

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title:	Agenda								
Date:	Wednesday 23 September 2015								
Time:	4.30 pm								
Venue:	Conference Chamber West West Suffolk House Western Way Bury St Edmunds								
Full Members:	<p style="text-align: center;">Chairman Sarah Broughton</p> <p style="text-align: center;">Vice Chairman Patricia Warby</p> <p><u>Conservative Members (8)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Sarah Broughton</td> <td style="width: 33%;">Karen Richardson</td> </tr> <tr> <td>Carol Bull</td> <td>Peter Thompson</td> </tr> <tr> <td>Beccy Hopfensperger</td> <td>Paula Wade</td> </tr> <tr> <td>Betty Mclatchy</td> <td>Patricia Warby</td> </tr> </table> <p><u>Charter Member (1)</u> David Nettleton</p> <p><u>UKIP Member (1)</u> Barry Robbins</p>	Sarah Broughton	Karen Richardson	Carol Bull	Peter Thompson	Beccy Hopfensperger	Paula Wade	Betty Mclatchy	Patricia Warby
Sarah Broughton	Karen Richardson								
Carol Bull	Peter Thompson								
Beccy Hopfensperger	Paula Wade								
Betty Mclatchy	Patricia Warby								
Substitutes:	<p><u>Conservative Members (3)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Jeremy Farthing</td> <td style="width: 33%;">David Roach</td> </tr> <tr> <td>Ivor Mclatchy</td> <td></td> </tr> </table> <p><u>Charter Member (1)</u> Diane Hind</p> <p><u>UKIP Member (1)</u> John Burns</p>	Jeremy Farthing	David Roach	Ivor Mclatchy					
Jeremy Farthing	David Roach								
Ivor Mclatchy									
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:	Four Members								
Committee administrator:	Christine Brain Scrutiny Officer Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk								

Agenda

Page No

Procedural Matters

Part 1 - Public

1. Substitutions

Any Member who is substituting for another Member should so indicate, together with the name of the relevant absent Member.

2. Apologies for Absence

3. Minutes

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To confirm the minutes of the meeting held on 30 July 2015 (copy attached).

4. Public Participation

Members of the public who live or work in the Borough are invited to put one question/statement of not more than 3 minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within 3 minutes, the person who asked the question may ask a supplementary question that arises from the reply.

A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.

There is an overall limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.

5. Ernst and Young - Presentation of 2014-2015 ISA Annual Results Report to those Charged with Governance

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Report No: **PAS/SE/15/023**

6. West Suffolk Annual Governance Statement 2014-2015

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Report No: **PAS/SE/15/024**

7. 2014-2015 Annual Statement of Accounts

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Report No: **PAS/SE/15/025**

8. Delivering a Sustainable Budget 2016-2017

189 - 198

Report No: **PAS/SE/15/026**

- 9. Work Programme Update**
Report No: **PAS/SE/15/027**

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Part 2 – Exempt

NONE

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Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH 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. **West Suffolk Strategic Risk Register Quarterly Report – June 2015**

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. **Work Programme Update**

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 St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee in the Training Room at 5.33pm.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 30 July 2015** at **5.33pm** in the **Training Room, District Offices**, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Carol Bull
Betty McLatchy

Paula Wade
Barry Robbins

Substitutes attending:
David Roach

By Invitation:
Susan Glossop
Ian Houlder, Portfolio Holder for Resources and Performance
Ivor McLatchy
Joanna Rayner, Portfolio Holder for Leisure, Culture and Heritage

41. **Apologies for Absence**

Apologies for absence were received from Councillors David Nettleton and Karen Richardson.

Councillors Beccy Hopfensperger and Peter Thompson were also unable to attend.

42. **Substitutions**

The following substitution was declared:

Councillor David Roach for Councillor Karen Richardson.

43. **Public Participation**

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

44. **Minutes**

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

45. **Balanced Scorecard and Quarter One Performance Report 2015-16**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/15/017.

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 Scorecards for Quarter 1, 2015-2016.

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

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/15/018.

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

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/SE/15/018, be adopted.

47. **West Suffolk Strategic Risk Register - June 2015**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/15/019.

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 contents of the report.

48. **Work Programme Update**

Further to the joint informal discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/15/020.

There being no decisions required, the Committee **noted** the contents of the work programme for 2015-2016.

49. **Annual Performance Report for The Apex**

The Commercial Manager presented Report No: PAS/SE/15/021, which set out The Apex's financial position for the year ending 2014-2015. The report included an executive summary, then details on The Apex's performance, Sodexo catering contract, analysis of budgets and conclusion.

The Apex budget for 2014-2015 had reduced from £742,250 to £671,840. Increased revenue had contributed to a positive variance of £74,732 against budget at the financial year-end and the outturn figure was £597,108, showing a reduction of £145,142 compared to the 2013-2014 budget.

The Apex continued to be a valuable community asset and more and more non-performance events were taking place which were open to the public. The Apex management team had been successful in reducing the subsidy over the last financial year, mainly due to increasing revenues from ticket sales.

The Cabinet Member for Leisure, Culture and Heritage commented on the progress made by The Apex over the last year and the work of the team in making The Apex a wonderful venue for Bury St Edmunds.

The Committee scrutinised the annual performance report in detail and asked a number of questions to which the Cabinet Member and officers duly responded. These questions and responses covered topics including the venues capacity; increasing the usage of the venue during the day and the progress made in reducing the Council's subsidy.

There being no decision required, the Committee **noted**, the Annual Performance Report for The Apex.

