,310**	**6%**
- Health and Care	1,394	0	**1,394**	**3%**	1,461	0	**1,461**	**4%**
- Information Technology	800	0	**800**	**2%**	791	0	**791**	**2%**
- Other	451	0	**451**	**1%**	801	0	**801**	**2%**
	10,187	**0**	**10,187**	**23%**	**12,356**	**0**	**12,356**	**32%**
Debt Securities:								
- Corporate Bonds (Investment Grade)	6,452	0	**6,452**	**15%**	5,360	0	**5,360**	**14%**
- UK Government	948	0	**948**	**2%**	774	0	**774**	**2%**
- Other	1,941	0	**1,941**	**4%**	1,554	0	**1,554**	**4%**
	9,341	**0**	**9,341**	**21%**	**7,688**	**0**	**7,688**	**20%**
Private Equity:								
All	**0**	**1,356**	**1,356**	**3%**	**0**	**1,349**	**1,349**	**3%**
Real Estate:								
UK Property	**4,277**	**0**	**4,277**	**10%**	**0**	**3,924**	**3,924**	**10%**
Investment Funds and Unit Trusts:								
Equities	12,420	0	**12,420**	**28%**	8,311	0	**8,311**	**21%**
Bonds	0	0	**0**	**0%**	0	0	**0**	**0%**
Hedge Funds	1,717	0	**1,717**	**4%**	1,424	0	**1,424**	**4%**
Infrastructure	0	1,001	**1,001**	**2%**	0	627	**627**	**2%**
Other	2,690	1,004	**3,694**	**8%**	2,450	674	**3,124**	**8%**
	16,827	**2,005**	**18,832**	**42%**	**12,185**	**1,301**	**13,486**	**35%**
Derivatives:								
Foreign Exchange	**1**	**0**	**1**	**0%**	**0**	**0**	**0**	**0%**
Cash and Cash Equivalents:								
All	**522**	**0**	**522**	**1%**	**266**	**0**	**266**	**0%**
Totals (rounded)	**41,155**	**3,361**	**44,516**	**100%**	**32,495**	**6,574**	**39,069**	**100%**

Basis for Estimating Assets and Liabilities

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

The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	2014/15	2013/14
Mortality assumptions:		
Longevity at age 65 for current pensioners:		
- Men	**22.4 years**	22.4 years
- Women	**24.4 years**	24.4 years
Longevity at age 65 for future pensioners:		
- Men	**24.3 years**	24.3 years
- Women	**26.9 years**	26.9 years
Financial assumptions:		
Rate of increase in pensions	**2.4%**	2.8%
Rate of increase in salaries	**4.3%**	4.6%
Rate for discounting scheme liabilities	**3.2%**	4.3%

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%)	11%	7,028
Longevity (1 year increase or decrease in member life expectancy)	3%	1,979
Rate of increase in salaries (increase or decrease by 0.5%)	3%	2,125
Rate of increase in pensions (increase or decrease by 0.5%)	7%	4,756

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 paying £1,012k expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years for 2014/15 (18.9 years 2013/14).

Note 36 Contingent Liabilities

Property Searches

A group of Property Search Companies have claimed 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 £45K and this sum has been accrued into the Comprehensive Income and Expenditure Statement for 2014/15. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Note 37 Contingent Assets

Claims against HMRC for the refund of VAT:

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

- VAT on Car Parking Charges: The Council has outstanding claims against HMRC for VAT which has been paid in respect of off-street car parking charges, but which may be refunded to the Council pending the outcome of a joint legal test case begun in 2006 by four local authorities (the Isle of Wight Council, West Berkshire Council, Mid-Suffolk District Council and South Tyneside Metropolitan Borough Council). The matter has been referred to the High Court, having previously been considered by the VAT and Duties Tribunal and the European Court of Justice. The case is now back with the UK Tribunal and we await the outcome. The value of claims to date is £625,884 covering the period February 2006 to March 2015. There is a potential for future on-going reductions in VAT payments to the value of about £90k per annum. In addition if the claim is successful interest would also be due from HMRC.

- VAT on Sports and Leisure Activities: Following on from the House of Lords ruling on the Fleming and Conde Nest claims, the Council has submitted further claims against HMRC for the refund of overpaid VAT on sports tuition for the periods 1978 to 1989 and 1996 to 2008. These claims are currently being stood behind the outcome of similar claims submitted by Leeds City Council and other local authorities in the UK. The claims are considered to be highly speculative, but if successful could result in a refund of up to £228,416.

- VAT Compound Interest Claim: A High Court decision in the Cars "Group Litigation Order" (GLO) indicated that, in certain circumstances, compound interest may be claimed from HMRC where VAT has previously been overpaid as a result of HMRC error. This matter is currently subject to consideration by the Court of Appeal. A claim has been lodged by the Council following refunds received under the Fleming case which is waiting to be heard by the High Court. The outcome of these claims is difficult to predict, but based on overpayments already refunded by HMRC the estimated value of the Council's claim is in the region of £167,970. The latest case ruling on the matter (Littlewoods plc) gave a very supportive Judgment by LJ Arden.

Note 38 Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have the funds available to meet its commitments to make payments;
- Market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices, foreign currency exchange rates, etc. and stock market movements.

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

Credit Risk

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

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

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

Institution	Credit Rating Short Term (Fitch Moody's S&P)	Credit Rating Long Term (Fitch Moody's S&P)	CDCM Maximum Investment Investment £M	Internally Managed Maximum Investment £M
UK Clearing Banks	F1+, F1 or F2 P1 or P2	AAA to BBB* Aaa to Baa2*	6	2
Lloyds/Bank of Scotland (Part Government Owned)	AAA, AA, or A	AAA to BBB*	7	3
UK Building Societies (The Top 10 & £1bn Assets)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2
UK Building Societies (from Top 11 downwards &	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1
UK Clearing Bank Subsidiaries	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2
Other UK Banks (with links to overseas banks)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1
Overseas Banks	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	3	0
Local Authorities	N/A	N/A	7	3
Debt Management Office	N/A	N/A	Unlimited	Unlimited

*BBB+ or BBB rated institutions used only following consultation between the Head of Resources and Performance and the Portfolio Holder Resources & Performance.

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

	Amount at 31 March 2015 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2015 %	Estimated maximum exposure to default and uncollectability at 31 March 2015 £000s	Estimated maximum exposure at 31 March 2014 £000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	**28,803**	1.167	0.567	**16,331**	**13,050**

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

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

Of the £712k total debt outstanding at 31 March 2015, £99k has exceeded its due date for payment, and is analysed by age as follows:

	2014/15 £000	2013/14 £000
Less than three months	**60**	230
Three to six months	**8**	5
Six months to one year	**12**	7
More than one year	**19**	8
	99	250

Liquidity Risk

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

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	2014/15 £000	2013/14 £000
Less than one year	**2,447**	1,489
Between one and five years	**0**	0
More than five years	**4,000**	4,000
	6,447	5,489

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

Market Risk - Interest Rate Risk

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

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

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

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

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

As the Council did not have any variable rate investments during 2013/14, there would have been no effect on its interest income had interest rates been either 1% higher or lower.

Market Risk - Price Risk

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

The share holdings represent the participation in ARP Trading Limited. See Note 32 – Related Parties for further information.

Market Risk - Foreign Exchange Risk

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

Small Shops, Mildenhall

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.

	2014/15			2013/14		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Income						
Income Receivable						
Council Tax receivable	(25,525)	0	**(25,525)**	(24,674)	0	**(24,674)**
National Non-Domestic Rates receivable	0	(22,265)	**(22,265)**	0	(21,497)	**(21,497)**
Transitional Protection receivable	0	15	**15**	0	175	**175**
Repayment of previous years deficit						
Forest Heath District Council	0	(145)	**(145)**	(26)	0	**(26)**
Central Government	0	(181)	**(181)**	0	0	**0**
Suffolk County Council	0	(36)	**(36)**	(134)	0	**(134)**
Suffolk Police Authority	0	0	**0**	(20)	0	**(20)**
Total Income	**(25,525)**	**(22,612)**	**(48,137)**	**(24,854)**	**(21,322)**	**(46,176)**
Expenditure						
Apportionment of previous years surplus						
Forest Heath District Council	1	0	**1**	0	0	**0**
Central Government	0	0	**0**	0	0	**0**
Suffolk County Council	6	0	**6**	0	0	**0**
Suffolk Police Authority	1	0	**1**	0	0	**0**
	8	**0**	**8**	**0**	**0**	**0**
Precepts						
Forest Heath District Council	3,625	8,563	**12,188**	3,477	8,641	**12,118**
Central Government	0	10,704	**10,704**	0	10,802	**10,802**
Suffolk County Council	18,466	2,141	**20,607**	18,117	2,160	**20,277**
Suffolk Police Authority	2,734	0	**2,734**	2,682	0	**2,682**
	24,825	**21,408**	**46,233**	**24,276**	**21,603**	**45,879**
Charges to the Collection Fund						
Write-off of uncollectable amounts	112	14	**126**	188	106	**294**
Increase/(Decrease) in Bad Debts Provision	54	101	**155**	18	54	**72**
Increase/(Decrease) in Appeals Provision	0	324	**324**	0	401	**401**
Cost of Collection	0	90	**90**	0	91	**91**
Renewal Energy Income retained by Council	0	55	**55**	0	0	**0**
	166	**584**	**750**	**206**	**652**	**858**
(Surplus) / Deficit for the year	**(526)**	**(620)**	**(1,146)**	**(372)**	**933**	**561**
Fund balance as at 1 April	**(24)**	**933**	**909**	**348**	**0**	**348**
(Surplus) / Deficit carried forward	**(550)**	**313**	**(237)**	**(24)**	**933**	**909**

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	**6,472**	**2,406**
Band B	between £40,001 and £52,000	**9,664**	**5,196**
Band C	between £52,001 and £68,000	**5,820**	**3,504**
Band D	between £68,001 and £88,000	**3,936**	**2,445**
Band E	between £88,001 and £120,000	**1,875**	**1,385**
Band F	between £120,001 and £160,000	**682**	**749**
Band G	between £160,001 and £320,000	**426**	**623**
Band H	over £320,000	**54**	**84**
Council Tax Base		**28,929**	**16,392**

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 £1,514.46 (2013/14 £1,509.53).

Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 48.2p in 2014/15 (46.2p in 2013/14) and 47.1p for small businesses in 2014/15 (47.1p in 2013/14) 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. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government and Suffolk County Council. The new system also allows for pooling arrangements whereby a larger proportion of business rates collected are retained locally. Forest Heath is a member of the Suffolk Business Rate Pool.

The total non-domestic rateable value for the Council's area at 31st March 2015 was £52,879,140 (31st March 2014: £52,874,333).

Note C3 Precepts and Demands

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

	2014/15 Precept/Demand £000	Share of balance 31 March 2015 £000	2014/15 Total £000	2013/14 Total £000
Council Tax				
Suffolk County Council	18,466	(409)	**18,057**	18,099
Suffolk Police Authority	2,734	(60)	**2,674**	2,679
Forest Heath District Council	3,625	(80)	**3,545**	3,474
	24,825	**(549)**	**24,276**	**24,252**
NNDR				
Suffolk County Council	2,141	31	**2,172**	2,253
Central Government	10,704	156	**10,860**	11,268
Forest Heath District Council	8,563	126	**8,689**	9,015
	21,408	**313**	**21,721**	**22,536**

Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

II Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Authority's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

III Deferred Income

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

IV Cash and Cash Equivalents

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

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

V Exceptional Items

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

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

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

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

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

VII Charges to Revenue for Non-Current Assets

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

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

The Authority is not required to raise council tax to fund depreciation, revaluation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by this revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. This provision is referred to as Minimum Revenue Provision.