(Councillor Barry Robbins arrived at 5.45pm, during the consideration of this item)

50. **Financial Performance Report (Revenue and Capital) (April to June 2015)**

The Committee received Report No: PAS/SE/15/022, 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 the current forecast position for the year end, which currently showed an underspend of £51,500. Appendix C to the report set out the Council's capital financial position for the first three months of 2015-2016, which showed expenditure of £360,000. 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. Finally, a summary of the earmarked reserves was attached at Appendix D, along with the forecast year end position for 2015-2016.

The Committee scrutinised the report in detail and asked a number of questions. In particular discussions were held on the year end variances over £25k in relation to Section 106 costs and building control income / planning income underachievements to which officers duly responded.

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

51. **Annual Treasury Management Report 2014-2015 and Investment Activity (1 April - 30 June 2015)**

The Committee received Report No: TMS/SE/15/004, which had been considered by the Treasury Management Sub-Committee on 20 July 2015. The Business Partner (Resources and Performance) provided a verbal update on the Sub-Committee's consideration of the report, which

- (a) Summarised the Council's Annual Treasury Management investment activities for the year 2014-2015; and
- (b) Provided a summary of the investment activity for the first three months of the 2015-2016 financial year.

The Sub-Committee had scrutinised the Annual Treasury Management Report 2014-2015 and the Investment Activity for 1 April 2015 to 30 June 2015, and asked a number of questions to which the Head of Resources and Performance had duly responded. In particular the Sub-Committee suggested that a short paragraph on Sector's views/opinions on the financial market should be included in future quarterly Treasury Management Reports.

The Performance and Audit Scrutiny Committee considered the report and with the vote being unanimous, it was

RECOMMENDED

That subject to the approval of full Council, the Annual Treasury Management Report for 2014-2015, attached as Appendix 1 to Report No: TMS/SE/15/004 be approved.

The Meeting concluded at 6.02pm

Signed by:

Chairman

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Ernst and Young presentation of 2014/15 ISA 260 Annual Results Report to those charged with Governance	
Report No:	PAS/SE/15/023	
Report to and date/s:	Performance and Audit Scrutiny Committee	23 September 2015
Portfolio holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.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.	

Recommendation:	<p>It is <u>RECOMMENDED</u> that:</p> <p>(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);</p> <p>(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</p> <p>(3) The Committee <u>approves</u> the Letter of Representation at Appendix B, on behalf of the Council, before the Audit Director issues his opinion and conclusion.</p>
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
Consultation:	<ul style="list-style-type: none"> • Not applicable
Alternative option(s):	<ul style="list-style-type: none"> • Not applicable
Implications:	
<p>Are there any financial implications? If yes, please give details</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> • 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.
<p>Are there any staffing implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
<p>Are there any ICT implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
<p>Are there any legal and/or policy implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
<p>Are there any equality implications? If yes, please give details</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> •
Risk/opportunity assessment:	<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>

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: <i>(all background papers are to be published on the website and a link included)</i>	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 Council's 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.

St Edmundsbury Borough Council

Appendix A

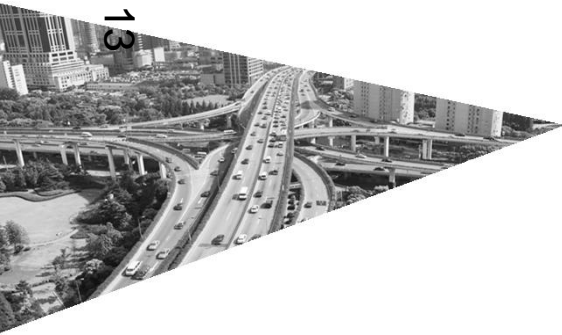
Audit Committee Summary

For the year ended 31 March 2015

Audit Results Report – ISA (UK and Ireland) 260

September 2015

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Section 1

Executive summary

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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

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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 2014/15 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)		
<p>Risk of management override</p> <p>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.</p> <p>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.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ 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. 	<ul style="list-style-type: none"> ▶ 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.
<p>Business rates appeals provision</p> <p>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.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ 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. 	<ul style="list-style-type: none"> ▶ 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)		
<p>Group accounting standards</p> <p>The 2014/15 CIPFA Code of Practice introduces new accounting practices in relation to:</p> <ul style="list-style-type: none"> ▶ 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). <p>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.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ 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). 	<ul style="list-style-type: none"> ▶ Our audit work on the Council's group boundary assessment is still in progress.

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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		
<p>Cash and bank</p> <p>As at the end of January 2015 bank reconciliations had only been completed to August 2014. Regular bank reconciliations are an important control to identify any anomalies or differences requiring further investigation or action.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ the review and testing of the year end bank reconciliations, ensuring that any reconciling items can be adequately supported. 	<ul style="list-style-type: none"> ▶ We undertook a detailed review of the year end bank reconciliations. No issues were noted.
<p>Payroll</p> <p>Our walkthrough identified an amendment (bank account change) that had not been reviewed by a second officer.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ undertaking predictive analytical review procedures and running our payroll analytics tool to confirm the reasonableness of pay data. 	<ul style="list-style-type: none"> ▶ No material issues were identified from our predictive analytical review and analytics procedures.

Section 4

Financial statements audit – issues and findings

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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.

Uncorrected misstatements

There were no errors within the draft financial statements which management have chosen not to adjust.

Corrected misstatements

- ▶ Our audit identified a number of misstatements which our team have highlighted to management for amendment. These have been corrected during the course of our work. None of these exceeded the threshold for reporting to you.

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 difficulties auditing the Property, Plant and Equipment disclosures. In particular we could not easily reconcile entries in the asset register to those disclosed in the draft financial statements. We also noted that there had been a significant change to the valuation of the Apex resulting in an impairment of £4.8m and that this had not been adequately disclosed in the financial statements.

To gain sufficient audit assurance on the Apex impairment we:

- ▶ reviewed the work of the valuer including gaining an explanation and evidence for the reduction;
- ▶ confirmed the accuracy of the revised valuations to the asset register; and
- ▶ reviewed previous valuation certificates for evidence of interim revaluations.

This reduction in value highlighted weaknesses in processes in place for undertaking annual impairment reviews of significant classes of assets. The Council is now revisiting its five year revaluation programme to ensure that any significant movements will be identified and appropriately disclosed.

We experienced an overall 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.

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Item	
<p>Planning Materiality and Tolerable error</p>	<p>We determined planning materiality to be £1.4 million (2014: £1.3 million), which is based on 2% of gross operating expenditure reported in the accounts.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p>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.</p> <p>Tolerable error has been calculated at £1.045 million. 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.</p>
<p>Reporting Threshold</p>	<p>We agreed with the Performance and Audit Scrutiny Committee that we would report to the Committee all uncorrected audit misstatements in excess of £66k. This was increased to £69k on receipt of the draft accounts. (2014: £66k)</p>

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.

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

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Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that St Edmundsbury Borough 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 St Edmundsbury BC is summarised below:
 - ▶ In its medium term financial strategy (MTFS) approved by Council February 2015, the Council identified a cumulative budget gap of £3.4m 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
<p>Arrangements for financial resilience – Pressures from economic downturn</p> <p>To date the Council has responded well to the financial pressure resulting from the continuing economic downturn.</p> <p>However, with the Council forecasting a cumulative budget gap of £3.4m by 2017/18, there remains significant financial pressure on the Council's budget and MTFS during the current and forthcoming financial years.</p>	<ul style="list-style-type: none"> ▶ 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. 	<p>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, St Edmundsbury is facing significant financial challenges over the next three to four years.</p> <p>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 £3.4 million over the next 3 years (to 2017/18) which will need to be bridged through savings and efficiencies or increased income.</p> <p>Some of the main areas of uncertainty which impact the council relate to:</p> <ul style="list-style-type: none"> ▶ 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). <p>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.</p> <p>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.</p>

Section 6

Independence and audit fees

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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 23 September 2015.

- ▶ 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	58,356	58,356	Final fee to be confirmed.
Certification of claims and returns	27,610	27,610	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.

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ED None

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St Edmundsbury Borough Council - Audit for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of St Edmundsbury Borough 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 St Edmundsbury Borough Council as of 31 March 2015 and of its 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.

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 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.

I 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 St Edmundsbury Borough Council

I confirm that this letter has been discussed and agreed by the Performance and Audit Scrutiny Committee on 23rd September 2015.

Signed

.....
Rachael Mann

.....
Cllr Sarah Broughton

Chief Financial Officer

Chairman of the Performance
and Audit Scrutiny
Committee

Date.....

Date.....

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Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	West Suffolk Annual Governance Statement 2014/15	
Report No:	PAS/SE/15/024	
Report to and date/s:	Performance and Audit Scrutiny Committee	23 September 2015
Portfolio holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.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 <u>RECOMMENDED</u> 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 <u>do not</u> apply.)	Is this a Key Decision and, if so, under which definition? Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	<ul style="list-style-type: none"> This report has been prepared in consultation with the Leadership Team. 	
Alternative option(s):	<ul style="list-style-type: none"> N/A 	

Implications:			
Are there any financial implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any staffing implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any ICT implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any equality implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
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: <i>(all background papers are to be published on the website and a link included)</i>		N/A	
Documents attached:		Appendix A – Annual Governance Statement 2014/15	

1. Key issues and reasons for recommendation

1.1 Background Information

- 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 risk-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:

Signed:

James Waters
Leader of the Council

John Griffiths
Leader of the Council

Date:

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	2014/15 Annual Statement of Accounts	
Report No:	PAS/SE/15/025	
Report to and date/s:	Performance and Audit Scrutiny Committee	23 September 2015
Portfolio holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.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: <ol style="list-style-type: none"> (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: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>
Consultation:	<ul style="list-style-type: none"> • Not applicable
Alternative option(s):	<ul style="list-style-type: none"> • Not applicable
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> • 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.
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> •
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> • 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.

<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Revenue and capital budget management – failure to achieve projected income or expenditure exceeds approved budgets.	High	<ul style="list-style-type: none"> • Budgets reflect economic situation facing the Council • Clear responsibilities for budget monitoring and control • Annual saving programme used to deliver required budget savings • Medium term financial planning to capture the longer term budget implications 	Medium
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		Budget and Council Tax Setting:2014/15 and Medium Term Financial Strategy 2014-2016 (Council 25 February 2014 Report No E293) Financial Outturn Report (Revenue and Capital) 2014-15 (Performance and Audit Scrutiny Committee 4 June 2015 Report No PAS/SE/15/015)	
Documents attached:		Appendix A – Statement of Accounts 2014/15 Appendix B – Schedule of Members Allowances 2014/15	

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 2 to 6 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 £11.383m, which included a budgeted transfer of £0.460m from the general fund reserve. The actual net expenditure for the year, after making this transfer, was £11.278m, resulting in a budget underspend for the year of £0.105m. Details of major variances can be seen in the report reference PAS/SE/15/015, 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 £2.270m against a revised budget for the period of £6.005m; i.e. a budget underspend of £3.735m. This overspend predominantly related to the timings of capital projects. Details of the major variances on the capital programme can also be seen in report PAS/SE/15/015.