VIII Employee Benefits

Benefits Payable during Employment

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

For 2013/14 and 2014/15 the Council has determined that such an accrual is not material to the accounts.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered by Suffolk County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Pension Scheme

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

- The liabilities of the Suffolk County Council pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The rate employed for the 2014/15 accounts is the yield available on long dated, high quality corporate bonds, as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years index at the IAS19 valuation date, amended to allow for the different durations of bonds and liabilities.
- The assets of the Suffolk County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the relevant service cost area
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Suffolk County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

IX Events After the Balance Sheet Date

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

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

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

X Financial Instruments - Financial Liabilities

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

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

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

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

XI Financial Instruments - Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

Available-for-Sale Assets

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

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

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

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

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

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

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

XII Government Grants and Contributions

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

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

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

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

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

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

XIII Heritage Assets

Tangible and Intangible Heritage Assets

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

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

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

Statues and Monuments

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

Civic Items

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

Other Heritage Assets

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

Heritage Assets – General

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

XIV Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

XV Interests in Companies and Other Entities

The Council has an interest in ARP Trading Limited that has the nature of a Joint Venture and it requires the Council to prepare group accounts. As the amounts involved are not material, however, group accounts have not been prepared. Within the Council's own single entity accounts, the interest in this company is recorded as a Long Term Investment at market value.

XVI Inventories

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

XVII Investment Properties

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

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

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

XVIII Joint Operations and Jointly Controlled Assets

Joint operations are activities undertaken by the Authority in conjunction with other partiess that involve the use of the assets and resources of the parties rather than the establishment of a separate entity.

This Council has a joint operation, not an entity, with the districts of Breckland, East Cambridgeshire, St Edmundsbury, Fenland, Suffolk Coastal and Waveney, through the Anglia Revenues Partnership Joint Committee. In accordance with the Code the Council has accounted for its share of the income and expenditure within its own single entity accounts.

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

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

XIX Leases

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

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

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

The Authority as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

XX Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SeRCoP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

XXI Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- Infrastructure, community assets and assets under construction - depreciated historical cost;
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH); and
- All other assets - fair value, determined the amount that would be paid for the asset in its existing use (existing use value -EUV).

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

Assets included in the Balance Sheet at fair value are revalued 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 an impairment loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

<u>Donated Assets</u>

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

<u>Minimum Revenue Provision:</u>

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

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

XXII Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XXIII Reserves

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

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

XXIV Revenue Expenditure Funded from Capital under Statute

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

XXV VAT

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

West Suffolk Annual Governance Statement 2014/15

Summary
There is a requirement for local authorities to prepare and publish a governance statement. The statement is a backward-looking document produced annually which reports on the extent to which local authorities comply with their own corporate code of governance, how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

1. Introduction and Scope of Responsibility

1.1 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.

1.2 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, and that public money is safeguarded and properly accounted for as well as being used economically, efficiently and effectively.

1.3 The councils

- have put in place proper governance of affairs;
- facilitate secure continuous improvement of their functions;
- manage risk effectively; and
- secure continuous improvement of their functions.

1.4 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 councils' website).

2. The Governance Framework

2.1 This section describes the key elements of the West Suffolk governance arrangements in 2014/15 using CIPFA's Delivering Good Governance in Local Governance Framework 2012.

2.2 **Identifying and communicating the authorities' vision of its purpose and intended outcomes for citizens and service users**

- The West Suffolk Strategic Plan and Medium Term Financial Strategy for 2014-16 set out the councils' vision, objectives and proposed projects and actions. When published in 2014, the documents were shared with partners, community groups, parish and town councils and other stakeholders, as well as being proactively communicated to staff.

2.3 **Reviewing the authorities' vision and its implications for the authorities' governance arrangements**

- During the development of the 2014-16 Strategic Plan and Medium Term Financial Strategy, the councils developed six themes which set out how they would work in order to deliver the vision, as follows. Some of these have required new forms of governance, as described later in this document:
  - Aligning resources to both councils' new strategic plan and essential services;
  - Continuation of the shared service agenda and transformation of service delivery;
  - Behaving more commercially;
  - Considering new funding models (e.g. acting as an investor);
  - Encouraging the use of digital forms for customer access; and
  - Taking advantage of new forms of local government finance (e.g. business rate retention).

2.4 **Translating the vision into objectives for the authorities and their partnerships**

- The Strategic Plan and Medium Term Financial Strategy are supported by three major strategies that expand on the councils' vision in three priority areas: economic development, housing, and families and communities. These documents set out how the councils will work in partnership to deliver the following objectives:
  - Increased opportunities for economic growth;
  - Resilient families and communities that are healthy and active; and
  - Homes for our communities

2.5 **Measuring the quality of services for users, ensuring they are delivered in accordance with the authorities' objectives and that they represent the best use of resources and value for money**

- The councils' performance management system monitors and records performance across all service areas. Regular reports are made to the councils' leadership team and to Performance and Audit Scrutiny Committees. These reports consider how the councils' resources are being used to deliver outcomes for residents and other partners.

- During 2014/15, work began on a new approach to performance management using a "balanced scorecard". The new system will use a range of information sources to build a complete picture of the councils' performance including budget and staffing information, risk, records of transactions and works completed, project milestones and customer feedback. The "balanced scorecard" is a flexible tool enabling the councils to use a single system to support the performance management at both operational and strategic levels.

2.6 **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

- The councils' constitutions define and document the roles and responsibilities of members, the Leader, the Mayor (SEBC only) and Cabinet; set out rules of procedure and codes of conduct defining the standards of behaviour for members and staff; and set out a clear framework of delegation to officers. In March 2015, a revised set of articles and procedure rules were adopted following a review that updated, simplified and harmonised the arrangements. Work is ongoing to review other areas of the constitutions.

2.7 **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

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

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

- West Suffolk staff work to four core values which establish clear expectations around acceptable behaviours, regardless of role;
  - Bold – be brave, drive the future;
  - Energy – have the positive and energetic drive to create opportunities;
  - Responsibility – take ownership for delivering a professional service with honesty and clarity; and
  - Together – work as one, delivering for all.

- The first round of performance reviews carried out under the new system and using these values was carried out in October 2014.

- The West Suffolk staff disciplinary and capability procedure, adopted in 2014 sets out how poor behaviour will be addressed.

2.8 **Reviewing the effectiveness of the authorities' decision-making framework, including delegation arrangements, decision-making in partnerships and robustness of data quality**

- The Constitutions set out how the councils operate and the process for policy and decision-making. The Constitutions are published on the West Suffolk website.

- All formal meetings of the councils are clerked by Democratic Services staff with members required to make decisions based on written reports. The reports must pay due regard to legal, staffing, financial implications and risks / opportunities.

- The reports and minutes of meetings are published on each council's website, unless properly restricted from public access by law. The councils implemented the 'modern.gov system' during 2014/15 to facilitate committee reporting. There are opportunities for members of the public to ask questions at council meetings

- The councils have a single Data Quality Policy. We publish our equality data in line with the requirements of the Equality Act 2010.

- A new financial management system was implemented early in 2014/15. As well as achieving automation for key transactional services, and standardisation and cost savings for the two authorities it has provided the platform for increased transparency of information, providing the data needed to support decision-making. Development work continues during 2015/16 on the new financial management system to release its full potential for West Suffolk.

2.9 **Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

- The councils' risk management framework includes a suite of tools to support the identification, appraisal, recording and mitigation of risks. In 2014/15, initial work began to review and update these arrangements through discussions with officers. The new framework will be further developed and considered in 2015/16.

- During 2014/15 a West Suffolk Strategic Risk Register and toolkit were adopted following scrutiny at a Joint Performance and Audit Scrutiny Committee meeting.

- During the course of 2015/16, the Strategic Risk Management Group continued to review and update the strategic risk register on a quarterly basis, with a strategic risk update report received quarterly by Performance and Audit Scrutiny Committee.

2.10 **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

- The West Suffolk Anti-Fraud and Anti-Corruption Policy was approved and adopted within 2014/15. The new policy, which includes material on tackling social housing fraud, was published on the intranet and website. Tackling fraud and corruption in the administration of revenues and benefits for West Suffolk is also covered in the Anglia Revenues and Partnerships anti-fraud policy.

- An annual report is published which summarises the work that has taken place during the year to prevent and detect fraud, theft and corruption. This report shows the councils' commitment to minimising the risk of theft, fraud and corruption and to deter any would-be fraudsters.

2.11 **Ensuring effective management of change and transformation**

- The Leadership Team (Chief Executive, Directors and Heads of Service) is a small strategically-focused team, consisting of the first two levels of management in West Suffolk. This group is responsible for leading change in West Suffolk. The Chief Executive is also a member of the Suffolk Chief Executives Group and the Leaders are members of Suffolk Public Sector Leaders, both of whom oversee change across the whole of the Suffolk "system", including through the £3.35m Transformation Challenge Award funding which was secured by Suffolk in November 2014.

- In 2014/15 a third tier of managers at service manager level was created who deputise for their heads of service and are responsible for the day-to-day operations of their service areas. The service manager level will also encourage greater cross-boundary working, enabling a consistent approach to programme management and service delivery across West Suffolk.

- Both councils support the delivery of change, transformation and improvement by focusing on key priorities and deploying a range of approaches and resources to support the identification and delivery of opportunities to improve quality and transform services to meet these. These include carrying out business process reviews with a view to transforming the ways in which services are delivered through analysing processes and implementing major change projects.

- To manage the large programme of change projects a Programme Manager has been appointed. A Programme Group has also been put in place which brings together Service Managers to review and monitor all aspects of project development, delivery and management of projects across the West Suffolk councils. Revised project governance arrangements are being introduced from April 2015 to ensure all projects are logical, robust and well thought through. In addition, a temporary Project Manager post was appointed to in 2015/16 to further support major projects.

- A Business Partner model for support services has been created with the model designed to add value and provide support and expertise to all service areas and the project team.

2.12 **Ensuring the authorities' financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact**

- The Head of Resources and Performance is the Section 151 Officer for the purposes of satisfying the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the councils on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

- The financial management arrangements of West Suffolk conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations.

2.13 **Ensuring the authorities' assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact**

- The councils' assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

2.14 **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

- The Service Manager (Legal) is the Monitoring Officer and is responsible for the administration of the councils' political management structures, including ensuring that the councils have acted lawfully and that agreed standards have been met.

2.15 **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

- The responsibilities of the Head of the Paid Service for both councils rest with the Chief Executive, who is responsible for the overall corporate and operational management of West Suffolk.

2.16 **Undertaking the core functions of an audit committee, as identified in CIPFA's publication 'Audit Committees: Practical Guidance for Local Authorities'**

- The Performance and Audit Scrutiny Committees act as the councils' Audit Committees and have specific responsibility for scrutinising the Statement of Accounts, risk management, performance management, audit arrangements, the Annual Governance Statement and budgetary control and monitoring.

2.17 **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- The Monitoring Officer advises management on new legislation and compliance with the Constitutions. She will also use her statutory powers to report to Full Council where there has been non-compliance with legislation or with the councils' own procedures.

- Within service areas, staff monitor the introduction of legislation specific to their area of work, for example changes to planning fees or new food safety regulations. Where legislation has a corporate or cross-cutting effect, Legal Services and the Corporate Policy Team will generally co-ordinate dissemination of information and training, for example through the weekly policy alerts which are collated by the Corporate Policy Team and shared with staff and Members.