- 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 £31.108m (at 1 April 2014) to £31.922m (at 31 March 2015), a net increase of £0.814m. Further details regarding the movement on reserves during the year are provided on page 10 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 £44.750m. However, the 31 March 2015 IAS19 valuation showed a marked deterioration in the Fund's position with the deficit having increased to £54.421m. The increase in deficit is primarily due to the financial assumptions at 31 March 2015 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 page 4 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.

4. Payments to Councillors

- 4.1 Note 28 in the Statement of Accounts (Member's Allowances, page 54) provides summary total figures for Councillor allowances and expenses. A more detailed analysis of these allowances, broken down by Members, is provided at **Appendix B**. These figures will be available online in accordance with the statutory responsibility to disclose this information as part of the local government transparency agenda.

5. Conclusion

- 5.1 St Edmundsbury, 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.

2014/2015 Statement of Accounts
St Edmundsbury Borough Council



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Introduction

St Edmundsbury – About Us

St Edmundsbury is a borough council located in West Suffolk, with 81 rural parishes, and two main towns.

Well-connected with London, the rest of East Anglia and the Midlands, St Edmundsbury 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.

St Edmundsbury has two main market towns: Bury St Edmunds and Haverhill. Bury St Edmunds, the largest settlement in West Suffolk, has been a prosperous town for centuries, with people drawn to its market and Georgian architecture, shops, leisure and cultural facilities.

Haverhill 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.

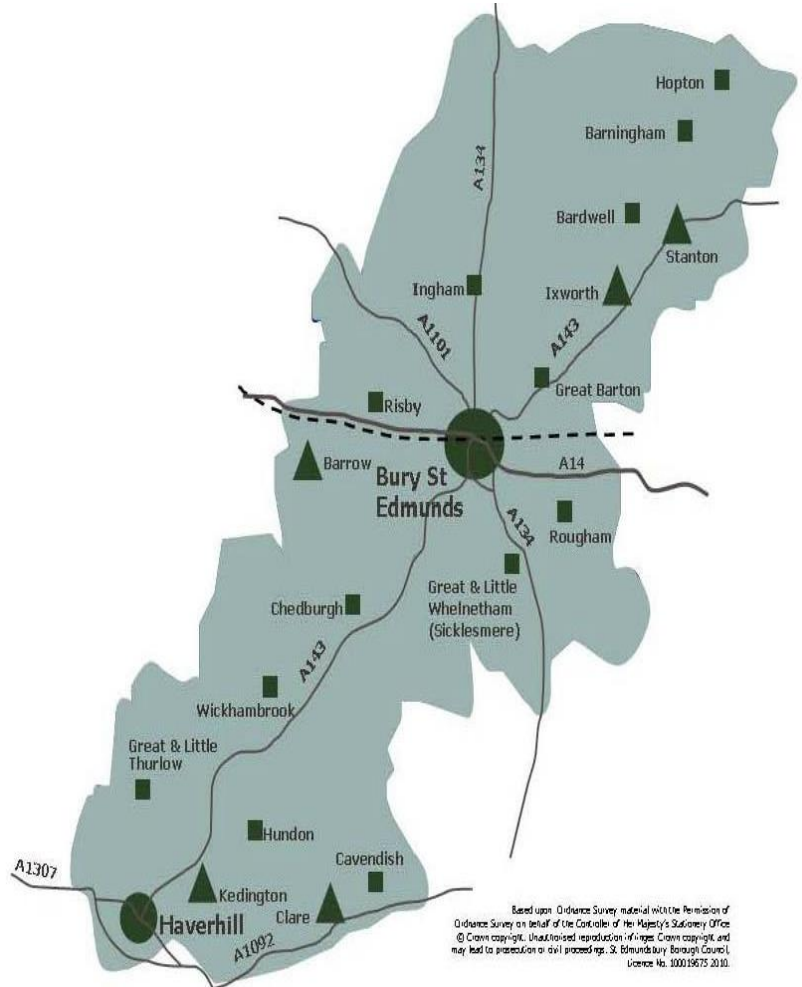
Today, St Edmundsbury has a thriving, diverse economy, embracing a number of business sectors. These include tourism, food and drink, life sciences and advanced manufacturing.

In all of St Edmundsbury'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 45 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:

[West Suffolk Strategic Plan](#)
[Suffolk Observatory](#)



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Explanatory Foreword by the Chief Finance Officer

Introduction

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

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 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:

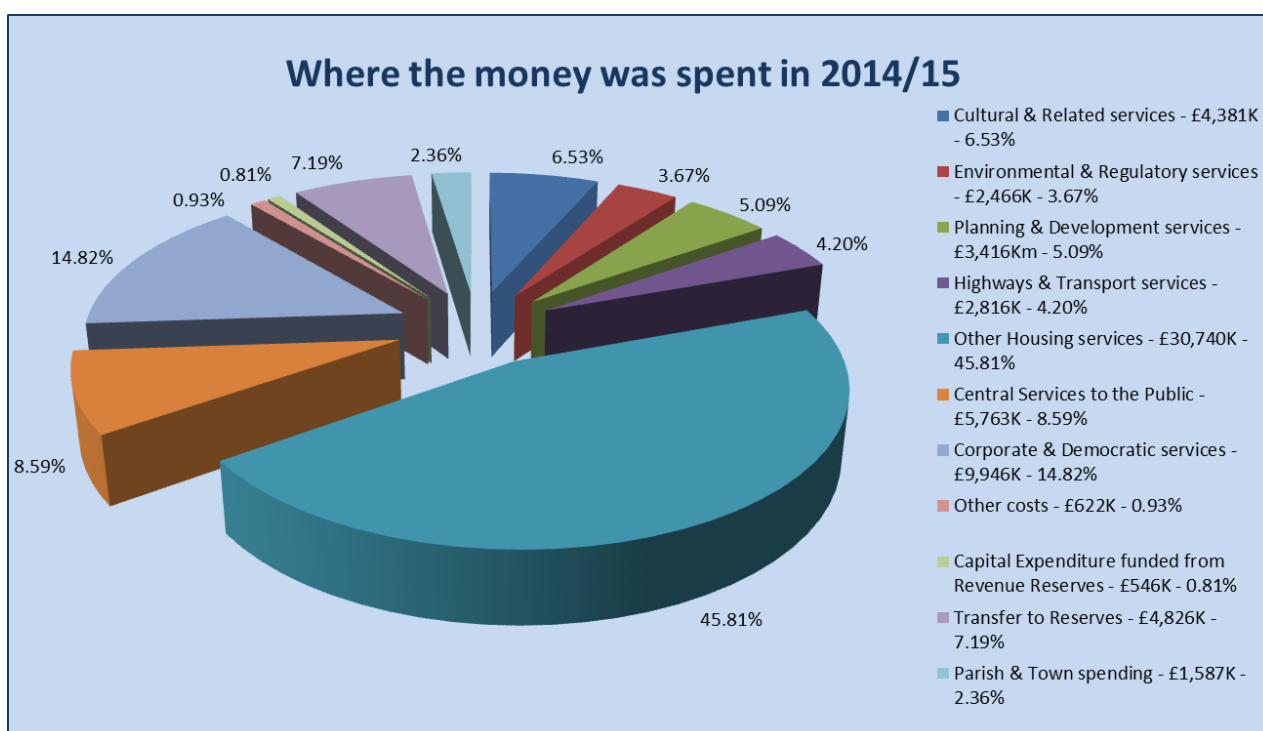
- Did the council make a surplus or deficit for the financial year?
- What is the size of the council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

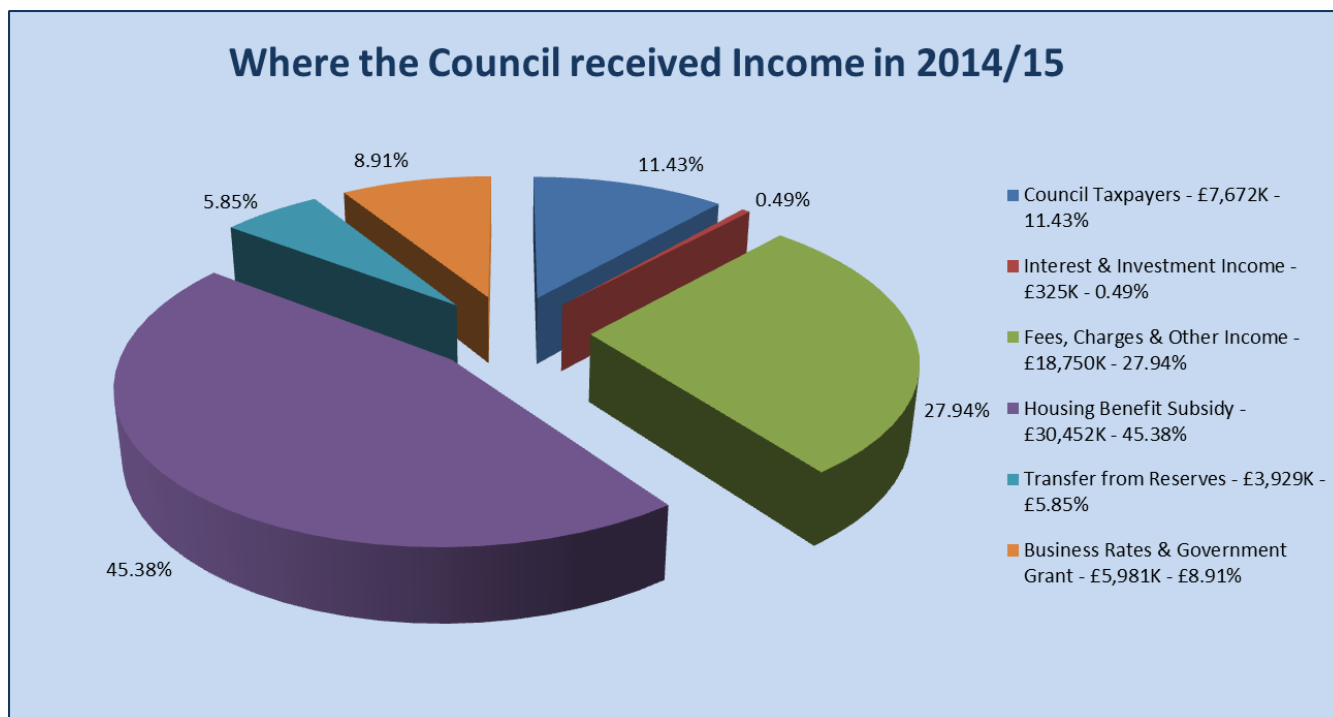
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) Code for Local Government to allow comparability 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 a decrease of £355k to its general fund reserve, which stands at £3,224k as at 31 March 2015, with an overall level of usable reserves (capital and revenue) of £32m.

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 Forest Heath District 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/SE/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 £3k.

The Council's capital expenditure for 2014/15 totalled around £2.3m, which included disabled facilities grants, affordable housing schemes and asset management plan – property improvements i.e. the installation of a flume at Bury Leisure Centre. The Council spent approximately £0.7m in capital grants within the year. Around £0.9m of the total £2.3m 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.

Material and Unusual charges or credits within the statement

Termination payments charged to the comprehensive income and expenditure statement during the year amounted to £324k (including £238k in relation to the shared service initiative with Forest Heath District Council), and further details are available in Note 4 Material Items of Income and Expense and Note 29 Officers Remuneration.

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 £2,392k, primarily as a result of net revaluation losses in council properties.

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

Explanatory Foreword

Explanation of the Statements

The statements included in the accounts are explained below:

- **The Statement of responsibilities for the Statement of Accounts** identifies the officer who is responsible for the proper administration of the authority's financial affairs, including the communication that the accounts present a true and fair view of the financial position of the authority.
- **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council which are reported in two categories. The first category of reserves are usable reserves, ie. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Cash Flow Statement** summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties. The statement excludes internal movements of funds between the Council's accounts.
- **The Collection Fund** shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Pensions

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

The figures contained in the Statement of Accounts are based on the latest actuarial valuation of the pension fund as at 31 March 2014 by Hymans Robertson LLP, an independent firm of actuaries. This stated that the fund's liabilities were more than its assets. The Council's proportion of this net liability was estimated at £54,421k compared to £44,750k at 31 March 2013. This net increase in liabilities is represented by an increase in liabilities of £21,889k and an increase in assets of £12,218k. The overall increase of £9,671k 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 £54,421k 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.

Explanatory Foreword

Significant Provisions, Contingencies or Write-Offs

The Council has increased its provisions by £191k during the year to £1,259k or 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 5 details any material events which occurred after the balance sheet date.

Audit

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

Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant 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.

Explanatory Foreword

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.



Waste collection

Certificate of approval for the Statement of Accounts

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2014 to 31 March 2015 has been prepared and I confirm that these accounts were approved by St Edmundsbury Council at the meeting held on 23 September 2015.

Signed:

Chairman of the Performance and Audit Scrutiny Committee

Date: 23 September 2015

Statement of responsibilities for the Statement of Accounts

Statement of responsibilities for the Statement of Accounts

The Council's responsibilities

The Council is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

Certificate by the Chief Financial Officer (S151 Officer)

I certify that the Statement of Accounts has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year then ended.

Signed:

R Mann
Chief Financial Officer (Section 151 Officer)

Councillor I Houlder
Portfolio Holder for Resources,
Governance and Performance

Date:

Date:

Core Financial Statements

Core Financial Statements

Movement in Reserves Statement

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

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		3,376	10,548	13,822	153	27,899	70,666	98,565
Movements in Reserves during 2013/14								
Surplus (or deficit) on the provision of services		(2,978)	0	0	0	(2,978)	0	(2,978)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(3,952)	(3,952)
Total Comprehensive Income and Expenditure		(2,978)	0	0	0	(2,978)	(3,952)	(6,930)
Adjustments between accounting basis and funding basis under regulations	6	5,247	0	940	0	6,187	(6,187)	0
Net increase or (decrease) before Transfers to Earmarked Reserves		2,269	0	940	0	3,209	(10,139)	(6,930)
Transfers (to) / from Earmarked Reserves	7	(2,066)	2,066	0	0	0	0	0
Increase / (Decrease) in 2013/14		203	2,066	940	0	3,209	(10,139)	(6,930)
Balance as at 31 March 2014 carried forward		3,579	12,614	14,762	153	31,108	60,527	91,635

Restated due to late adjustment in 2013/14, now reflected in the transfer from earmarked reserves and deficit on the provision of services, no change to the balance carried forward.

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	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 2014		3,579	12,614	14,762	153	31,108	60,527	91,635
Movements in Reserves during 2014/15								
Surplus (or deficit) on the provision of services		(5,104)	0	0	0	(5,104)	0	(5,104)
Other Comprehensive Income and Expenditure		0	0	0	0	0	(1,707)	(1,707)
Total Comprehensive Income and Expenditure		(5,104)	0	0	0	(5,104)	(1,707)	(6,811)
Adjustments between accounting basis and funding basis under regulations	6	5,541	0	351	26	5,918	(5,918)	0
Net increase or (decrease) before Transfers to Earmarked Reserves		437	0	351	26	814	(7,625)	(6,811)
Transfers (to) / from Earmarked Reserves	7	(792)	792	0	0	0	0	0
Increase / (Decrease) in 2014/15		(355)	792	351	26	814	(7,625)	(6,811)
Balance as at 31 March 2015 carried forward		3,224	13,406	15,113	179	31,922	52,902	84,824