- Policies and procedures governing the councils' operations include both Financial and Contracts Procedure Rules.

- It is the role of the councils' Internal Audit section to review, appraise and report on the effectiveness and efficiency of the system of internal control, risk management and governance and how these arrangements are operating. This is achieved by undertaking audit work across the councils' functions in accordance with a risked-based Audit Plan. Annually, the Internal Audit Manager drafts a report for presentation at the Performance and Audit Scrutiny Committee which includes his opinion on the adequacy and effectiveness of the councils' risk management systems and internal control environment.

2.18 **Whistleblowing and receiving and investigating complaints from the public**

- The councils have a Joint Whistleblowing Policy, a copy of which is available on both the website and intranet. It applies to all officers, contractors, partners and those supplying goods and services to the councils.

- The councils have a formal complaints, compliments and comments procedure which allows the public to make complaints regarding the service received from the councils.

- Complaints Co-ordinators within services handle and record complaints, compliments and comments, which are reported twice a year to the Performance and Audit Scrutiny Committees.

2.19 **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

- Staff training needs are identified through performance reviews and regular dialogue between staff and line management.

- The councils provide a number of corporate training courses each year, and staff have access to individual training and development opportunities. Leadership Team have a small number of 'development sessions' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

- Leadership Team, service managers and business partners were involved in a 'Go Make a Difference' accelerated change programme during 2014/15. The programme looked at outcomes to increase collaborative working, better strategic thinking and structured planning.

- The councils' shared approach to member development was recognised nationally during 2014/15 as Forest Heath and St Edmundsbury became the first shared services partnership to receive joint accreditation of the Charter for Elected Member Development. The team of assessors praised West Suffolk for its comprehensive member development programme, our next generation leadership development, as well as our culture change journey.

- Annually, Members can identify their own priorities for improvement via Training Needs Analysis. The Member Development Programme is then implemented by the Joint Member Development Group, supported by the Learning and Development team. In addition, a range of skills workshops and discussion sessions have taken place aimed at front-line (non-executive) members.

2.20 **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- West Suffolk engages routinely with residents, community groups, businesses, organisations, Members and staff on a range of matters using a variety of different mechanisms. Our approach is outlined in 'West Suffolk Works - a strategic direction for communications' which also sets out the need for setting communications objectives and evaluation.

- Our approach includes the use of social media tools to provide new avenues of interaction with the public.

- The new West Suffolk website was introduced in 2014/15. The website features a clear layout that makes it quicker and easier for customers to apply for things, report issues, make payments or find out information. The website's Open Data pages include a range of datasets that describe the councils' business, including all of those required by the Government's Code of Practice on Local Government Transparency.

- Communication and consultation with staff is carried out through staff briefings, team meetings, and the intranet and through formal consultation with Unison.

2.21 **Enhancing the accountability for service delivery and effectiveness of other public service providers**

- As well as shared services the councils use a variety of service delivery models, and are involved in a number of partnership arrangements, for example with our registered housing providers, leisure trust, Anglia Revenues Partnership and the councils' home improvement agency.

- The arrangements are governed by contractual or partnership management agreements, for example:

  - In respect of the Leisure Trust as well as day-to-day contact, and annual negotiations regarding the management fee, there are quarterly or bi-annual meetings between the chair and vice-chair of Abbeycroft and the two cabinet members, plus officers of both organisations, to look at performance.

  - For the Anglia Revenues Partnership there is a Joint Committee which has formal delegation from the seven partner councils. The Committee approves the Delivery Plan and annual budget annually along with monitoring and reviewing performance against the Delivery Plan.

2.22 **Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities' overall governance arrangements.**

- 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.

3. Review of effectiveness

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

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

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

3.3 The Internal Audit team is responsible for giving assurance to members, the Head of Paid Service, s151 Officer, Leadership Team and the Performance and Audit Scrutiny Committees on the design and operating effectiveness of the councils' risk and internal control arrangements.

3.4 Based upon the audit work undertaken during the financial year 2014/15, as well as assurances made available to the council by other assurance providers, the Service Manager (Internal Audit) 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, are 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.

3.5 The councils are 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.

3.6 As part of their approach to sector-led improvement the Local Government Association (LGA) offered the opportunity for forward-looking, improvement-orientated peer challenge to councils. A challenge was carried out across West Suffolk during late 2013 and early 2014 with the report issued in April 2014. The challenge found that despite massive changes which had seen the two councils move to having one chief executive and a slimmed down management structure, the levels of service to residents, businesses and other customers, had been maintained. In addition, they praised the amalgamation of staff to save cash and backed the councils' plans to behave more commercially in order to benefit taxpayers. They also found that together the two councils were in a much stronger financial position than other authorities. Following the receipt of the final report from the LGA, Leadership Team developed an action plan to address the areas for improvement identified by the process.

4. Significant governance issues

4.1 In determining the significant issues to disclose, the councils have considered whether issues have:

- 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 Service Manager (Internal Audit) 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.

4.2 Although not regarded as a significant governance issue, during 2014/15 additional resources were deployed into the councils' planning and regulatory services following a review of staff changes and increased development control and enforcement work volumes. Performance has noticeably improved during 2014/15, however mainly due to statutory changes to charging for permitted developments and the timing of some large planning applications at the year end, the service reported an overspend for 2014/15. This overspend was forecasted during the second half of the year and has been regularly reported through the Performance and Audit Scrutiny Committee. The service continues to be monitored closely during 2015/16.

5. Focus for 2015/16

5.1 Like all local authorities, Forest Heath and St Edmundsbury Councils are influenced by national government policy, funding and spending announcements. Both continue to operate within a context of significant change both nationally and locally which represent significant challenges. Strong governance arrangements are needed to support the number and scale of challenges being faced.

5.2 During 2015/16 a number of key governance areas are planned to be improved and embedded into West Suffolk in support of the changing world of local government, a number of which have already been referred to throughout this document. These areas include:

- our performance and risk management frameworks, ensuring we have the right tools in place to support our increased focus on service and strategic performance and risk management;
- revised project governance arrangements, ensuring all projects are logical, robust and well thought through;
- development work on the new financial management system, releasing its full potential for West Suffolk and recognising the importance of financial data, its availability and reporting abilities;
- continuation of the councils' business process re-engineering programme, ensuring our systems and processes are fit for purpose and deliver against our customer target operating model; and
- our business partner model, ensuring we have the necessary skills and capacity in the right places at the right time to support the delivery of our strategic objectives.

5.3 Nationally, Suffolk is respected as a place for innovation, collaboration and delivery. This credibility was endorsed in November 2014 by the Department for Communities and Local Government's award of £3.35 million Transformation Challenge Award (TCA) funding. The principles of the TCA bid are based on long term, transformational change whereby public services become more integrated and able to provide sustainable models of support for those most in need whilst delivering the spending reductions that will be required over the next ten years. At the heart of Suffolk's TCA proposal is more integrated working between Suffolk's public sector partners. This will require fresh approaches to governance.

5.4 There has been significant debate nationally with support for different governance arrangements between central government and local areas including more powers to be devolved locally to make decisions and use funding based on local needs and opportunities. Suffolk's public sector leaders are at the forefront of devising a solution to devolving power to areas outside the big cities. They will be approaching Government in the autumn to discuss what a "deal" for Suffolk might look like. Any new arrangements would mean a change to West Suffolk's current governance structures.

5.5 A key theme running through the work needed to deliver the councils' outcomes is 'behaving more commercially' with the councils no longer able to behave in all areas as if they are monopoly providers of services, as this is no longer sustainable in the current or future funding climate. We will look to adopt commercial behaviours in a number of areas of council business with a Corporate Commercial Manager service manager post having been created to drive forward the initiative to increase the generation of income.

5.6 Both councils have a long tradition of investing in their communities and will look to continue to do so, in support of the delivery of strategic priorities, in particular to aid economic growth across West Suffolk. However, depleting capital and revenue reserves and increased pressure on external funding mean that both councils will need to consider investing away from the traditional funding models such as using its own reserves. Focus may instead be on the use of making loans, securing the return of the council's funds; joint ventures, sharing the investment required; or borrowing, introducing new funds into both councils.

6. Assurance by Chief Executive and Leader of the Council

We approve this statement and confirm that it forms the basis of the councils' governance arrangements and that these arrangements will be monitored and strengthened in the forthcoming year as described above.

Signed:

James Waters
Leader of the Council

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Auditors Report

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

Opinion on the Authority's financial statements

We have audited the financial statements of Forest Heath District Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Chief Financial Officer's Responsibilities set out on page 9, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Forest Heath District Council as at 31 March 2015 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 2014/15.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Auditors Report

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Forest Heath District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

Glossary

Accounting Code of Practice

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

Accounting Period

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

Accruals

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

Actuarial Gains and Losses

Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are reflected in the Pensions Reserve in the Balance Sheet.

Actuarial Valuation

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

Actuary

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

Amortised Cost

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

Asset

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

Assets held for Sale

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

Glossary

Balance Sheet

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

Budget

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

Business Rate Retention Scheme

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

Capital Expenditure

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

Capital Financing

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Chief Financial Officer (CFO)

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

Code of Practice on Local Authority Accounting in the United Kingdom

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

Council Tax Freeze Grant

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

Creditors

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

Contingent Liabilities

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

Debtors

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

Defined Benefit Pension Scheme

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

Deminimis

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

Depreciation

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

Donated Asset

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

Employee Benefits

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

External Auditor

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

Exit Package

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

Fair Value

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

Financial Instruments

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

Financial Timetable

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

Formula Grant

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

1. A needs assessment – Relative Needs Formulae (RNF) – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes account of characteristics such as population and social structure

2. A resources element – relative resources amount – takes account of the different capacity of different areas to raise income from council tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities

3. A central allocation which is the same for all local authorities delivering the same services

4. A floor 'damping block' in order to give every local authority a minimum grant increase. Grant increases to other councils in the same class are scaled back to pay to bring all local authorities up to the appropriate floor increase.

Governance

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

Grants and Contributions

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

Heritage Assets

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

International Accounting Standard (IAS)

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

International Financial Reporting Standards (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

Joint Arrangement that is not an entity (JANE)

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

Joint Venture

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

Local Authority Scotland Accounts Advisory Committee (LASAAC)

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

Liability

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

Long Term Borrowing

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

Materiality

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

New Homes Bonus

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

Non-Current Assets

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

Pension Schemes

1. Retirement Benefits

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

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

2. Scheme Liabilities

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

Revenue Expenditure and Income

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

Revenue Support Grant

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

Section 106 Contributions

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

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

Section 151 Officer

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

Senior Officer

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

a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;

b) the head of staff for a relevant body which does not have a designated head of paid service; or

c) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

SOLACE (Society of Local Authority Chief Executives)

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

Termination Benefits

Employee benefits payable as a result of either:

a) an entity’s decision to terminate employment before the normal employment date, or

b) an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Further Information

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

Main Office

District Offices
College Heath Road
Mildenhall
Suffolk
IP28 7EY

Telephone:	01638 719000
Fax:	01638 716493
Website:	www.westsuffolk.gov.uk
Email:	customer.services@westsuffolk.gov.uk

Brandon Office

The Brandon Centre
Bury Road
Brandon
Suffolk
IP27 0BQ

Newmarket Office

63 The Guineas
Newmarket
Suffolk
CB8 8HT

Forest Heath District Council Offices, Mildenhall

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Performance and Audit Scrutiny Committee

Forest Heath
District Council

Title of Report:	**Delivering a Sustainable Budget 2016/17**	
Report No:	**PAS/FH/15/025**	
Report to and date/s:	**Performance and Audit Scrutiny Committee**	24 September 2015
	Cabinet	27 October 2015
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance **Tel:** 01638 660518 **Email**: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Head of Resources and Performance **Tel:** 01638 719245 **Email:** rachael.mann@westsuffolk.gov.uk	
Purpose of report:	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2016/17.	
Recommendation:	**It is <u>RECOMMENDED</u> that members:** 1) **<u>Note</u>** the budget assumptions and timetable, along with the progress made to date on delivering a balanced budget for 2016-2017. 2) Recommend to Cabinet the **inclusion of the proposals**, as detailed in Section 5 and Table 2 at Paragraph 5.1 of this report.	
Key Decision: *(Check the appropriate box and delete all those that **<u>do not</u>** apply.)*	*Is this a Key Decision and, if so, under which definition?* Yes, it is a Key Decision - ☐ No, it is not a Key Decision - ☒	

Consultation:	• PAS/FH/14/008 - Delivering a sustainable Budget 2015-2016 and Budget Consultation Results
Alternative option(s):	• Not applicable

Implications:

*Are there any **financial** implications? If yes, please give details*	Yes ☒ No ☐ As detailed in the body of this report
*Are there any **staffing** implications? If yes, please give details*	Yes ☒ No ☐ As detailed in the body of this report
*Are there any **ICT** implications? If yes, please give details*	Yes ☐ No ☒
*Are there any **legal and/or policy** implications? If yes, please give details*	Yes ☐ No ☒ The Local Government Finance Act 1988 (Sc 114) - requires the chief finance officer to report to councillors if there is or is likely to be an unbalanced budget.
*Are there any **equality** implications? If yes, please give details*	Yes ☐ No ☒ To be considered as part of implementation of service changes
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)
	Low/Medium/ High*		Low/Medium/ High*
Savings projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low
The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse Changes in the assumptions, i.e provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low

Ward(s) affected:	All Wards
Background papers: *(all background papers are to be published on the website and a link included)*	COU/FH/15/004 Budget and Council Tax Setting 2015/16 CAB/FH/15/038 West Suffolk Strategic Plan and Medium Term Financial Strategy 2016-2020
Documents attached:	Appendix A – Budget Assumptions 2015/16 and across the MTFS

1. Key issues and reasons for recommendation(s)

1.1 The interaction between the West Suffolk Strategic Plan and West Suffolk Medium Term Financial Strategy (MTFS) is becoming increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of our limited resources.

1.2 Our MTFS document also sets out the approach that Forest Heath District Council will take to the sound management of its finances over the next four years 2016-2020.

2. Future budget pressure and challenges

2.1 Forest Heath continues to face considerable financial challenges as a result of increased cost and demand pressures and constraints on public sector spending. In this context, and like many other councils, we have to make difficult financial decisions

2.2 The MTFS 2014-2016, approved at Full Council on 27 February 2015 (Report COU/FH/15/004), sets out the current and future financial pressures and challenges facing Forest Heath.

2.3 Since February's Budget and Council Tax setting meeting, there have been a couple of significant budget pressures totalling approximately £370,000 that are expected to impact the Council for 2016/17, detailed below:

- An additional £183,500 budget impact (based on our share of £560,000 for West Suffolk) item around our waste services, in respect of;
  - Organic waste (brown bins) reduction in recycling credits from Suffolk County Council and increased tipping changes following contract changes - £162,500
  - Recycling tipping charges (blue bins) following contract changes - £21,000

- An additional £45,500 budget pressure item in respect of loss of building control income (based on our share of £130,000 for West Suffolk), recognising loss in market share – expected to resolve itself for 2017/18

- An additional £100,000 budget pressure in respect of loss of VAT shelter income through the VAT sharing arrangement with Flagship. This is due to changes in contract delivery by Flagship to an in-house provision where VAT is not due and therefore not recovered and shared

- An additional £41,000 budget pressure linked to the timing of the Sam Alper development in Newmarket. It was assumed in the February MTFS projections that units would be available for rent during 2016/17, it's now likely to be 2017/18.

3. Budget gap and budget assumptions

3.1 Taking these budget pressures into account, the total savings target for 2016/17 currently stands at £1.06 million.

Table 1: Budget gap for 2016/17-2018/19

	2016/17	2017/18	2018/19
Original budget gap (a year)	£688,000	£501,000	£314,000
Additional budget pressures	£370,000	-	-
Revised Budget gap (a year)	**£1,058,000**	**£501,000**	**£314,000**
Budget gap (cumulative)	**£1,058,000**	**£1,559,000**	**£1,873,000**

3.2 The July 2015 budget announcement and the communications that followed provided the below key messages on the future expected level of public sector finances:

- Unprotected Government departments (Local Government being one) have been asked to model up to 40% of savings within their resource budgets by 2019-20 in real terms.
- Local Government can expect to see the same levels of reductions in this Autumns comprehensive spending review as that experienced in the last comprehensive spending review period 2012-2016

3.3 Unfortunately there are limited details available at this stage on what the 2016/17 onwards settlement will mean to West Suffolk especially as there has been no formal consultation on grant distribution over the Summer.

3.4 It is important to note that there are limitations on the degree to which Forest Heath can identify all of the potential changes within its medium term financial projections. It is also important to remember that these financial models have been produced within a financial environment that is constantly changing and that they will be subject to significant change over time.

3.5 The medium term financial projections include a number of key budget assumptions as detailed in **Appendix A**. These key budget assumptions continue to be reviewed as more accurate information becomes available.

4.0 Methodology for securing a balanced budget 2016/17

4.1 The scale of financial changes that need to be made to ensure that Forest Heath's shared priorities can be delivered in 2016/17 is significant, especially as the projected £1.06 million budget gap for 2016/17 is on top of the savings delivered locally by the district over the years and the £4 million annual shared service savings already delivered across West Suffolk with St Edmundsbury Borough Council.

4.2 As a result, a considerable amount of work has already begun on identifying potential savings and income generation ideas in order to secure a balanced budget for 2016/17 and prepare for the medium term up to 2018/19.

4.3 In previous years, Forest Heath has addressed the need for financial savings by sharing the burden across all services. As with the 2015/16 budget process, rather than allocating a proportion of the £1.06 million savings to all areas of the council's business, the approach has been that the council's resources for 2016/17 should be allocated according to its strategic priorities. In practice, this will mean prioritising the projects, actions and themes outlined in the West Suffolk Strategic Plan for 2016-20, as well as the essential work that the council needs to do, including statutory functions.

4.4 The projects and actions relate to West Suffolk's three priority areas as set out in the Strategic Plan 2016-2020 recommended for approval at Full Council on 22 September (Cabinet Report number CAB/FH/15/038, Appendix A):

- increased opportunities for economic growth;
- resilient families and communities that are healthy and active; and
- homes for our communities.

4.5 The process of allocating resources according to priorities and essential services has helped to identify areas of the council's work which could either be scaled back or where further opportunities for the generation of income could be pursued. The process then focused on non-priority areas, and challenged whether the council should continue with the activities at all or in their current form, in order to ensure they provided value for money to council taxpayers.

4.6 The six themes within our MTFS 2016-2020 recommended for approval at Full Council on 16 September (Cabinet Report number CAB/FH/15/038, Appendix A), relate to areas of the West Suffolk councils' business which will support sustainability in a more financially constrained environment. The themes are:

- aligning resources to both councils' strategic plan and essential services;
- continuation of the shared service agenda and transformation of service delivery;
- behaving more commercially;
- encouraging more use of digital forms of customer access;
- taking advantage of new forms of local government finance (for example, business rate retention); and
- considering new funding models (for example, acting as an investor).

4.7 A significant number of the proposals outlined in section 5 are relatively straightforward to implement with minimal impact on service delivery as these items fall mainly in the categories of contract, supplies and service efficiencies, further shared service savings and income generation opportunities from making better use of council assets. However, other proposals require more detailed analysis in order to develop options and to provide clarity as to the potential savings/income.

5. Budget proposals for 2016/17

5.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the following proposals**, as detailed in **Table 2** below in order to progress securing a balanced budget for 2016/17.

Table 2: Budget proposals for 2016/17

Description	2016/17 £'000 Pressure/ (Saving)
Budget gap	**1,058**
Budget saving proposals	
Income generation - ARP bailiffs and trading company services	(27)
Income generation - Street Cleansing	(4)
Income generation – Further third party occupancy at College Heath Road offices	(10)
Income generation - Waste Services	(53)
Income generation – Internal Audit	(5)
Income generation/efficiencies – Use of Guineas Office Newmarket	(20)
Income generation/efficiencies – Use of Brandon Office	(9)
Budget assumption change - 1% for pay inflation	(30)
Budget assumption change for car parking to reflect current and future volumes in Newmarket	(23)
Business Process Re-Engineering - release of staffing capacity following efficiencies created through process redesign	(88)
Contract efficiencies including ICT supplies and services	(60)
Contract efficiencies through Facilities Management joint venture - part year savings	(8)
Further staffing changes including service changes and vacancy management	(47)
Mitigate Building Control overspend/reduction income through increasing market share, changes in fee levels	(46)
Reduction in Legal professional fees	(4)
Reduction in Leisure Trust Management fee - subject to negotiations with Abbeycroft Leisure	(50)
Review of previously unallocated grant funding	(51)
Supplies and services savings, including around 5% reduction on all supplies and services budgets	(52)
Continue with the Local Council Tax Support Grant level - phasing out by April 2017 (25% for 2016/17) – no financial impact as already budgeted	-
Remaining Budget Gap *	**471**

* Proposals for the remaining balance will be presented to this Committee in November 2015 as an update report. Meanwhile we believe there is still a considerable amount of work required for the 2016/17 budget to be achievable, as such a number of additional budget saving proposals will be considered as separate reports over the coming months through full council.

Local Council Tax Support Grant

5.2 Councillors will recall that back in July 2013 (report COU13/633) Forest Heath DC agreed to continue to support the District's town and parish councils in respect of the Council Tax Support Grant, introduced by the Government to help offset money towns and parishes could lose through council tax benefit changes. The Council Tax Support Grant is included but not ring fenced in the Government's overall funding to borough and district councils who must then decide whether, and how much, to pass on to town and parish councils.

5.3 In order to provide certainty to town and parish councils, Forest Heath provided town and parish councils with an agreed 4 year support plan which sees the Council Tax Support Grant, being gradually phased out with no payment from April 2017.

5.4 During the summer of 2014, Forest Heath committed to reviewing the level of support from April 2016 when we hoped for more financial information about the grant levels from the Government as well as taking into account other means of support provided by the District Council as part of its overall package of support to local communities.

5.5 The Council offers a range of other financial support to local communities within the District. These include the following:

- Locality budgets – Since the review announcement, both West Suffolk authorities have confirmed, as part of their 2015/16 budget setting process, that locality budgets will now form part of its base budget in the medium term. This funding pot equates to £67,500 per annum.
- Community Chest - A review of the distribution of grant funding led to the creation of a Community Chest for both councils. The funding equates to £185,240 for the District in 2016/17.

5.6 Section 3 of this report sets out the local and national financial picture. In the absence of any details of the government's financial plans the only alternative could be that Forest Heath awaits the 2016/17 local finance settlement announcement (likely to be late December following the November Budget announcement) and informs town and parish of their Council Tax Support Grant level for 2016/17 following that announcement. As its unknown what the announcement might contain there is a risk that the reduction in revenue support grant from central government is higher than currently planned.