Core Financial Statements

Comprehensive Income and Expenditure Statement

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

	Note	2014/15			2013/14		
		Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Central Services to the Public		2,534	875	1,659	2,840	1,311	1,529
Cultural and Related Services		10,405	1,824	8,581	7,098	1,935	5,163
Environmental and Regulatory Services		7,243	3,313	3,930	7,798	3,238	4,560
Planning Services		4,028	4,319	(291)	4,590	4,361	229
Highways and Transport Services		5,150	5,533	(383)	5,009	5,066	(57)
Other Housing Services		32,652	30,835	1,817	31,182	29,449	1,733
Corporate and Democratic Core		4,476	1,681	2,795	3,349	1,516	1,833
Non-distributed costs		(74)	4	(78)	655	7	648
Cost of Services		66,414	48,384	18,030	62,521	46,883	15,638
Other Operating Expenditure	8	650	0	650	678	0	678
Financing and Investment Income and Expenditure	9	1,929	364	1,565	1,698	514	1,184
Taxation and Non-Specific Grant Income	10	0	15,141	(15,141)	0	14,522	(14,522)
Deficit on Provision of Services		68,993	63,889	5,104	64,897	61,919	2,978
Surplus on revaluation of Property, Plant and Equipment assets				(6,197)			(936)
Impairment losses on non-current assets charged to the Revaluation Reserve				0			0
Deficit or (Surplus) on revaluation of available for sales financial assets	22			0			(55)
Actuarial losses on pension assets / liabilities	35			7,904			4,943
Other Comprehensive (Income) and Expenditure				1,707			3,952
Total Comprehensive (Income) and Expenditure				6,811			6,930

Core Financial Statements

Balance Sheet

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

	Note	31 March 2015 £000	31 March 2014 £000
Property, Plant and Equipment	11	97,841	96,766
Heritage Assets	12	6,608	6,608
Investment Property	13	110	80
Intangible Assets	14	385	337
Long-term Investments		519	519
Long-Term Debtors	15	358	613
Long-Term Assets		105,821	104,923
Short-term Investments		31,476	26,438
Assets Held for Sale	17	0	0
Inventories	18	158	174
Short-term Debtors	15	6,045	6,626
Cash and Cash Equivalents	16	9,171	9,574
Current Assets		46,850	42,812
Short-term Borrowing	19	0	0
Short-Term Creditors	20	(7,800)	(5,508)
Provisions	21	(1,059)	(868)
Current Liabilities		(8,859)	(6,376)
Long-term Creditors	20	0	0
Provisions	21	(200)	(200)
Long-term Borrowing	19	0	0
Other Long-term Liabilities	35	(54,421)	(44,750)
Grants Receipts in Advance - Capital	31	(4,367)	(4,774)
Long-Term Liabilities		(58,988)	(49,724)
NET ASSETS		84,824	91,635
Usable Reserves		(31,922)	(31,108)
Unusable Reserves	22	(52,902)	(60,527)
TOTAL RESERVES		(84,824)	(91,635)

Core Financial Statements

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2014/15 £000	2013/14 £000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		5,104	2,978
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(9,683)	(5,752)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	68	641
Net cash flows from Operating Activities		(4,511)	(2,133)
Investing Activities	24	5,915	71
Financing Activities	25	(1,002)	(693)
Net (increase) or decrease in cash and cash equivalents		402	(2,755)
Cash and cash equivalents at the beginning of the reporting period	16	(9,573)	(6,819)
Cash and Cash Equivalents at the end of the reporting period	16	(9,171)	(9,574)

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 2015/16 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 providing 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.

Notes to the Core Financial Statements

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 Financial Statements are:

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

Note 3 Future Assumptions and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.297m for every year that useful lives had to be reduced.</p>

Notes to the Core Financial Statements

<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pensions liability of changes in individual assumptions can be measured.</p> <p>The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 9% increase in the employer's liability. In monetary terms this equates to around £15.093M.</p> <p>A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £4.771M.</p> <p>A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £4.479M.</p> <p>A 0.5% increase in the Pension increase rate would result in an additional 6% employer liability totalling approximately £10.296M.</p>
<p>Arrears</p>	<p>At 31 March 2015, the Council had a sundry debt balance of £7.424m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2014/15 of £1.021m would be appropriate. However, factors such as the current economic climate may impact on the actual level of bad debts experienced by the Council.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.021m to be set aside as an allowance.</p>

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

Note 4 Material Items of Income and Expense

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

Property and Vehicles

During 2014/15 there were no material purchases or sales of property and vehicles.

In 2014/15 the Apex was valued for the first time by the District Valuer using the Depreciated Replacement Cost (DRC) method of valuation. International Accounting Standard 16 requires the DRC valuation to be carried out on the basis of a Modern Equivalent Asset (MEA), instead of identical replacement. An MEA is defined by its ability to deliver a comparable service to the asset being valued but which is of a current design and constructed using current materials and techniques. The revaluation resulted in a revaluation loss of £4.840m which has been charged to the Cost of Services (Cultural and Related Services) in the Comprehensive Income and Expenditure Statement and is reflected in Note 11 Property, Plant and Equipment. This revaluation loss is purely an accounting entry that has no impact on the council taxpayer as the entry is reversed out of the General Fund via the Movement in Reserves Statement. The benefit of the Apex to the Council in the context of a performance arts asset is not affected.

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 £238k (2013/14 £911k), have been charged to the Comprehensive Income and Expenditure Statement. Note 29 – Officers' Remuneration and Exit Packages provides further details.

Note 5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Resources and Performance (Chief Financial Officer) on 30 June 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.

The financial statements and notes have not been adjusted for the following event which took place after 31 March 2015 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date:

- The Comprehensive Income and Expenditure Statement (page 11) and Note 34 Leases (page 68) include lease income in respect of the Co-op building at Jubilee Walk in Haverhill. The Co-operative Group surrendered their lease on 1 September 2015 in line with the report to Full Council on 7 July 2015 (Exempt COU/SE/15/025). The surrender has no impact on the 2014/15 Statement of Accounts as the future lease payments reported in Note 34 reflect the position as it was at 31 March 2015.