5.7 In order to continue to provide certainty to Town and Parish Councils it is proposed that the current scheme continues so that the 2016/17 Council Tax Support Grant levels can be communicated to Town and Parish Councils as soon as possible so they can confirm that position within their financial plans. Many have commented to say their financial plans already allow for the phasing out of the grant and any increased reductions would have an impact on those plans and therefore certainty of the level is paramount.

6. Budget timetable

6.1 The table below outlines the timetable of budget information through the committees and to Full Council.

Table 3: Budget timetable

Task	Date
Performance and Audit Scrutiny Committee – consider 2016/17 budget proposals	24 September 2015
Cabinet to consider recommendations from Performance and Audit Scrutiny Committee – 24 September 2015	27 October 2015
Performance and Audit Scrutiny Committee Further progress report on 'Delivering a Sustainable Budget 2016/17'	25 November 2015
Council approval of the 2015/16 Tax Base including any Council Tax technical changes	9 December 2015
Council approval of Local Council Tax Reduction Scheme and Council Tax technical changes 2015/16	9 December 2015
2016/17 Budget and Council Tax Setting - Cabinet.	10 February 2016
2016/17 Budget and Council Tax Setting - Full Council.	24 February 2016

MTFS Assumptions	Forest Heath					
	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**Source**
General inflation	0.0%	0.0%	0.0%	0.0%	0.0%	Assumption to freeze annually , however comitted to reduce supplies and services by up to 5% for 2016/17
ICT Inflation	0.0%	3.0%	3.0%	3.0%	3.0%	Linked to a number of the Council's ICT contracts
Business Rates Inflation	0.0%	2.0%	2.0%	2.0%	2.0%	Inflation target
Specific contracts	2.0%	0.0%	0.0%	0.0%	0.0%	Inflation target
Fees and charges	2.0%	2.0%	2.0%	2.0%	2.0%	Inflation target
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%	Property services
Pay increase	2.2%	1.0%	1.0%	1.0%	1.0%	Government announcement, however West Suffolk is part of a Nationally negotiated scheme so could deviate from 1%
Employers pension contribution	24.7%	27.0%	30.0%	33.0%	36.3%	Suffolk County Council, 2019/20 has been estimated.
Vacancy savings	2.5%	2.5%	2.5%	2.5%	2.5%	Internal policy, linked to staff turnover rates
Transport fuel	5.0%	5.0%	5.0%	5.0%	5.0%	Fleet Management Services
Investment interest	1.7%	1.9%	2.25%	2.5%	2.5%	Treasury management advisors
Grant reduction as % of RSG - yr on yr	-24.0%	-24.0%	-28.0%	-33.4%	-50.1%	Pixar projections to 2017/18, remainder split 1/3 over 3 years
Total RSG £m	£ 1.287	£ 0.978	£ 0.704	£ 0.469	£ 0.234	Linked to above
RSG Reduction £m		£ 0.309	£ 0.274	£ 0.235	£ 0.235	Linked to above
Council tax increase	Subject to February 2016 Full Council meeting					February 2016 Council meetings.
Insurance premiums		3.0%	3.0%	3.0%	3.0%	Renegotiated contract during 2015/16, thereafter In line with contract with Insurance provider

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Performance and Audit Scrutiny Committee

Forest Heath District Council

Title of Report:	**Annual Corporate Environmental Performance 2014-2015**	
Report No:	**PAS/FH/15/026**	
Report to and date:	**Performance and Audit Scrutiny Committee**	24 September 2015
Portfolio holder:	James Waters Portfolio Holder for Planning and Growth **Tel:** 07771 621038 **Email**: james.waters@forest-heath.gov.uk	
Lead officer:	Peter Gudde Service Manager (Environment and Regulation) **Tel:** 01284 757042 **Email:** peter.gudde@westsuffolk.gov.uk	
Purpose of report:	To report the work undertaken during 2014-2015 to improve the environmental performance in West Suffolk.	
Recommendation:	**It is <u>RECOMMENDED</u> that the contents of the report be <u>noted</u>.**	
Key Decision: *(Check the appropriate box and delete all those that **<u>do not</u>** apply.)*	*Is this a Key Decision and, if so, under which definition?* Yes, it is a Key Decision - ☐ No, it is not a Key Decision - ☒	

Consultation:	• Not applicable
Alternative option(s):	• Not applicable
Implications:	
*Are there any **financial** implications?* *If yes, please give details*	Yes ☐ No ☒ •

*Are there any **staffing** implications? If yes, please give details*	Yes ☐ No ☒ •
*Are there any **ICT** implications? If yes, please give details*	Yes ☐ No ☒ •
*Are there any **legal and/or policy** implications? If yes, please give details*	Yes ☐ No ☒ •
*Are there any **equality** implications? If yes, please give details*	Yes ☐ No ☒ •
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)
Complying with environmental responsibilities	Medium *	Maintaining a managed approach to environmental compliance	Low
Improving performance	Medium	Maintaining a managed approach to drive improvement	Low

Ward(s) affected:	All Wards
Background papers: *(all background papers are to be published on the website and a link included)*	None
Documents attached:	Appendix A – West Suffolk Environmental Statement 2014-2015

1. Key issues and reasons for recommendation

1.1 Outline

1.1.1 Set out in this report and the supporting **Appendix A** is the Annual Environmental Statement covering environmental performance in 2014-2015. The Statement covers the operations both of Forest Heath District Council and St Edmundsbury Borough Council and the leisure trusts in West Suffolk in respect of energy and water consumption and renewable energy generation.

1.1.2 By delivering improved environmental performance across West Suffolk, the Councils continue to fulfil both their statutory and policy responsibilities set out in the West Suffolk Sustainability Strategy, and support for the shared strategic vision "*Working together, Forest Heath and St Edmundsbury Councils will support communities to create the best possible future for people in West Suffolk*."

1.2 Summary of key findings

1.2.1 Areas where progress was made across the two councils and associated leisure trusts during 2014-2015 include:

- Energy use has decreased by 7% since 2013 and by 15% compared to our 2010 baseline
- Water use across has reduced by 12% since last year and 27% compared to 2010
- Business passenger car travel reduced by 7% in Forest Heath compared to last year and 35% lower than our 2010 baseline
- Across both councils, our solar photovoltaic (PV) schemes continue to deliver around £118,000 of income/energy savings and 166 tonnes of CO_2 savings annually
- We installed a further 200kWp of solar capacity on our property
- We retained Green Flag status for four public parks.

1.2.2 In addition, our community focused environmental work includes:

- Working in partnership with all Suffolk local authorities, we successfully applied for £5.5 million to run an energy efficiency programme for Suffolk residents over 2014-2015
- We have helped 51 properties in West Suffolk secure external wall insulation at minimal cost to residents using Government eco-grants
- We have continued to support local businesses with grant funding for energy efficiency measures. To date, for a grant investment of £46,000 this programme is estimated to be saving local businesses over £50,000 and 210 tonnes CO_2 annually.

1.2.3 We faced challenges during the year. In particular, CO_2 emissions in Forest Heath increased by 3.6% compared to the previous year. Compared to our 2010 baseline, emissions have reduced generally by 12%. Much of the increase is despite energy use across both Councils in West Suffolk reducing by 7% since the previous year and can be explained by the increase in the amount of CO_2 emissions for each unit of electricity generated at power stations arising from the national grid electricity mix. This is outside of the control of the councils.

1.2.4 There are ongoing resource implications to deliver this work. These continue to be reviewed and considered in the light of the Council's Medium Term Financial Strategy.

1.2.5 Investment in energy and water efficiency and cutting waste is now standard practice across all business sectors and also plays a part in demonstrating a wider corporate social responsibility.

Appendix A

West Suffolk Environmental Statement 2014-15

Our commitment to Sustainability

Forest Heath District Council and St Edmundsbury Borough Council are working together to manage the effects that our activities have on the natural environment.

A range of priority themes have been identified which we wish to influence through our services at a local level and an action plan has been put in place to work towards achieving this.

The issues identified include :-

- Creating sustainable economic growth
- Energy conservation and renewable energy
- Affordable warmth
- Heath and well-being
- Housing
- Natural and heritage capital
- The built environment
- Travel
- Water resources
- Procurement
- Waste.

The West Suffolk Sustainability Strategy which incorporates our vision and objectives is available via www.westsuffolk.gov.uk.

Set out in the following pages is a snapshot of our performance to the year ending 31st March 2015.

Given the scope of this report, there is a significant amount of work which contributes to improving the environment carried out by us directly and with our partners which is not covered in this statement.

Cover image – Improving the habitat at Nowton Park by sheep grazing, Bury St Edmunds

Our environmental performance in 2014-15

The Councils continued working to improve environmental performance during the year. Areas where significant progress was made include:

- Energy use has decreased across our property portfolio by 7% since 2013 and by 16.7% compared to our 2010 baseline
- Water use across the two councils and associated leisure trusts has reduced by 12% since last year and 27% compared to 2010
- Our solar photovoltaic (PV) schemes continue to deliver around £118,000 of income/energy savings and 166 tonnes of CO_2 savings annually
- We installed a further 200kWp of solar capacity on our property delivering around £32,000 of income/savings and saving 30 tonnes of CO_2 savings annually
- We retained Green Flag status for four public parks.

In addition, our community-focused environmental work includes:

- continued support for the Suffolk Warm Homes Healthy People fuel poverty programme during winter 2014
- developing a long-term energy investment plan alongside our existing support for improved community energy efficiency. This forms the West Suffolk Councils' Community Energy Plan which will take effect from April 2015
- providing local businesses with our West Suffolk Greener Business Grant funding for energy efficiency measures. To date, for a grant investment of £47,500 this programme is estimated to be saving local businesses over £56,000 and 235 tonnes of CO2 annually.

We faced challenges during the year which caused our performance to fall below our targets. In particular, business passenger car travel increased by 1.5% compared to last year but remains 22% lower than our 2010 baseline.

More detailed performance against our objectives and targets is set out in the following pages.

Greenhouse gas emissions arising from Council activities

Target
Reduce greenhouse gas (CO_2e)[1] emissions by 60%[2]

Target date: 2025

Baseline year: 2010

Baseline (2010 recalculated June 2015):

Forest Heath St Edmundsbury	2,493 tonnes CO_2e 4,892 tonnes CO_2e

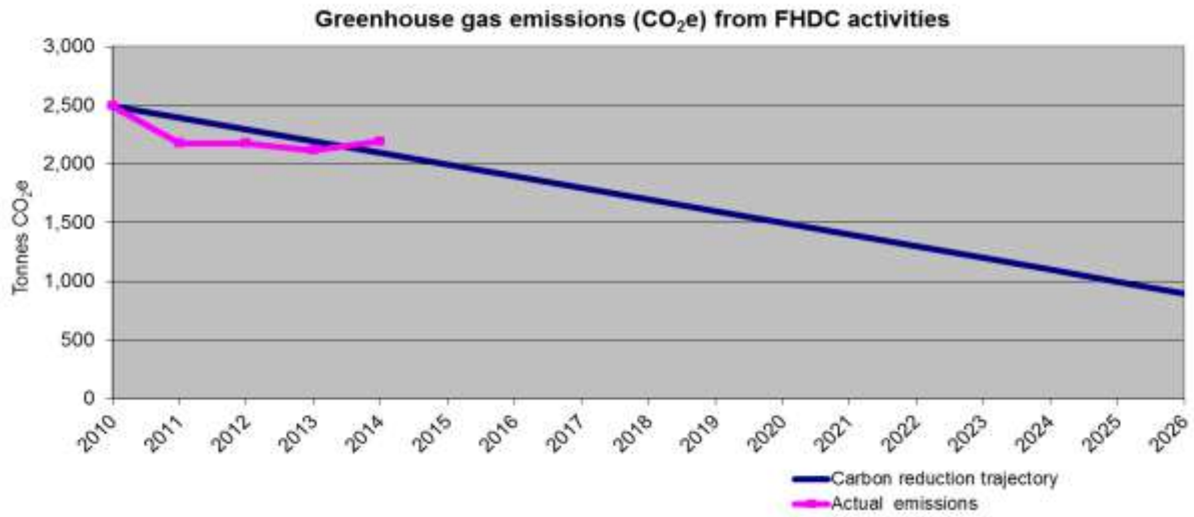
The footprint comprises of three components:

- Emissions from building heating (e.g. by gas or oil), business passenger car travel and any so-called "fugitive" emissions arising from sources other than from controlled combustion.
- Emissions arising from purchased electricity use.
- Business mileage by public transport and the embedded emissions associated with water use in public buildings.

In practice, this target applies to energy, transport and water use across both Councils. We include emissions associated with the leisure centres operated by Abbeycroft Leisure Trust and Anglia Community Leisure Trust (except the Dome, Mildenhall) within the respective Council's footprint. This is because we own the buildings and have a direct commissioning relationship with the Trusts.

Under government reporting rules, each Council publish their own Greenhouse Gas Inventories annually with the first publication made in July 2011 for the financial year 2010/11. These are available on the Councils' websites.

2014-15 performance



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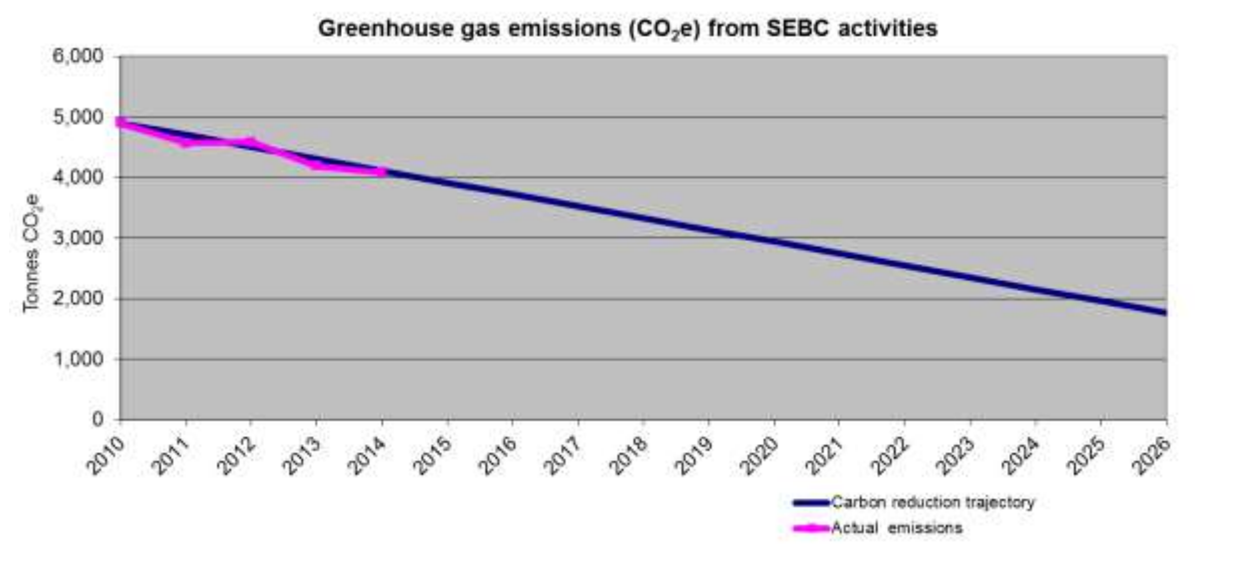
[1] Local authority Greenhouse Gas Inventories are published and reported annually to the Department of Energy and Climate Change following the approved method set out in Defra publication "Guidance on how to measure and report your greenhouse gas emissions" published in September 2013. It is revised the following year where it is necessary as result of the latest available billing and metering information and changes to the ownership and use of buildings. It is worth noting that the purchase of green electricity cannot be used to claim carbon savings under the methodology.

[2] *Carbon dioxide equivalent (CO2e).* A universal unit of measurement used to indicate the global warming potential of a greenhouse gas, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate the releasing (or avoiding releasing) of different greenhouse gases against a common basis.



CO_2 emissions in Forest Heath increased by 3.6% compared to the previous year. Emissions for St Edmundsbury showed a 2.5% reduction. Compared to our 2010 baseline, emissions have reduced generally by 12% for Forest Heath and by 16.5% for St Edmundsbury.

Much of the increase is despite energy use across both Councils reducing by 7.4% since the previous year and can be explained by the increase in CO_2 emissions at power stations arising from the national grid electricity mix. This is outside of the control of the councils. A more detailed explanation is given in the following sections.

Building energy use

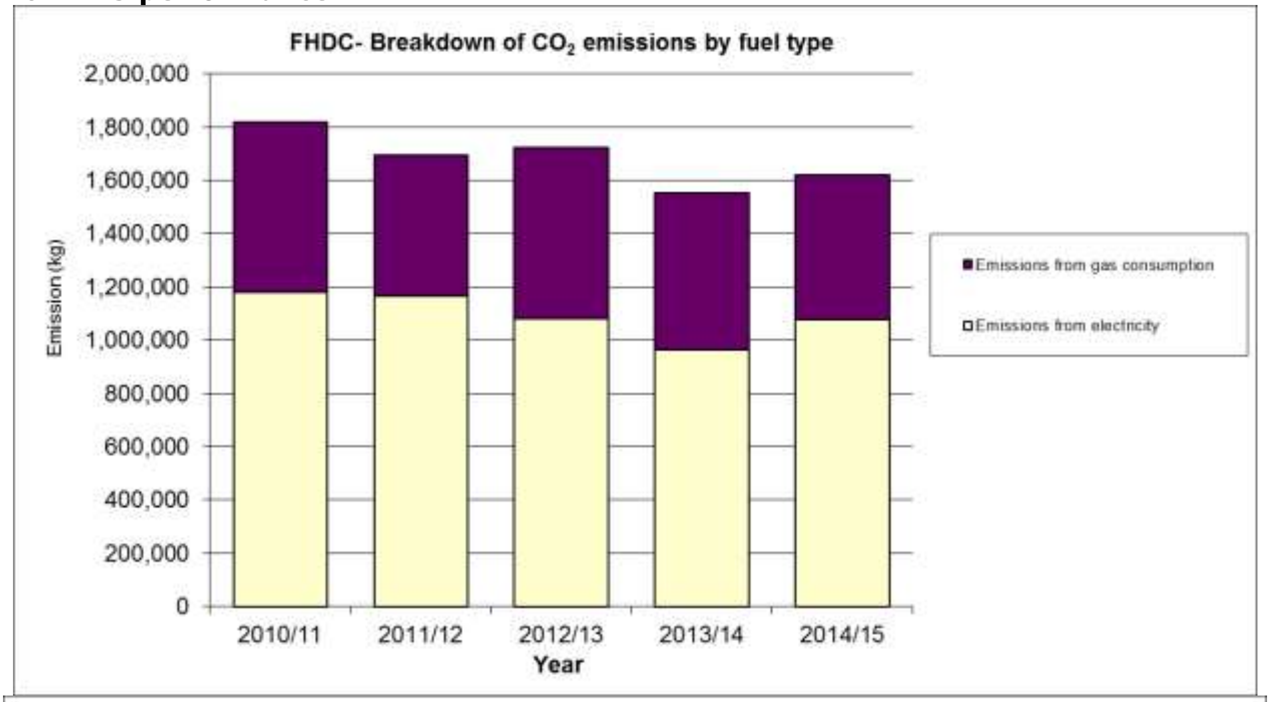
Target:
Reduce carbon emissions associated with building energy

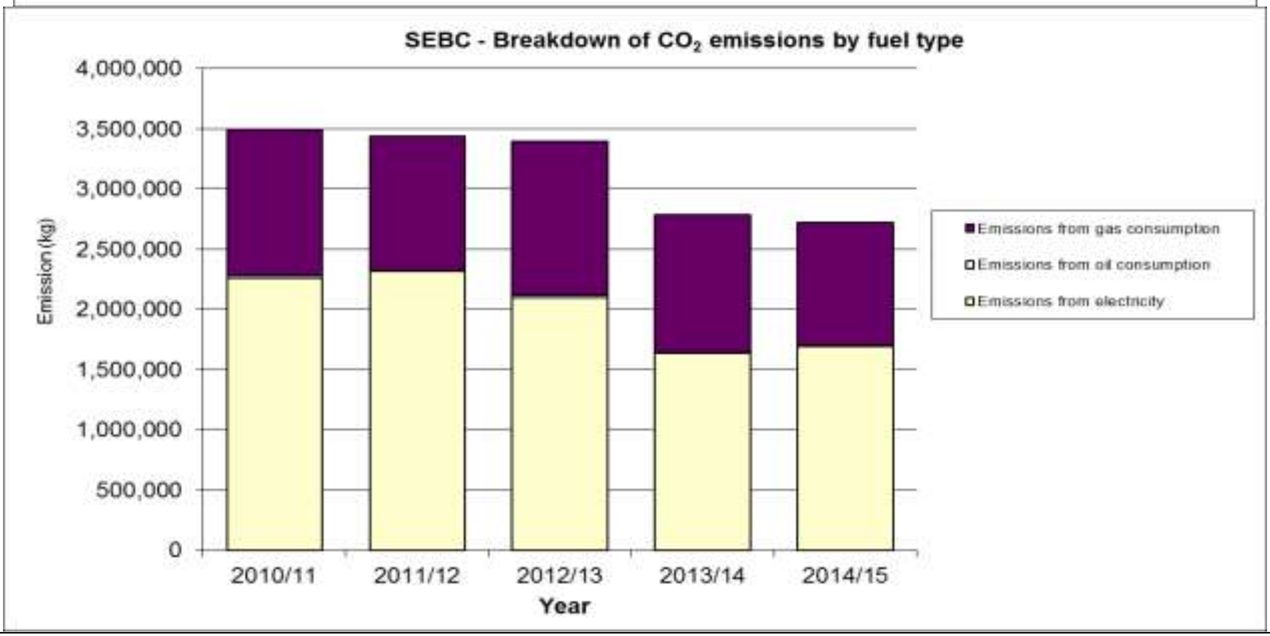
Target date: 2025

Baseline year: 2010 (recalculated June 2015)

Forest Heath St Edmundsbury	1,817 tonnes CO_2e 3,476 tonnes CO2e

2014-15 performance





2014-15 performance
Compared to 2013-14, gas consumption reduced by 11% across the St Edmundsbury/Abbeycroft property portfolios while Forest Heath/ACL showed an 8% reduction. Electricity use increased by 3% across St Edmundsbury/Abbeycroft while a 1% increase was seen within FHDC/ACL.

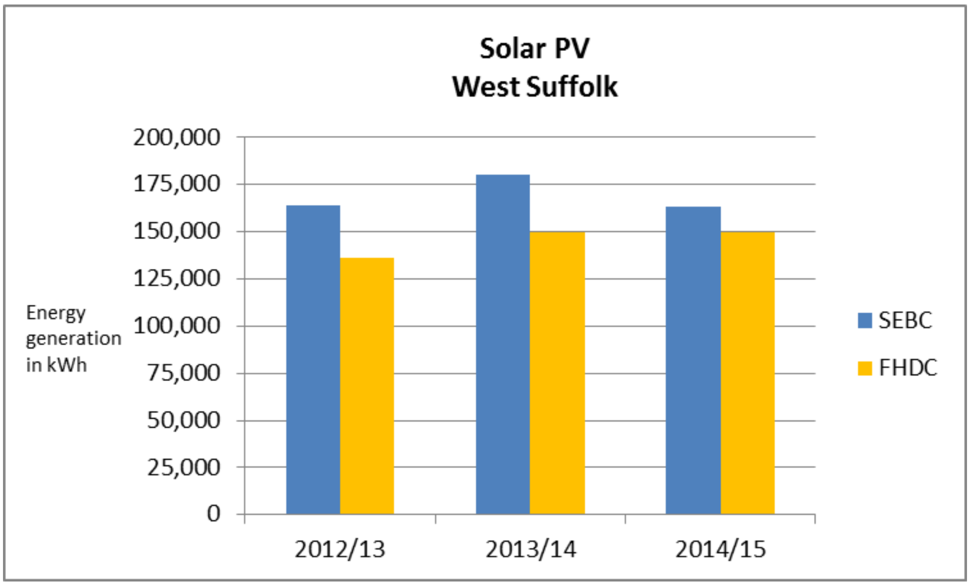
Investment has been made in energy efficiency measures, such as improved insulation at

Bury Leisure Centre and replacing boilers at Brandon Leisure Centre.

The Councils continue to work to make more efficient use of existing buildings, particularly office accommodation, by renting out space to other organisations. In addition, increased attendance at public venues including the leisure centres across West Suffolk has been accommodated without leading to a corresponding increase in energy use.

Work is planned in 2015-16 to upgrade lighting at the multi-storey car parks under council control in West Suffolk which should lead to further cost and energy reductions.

Renewable energy generation



In 2011, the Councils invested in solar panels to generate electricity. The systems generated 313,000 kWh of electricity in 2014. This resulted in approximately 166 tonnes of CO_2 savings and financial benefit to the Councils of £118,000 resulting from energy savings and income from the Feed-in Tariff.

Forest Heath District Council invested in a further 200kWp of solar generating capacity at Brandon and Newmarket Leisure Centres in March 2015. The benefit of this investment will be seen in the next year. It is estimated that the new installations should deliver around £32,000 of income/savings and saving 30 tonnes of CO2 savings annually.

Transport use

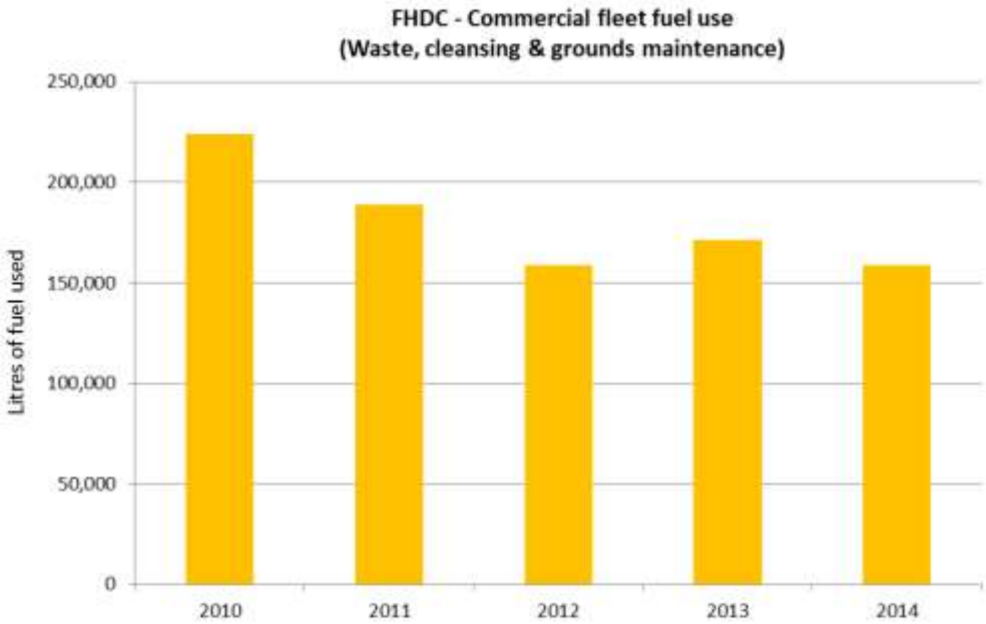
Target:
Reduce the amount of fuel used by the Council's commercial fleet

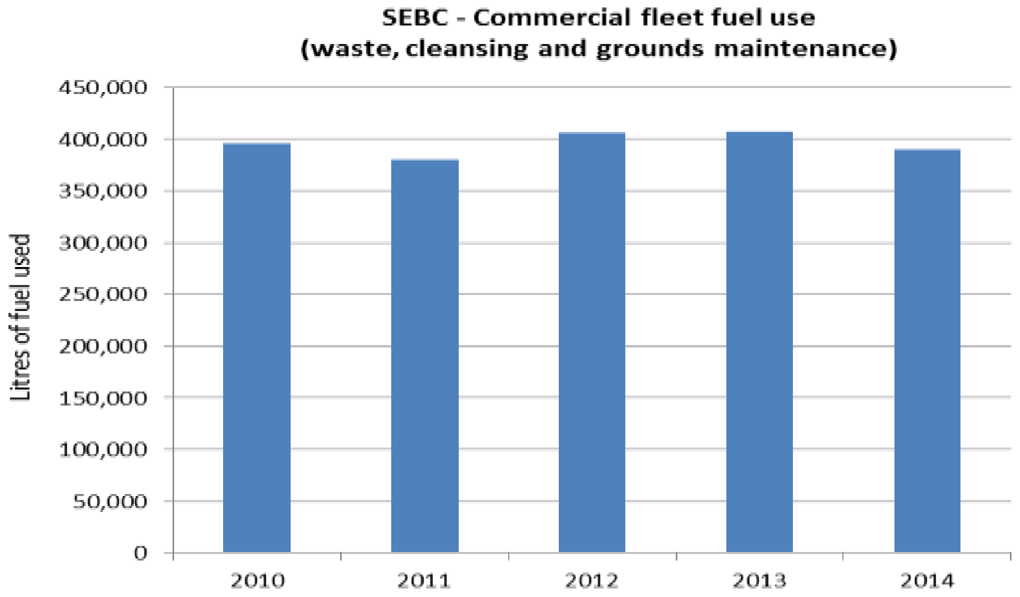
Baseline Year: 2010

Commercial fleet fuel use in baseline year

Forest Heath DC	224,260 litres
St Edmundsbury BC	396,182 litres
West Suffolk total	620,442 litres

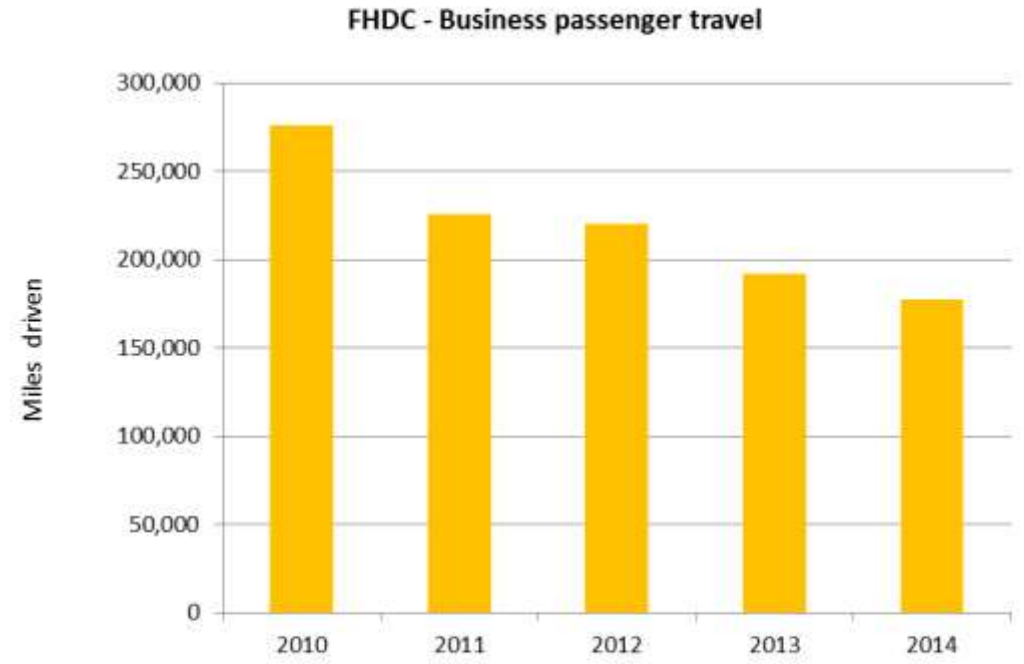
2014-15 performance

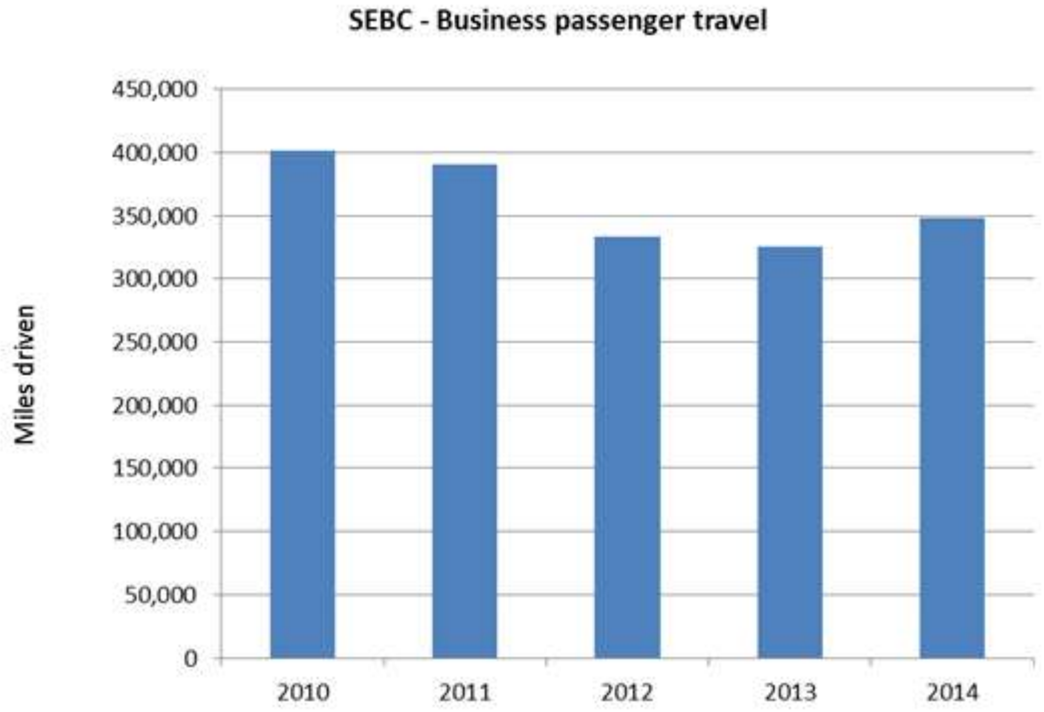




Our combined West Suffolk commercial fleet, which provides refuse collection, cleansing and grounds maintenance services, used 30,000 litres less fuel in 2014 compared with the previous year. Compared to the 2010 baseline, fleet fuel use has decreased by 11%. Much of this has been achieved through better route management and investment in more fuel-efficient vehicles and is despite an increase in demand as the services continue to grow in

response to more homes being built in the area.	
Target: Reduce the total amount of Council passenger mileage. **Baseline Year:** 2010	
Business passenger travel in baseline year:	
Forest Heath St Edmundsbury West Suffolk total	275,855 miles 401,218 miles 677,073 miles
2014-15 performance	





Business car travel for West Suffolk reduced by 22% since 2010, dropping from 677,000 miles to 523,000 in 2014.

Factors likely to have led to the reduction include reduced staff numbers, sharing of services across the West Suffolk area and continued implementation of the staff business travel reduction plan. The fact that staff work across both authority areas will make it less meaningful to report Council-specific mileage in future years.

The Councils launched a two year business mileage reduction programme in January 2015, with the target of reducing staff travel by 10% each year. The impact of this programme will be reported in next year's statement.

Water use

Target: Reduce the amount of water used in Council activities.

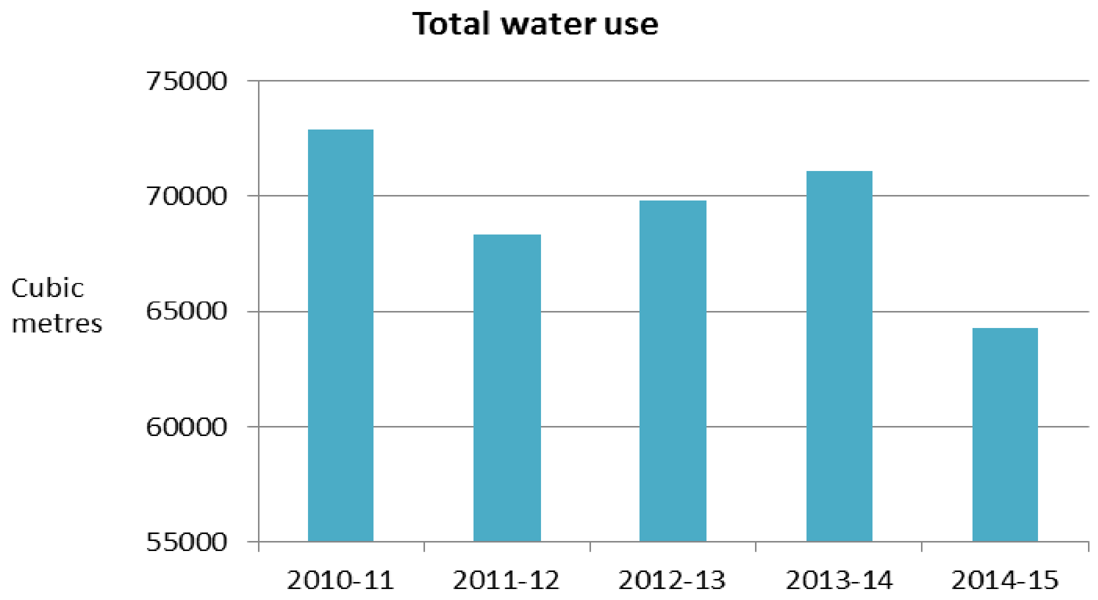
**Baseline year - ** 2010 (recalculated June 2014)

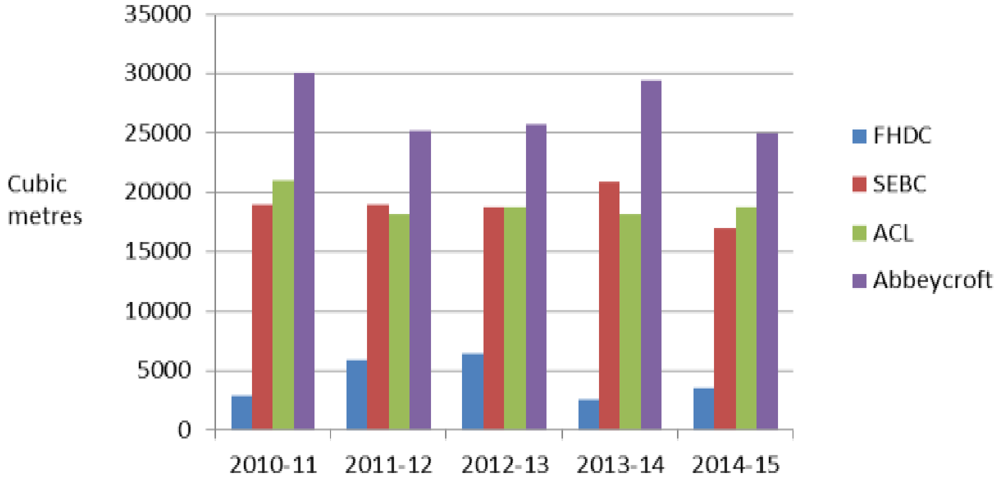
Water use in baseline year

Forest Heath	2,872 cubic metres
St Edmundsbury	18,929 cubic metres
Abbeycroft Leisure Trust	30,057 cubic metres
Anglia Community Leisure	21,019 cubic metres
West Suffolk total	**72,877 cubic metres**

The two leisure centres operated by Abbeycroft Leisure are included in the baseline to accord with the Council's Greenhouse Gas Inventory. The leisure centres account for around 70% of total water use.

2014-15 performance





Water use has dropped by 9.5% since last year and by 11.8% since 2010 to 64,200 cubic metres. Work was nearing completion at the end of the period to install a separate borehole water supply at Homefield Road depot in Haverhill while all three depots were transferred to trade effluent tariffs which should lead to a financial saving. Significant reductions were achieved at Homefield Road depot following the identification and subsequent fixing of a leak in 2013 and at St Edmundsbury Depot in Bury St Edmunds by improved metering and billing arrangements.

Biodiversity

Target: Demonstrate habitat improvements at Green Flag Accredited Sites

Baseline: Four Green Flag parks

2014-15 performance

The following sites successfully retained Green Flag accreditation in 2014-15:

- Nowton Park, Bury St Edmunds
- East Town Park, Haverhill
- Abbey Gardens, Bury St Edmunds
- West Stow Country Park, West Stow, Bury St Edmunds.

Nowton Park (see cover)
A small flock of sheep have been introduced to the park in March 2015 to help maintain the grasslands in a more sustainable way and manage the sward to become more floristic and favour a wider range of native herbs.

East Town Park, Haverhill
In partnership with the Suffolk Bat Group some 20 bat boxes have been erected in the park and will be monitored by the bat group over the coming year to discover more about the local bat population in Haverhill.

Abbey Gardens, Bury St Edmunds
The north bank of the River Lark that runs through the Gardens has been cleared of invasive Sycamore and Ash saplings to allow more light through to the ground this has opened up the area and gives a clearer view of the Abbots Bridge. New wild flowers are to be introduced to take advantage of the higher light levels.

Guarded Orchard in Newmarket

Work has started on a management plan for this semi-natural area on the northern fringes of Newmarket. Consultations with the local Go Wild In Newmarket Group and the Residents Association is underway along with a condition survey of the site and appraisal of its connectivity in to the heart of the town.

Target: Demonstrate habitat improvements in two principal towns in West Suffolk

The Crankles (Bury St Edmunds)
This former cricket bat willow plantation adjacent to the Abbey Gardens is being converted to an area for pollinating insects. Phase one was started in early Spring 2015, felling nearly all the trees to be sent off to be converted to cricket bats or wood pulp. Phase two that will see preparation and planting for new trees and plants of a greater variety will start in the Autumn.

The Crankles

Brandon (London Road)

Brandon (London Road)
This small reserve amongst an industrial estate contains 90% of the UK population of a rare plant - Field Southernwood (Artemisia campestris) .The grassland has been cut and collected in early Spring to keep fertility of the soil down and allow the plant to compete effectively with other species.

Maidscross Hill reserve, Lakenheath

Target: Demonstrate habitat improvements at one rural location in West Suffolk

Maidscross Hill reserve (Lakenheath)
The boundary of the reserve and adjacent farm land has scrubbed up over the last 10 years in an area where important species associated with breckland grassland were

known to be present. In partnership with Natural England and the landowner a 5x100m section has been cut right back to open the area up again with a view to encourage plants like the wild grape hyacinth.

Environmental Compliance
Target: No incidents leading to formal action being taken by regulatory bodies
Target date: Ongoing **Baseline:** 100% legal compliance with operations according with the ISO14001 certification
2013-14 performance The Councils continued to ensure effective compliance with environmental regulations. Regular reviews are undertaken by key services to ensure that they are up-to-date with the environmental legislation that applies. No problems with environmental compliance have been reported during the period. The councils continue to carry out their activities to achieve commitments set out in the West Suffolk Sustainability Strategy adopted in 2013.

Performance and Audit Scrutiny Committee

Forest Heath District Council

Title of Report:	**Work Programme Update**	
Report No:	**PAS/FH/15/027**	
Report to and date:	**Performance and Audit Scrutiny Committee**	24 September 2015
Chairman of the Committee:	Colin Noble Chairman of the Performance and Audit Scrutiny Committee **Tel:** 07545 423795 **Email**: colin.noble@forest-heath.gov.uk	
Lead officer:	Christine Brain Scrutiny Officer **Tel:** 01638 719729 **Email:** Christine.brain@westsuffolk.gov.uk	
Purpose of report:	Members are asked to consider and **note** the current status of its Work Programme attached at **Appendix 1**.	
Recommendation:	**Performance and Audit Scrutiny Committee:** **It is RECOMMENDED that:** **Members consider and note the current status of its Work Programme.**	

APPENDIX 1

Performance and Audit Scrutiny Committee Work Programme (Forest Heath District Council)

Description	Lead Officer
25 November 2015 (Time: 5.00pm) **Informal Joint Meeting** **(Hosted by St Edmundsbury Borough Council)**	
Joint Reports	
Mid-year Internal Audit Progress Report 2015-2016	Service Manager (Internal Audit)
Balanced Scorecards Quarter 2 Performance 2015-2016	Head of Resources and Performance
Work Programme Update	Scrutiny Officer
Forest Heath Specific Reports	
EY- Presentation of Annual Audit Letter (2014-2015)	Head of Resources and Performance
Financial Performance Report (Revenue and Capital) Quarter 2 – 2015-2016	Service Manager (Finance and Performance)
Delivering a Sustainable Budget 2016-2017 Progress Report	Head of Resources and Performance
Mid-year Treasury Management Performance Report and Investment Activity (April – Sept 2015)	Service Manager (Finance and Performance)
28 January 2016 (Time: 5.00pm) **Informal Joint Meeting** **(Hosted by Forest Heath District Council)**	
Joint Reports	
Balanced Scorecards Quarter 3 Performance 2015-2016	Head of Resources and Performance
Work Programme Update	Scrutiny Officer
Forest Heath Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 3 – 2015-2016	Service Manager (Finance and Performance)
Treasury Management Report 2015-2016 – Investment Activity 1 April to 31 Dec 2015	Service Manager (Finance and Performance)
Annual Treasury Management and Investment Strategy Statements 2016-2017	Service Manager (Finance and Performance)

27 April 2016 (Time: 5.00pm) Informal Joint Meeting (Hosted by St Edmundsbury Borough Council)	
Joint Reports	
Internal Audit Annual Report (2015-2016) and Outline Internal Audit Plan (2016-2017)	Internal Audit Manager
Balanced Scorecards Quarter 4 Performance 2015-2016	Head of Resources and Performance
Work Programme Update	Scrutiny Officer
Forest Heath Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 4 – 2015-2016	Head of Resources and Performance

Future Items to be Programmed

1) Key Performance Indicator (WS/HOU009) – Report on the Future of the West Suffolk Lettings Partnership

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