Haverhill Arts Centre

Notes to the Core Financial Statements

Note 6 Adjustments between Accounting Basis & Funding Basis under Regulations

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

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

Current Year - 2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	3,384	0	0	(3,384)
Revaluation losses on Property, Plant and Equipment	2,918	0	0	(2,918)
Movements in the Market Value of Investment Properties	(30)	0	0	30
Amortisation of Intangible Assets	58	0	0	(58)
Capital Grants and Contributions applied	(796)	0	26	769
Revenue Expenditure funded from Capital under Statute	728	0	0	(728)
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	(939)	1,176	0	(236)
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	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	0	0	0	0
Capital Expenditure charged against the General Fund Balance	(547)	0	0	547
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	0	0

Continued on the following page.

Notes to the Core Financial Statements

Current Year - 2014/15 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(954)	0	954
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	1	(1)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	130	0	(130)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred Sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,579	0	0	(4,579)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(2,812)	0	0	2,812
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	(1,003)	0	0	1,003
Total Adjustments	5,541	351	26	(5,918)

Notes to the Core Financial Statements

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

Prior Year - 2013/14	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	3,426	0	0	(3,426)
Revaluation losses on Property, Plant and Equipment	463	0	0	(463)
Movements in the Market Value of Investment Properties	0	0	0	0
Amortisation of Intangible Assets	10	0	0	(10)
Capital Grants and Contributions applied	(923)	0	0	923
Revenue Expenditure funded from Capital under Statute	974	0	0	(974)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(817)	783	0	34
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	0	0	0	0
Capital Expenditure charged against the General Fund Balance	(527)	0	0	527
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and Contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	0	0

Continued on the following page.

Notes to the Core Financial Statements

Prior Year - 2013/14 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(657)	0	657
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	1	(1)	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	816	0	(816)
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred Sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Adjustments primarily involving the Financial Instruments Adjustment Account				
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,307	0	0	(4,307)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(2,360)	0	0	2,360
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	693	0	0	(693)
Total Adjustments	5,247	941	0	(6,188)

Notes to the Core Financial Statements

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
New Homes Bonus Reserve	836	(16)	757	1,577	(110)	879	2,346
Invest to Save Reserve	1,462	(1,355)	995	1,102	(639)	427	890
Capital Reserve	175	(175)	0	0	0	0	0
Risk/Recession Reserve	0	0	35	35	(28)	32	39
BRR Equalisation Reserve	0	0	488	488	(479)	579	588
Self Insured Fund	381	0	74	455	(236)	13	232
Computer Equipment	138	(83)	48	103	(32)	229	300
Office Equipment	936	(128)	180	988	(204)	45	829
Section 106 - Public Service Village	86	(22)	1	65	(18)	0	47
HB Equalisation Reserve	1,224	(178)	561	1,607	(88)	88	1,607
Special Pension Reserve	317	0	0	317	0	0	317
Interest Equalisation Reserve	227	0	0	227	(40)	0	187
VAT Reserve	77	(77)	0	0	0	0	0
ARP Reserve	0	0	0	0	(12)	72	60
Vehicle & Plant Renewal Fund	1,505	(401)	759	1,863	(179)	500	2,184
Wheeled Bins	16	(61)	120	75	(38)	76	113
Building Repairs Reserve	1,420	(1,479)	1,767	1,708	(1,568)	1,775	1,915
Private Development	42	(42)	0	0	0	0	0
Commuted Maintenance	638	(139)	330	829	(167)	24	686
Museums - Gershom Parkington Bequest	508	(5)	16	519	(5)	11	525
Museums - Other	65	0	0	65	0	0	65
The Apex Reserve	33	(4)	4	33	0	0	33
Abbey Gardens Donation	35	(24)	10	21	0	0	21
Cemetery & Gravestone	16	(11)	0	5	(5)	0	0
Rural Areas Action Plan	91	0	0	91	0	0	91
Planning Reserve	224	(60)	150	314	(176)	0	138
EI-Historic Building Grants	1	0	0	1	0	0	1
S106 Monitoring Officer	0	0	0	0	(61)	75	14
Economic Development	47	(6)	0	41	(132)	142	51
Homelessness Legislation	0	(50)	50	0	0	0	0
Election Reserve	48	(7)	44	85	(21)	63	127
Total	10,548	(4,323)	6,389	12,614	(4,238)	5,030	13,406
Net Movement in the year				2,066			792

Notes to the Core Financial Statements

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

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

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

Capital reserve – is used to fund revenue costs associated with the Council's capital programme.

Risk/Recession reserve – Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like.

BRR Equalisation reserve – to neutralise the impact of any year on year fluctuations in growth or reduction of business rate income, under the new business rates retention scheme.

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

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

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

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

Housing Benefit (HB) equalisation reserve – is used to cover year-on-year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.

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

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

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

Anglia Revenues Partnership (ARP) 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.

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

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

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

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

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

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

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

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

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

Notes to the Core Financial Statements

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

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

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

S106 Monitoring Officer reserve – Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.

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

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

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

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	1,588	1,494
Payments to the Government Housing Capital Receipts Pool	1	1
(Gains) / losses on the disposal of non-current assets	(939)	(817)
	650	678

Notes to the Core Financial Statements

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 receivable and similar income	(351)	(520)
Net interest on the net defined benefit liability asset	1,920	1,708
Income and expenditure in relation to investment properties and changes in their fair value	(4)	(4)
	1,565	1,184

Note 10 Taxation and Non-Specific Grant Income

	2014/15 £000	2013/14 £000
Council tax Income	(7,830)	(7,571)
Non-domestic rates income and expenditure	(3,154)	(2,377)
Revenue Support Grant	(2,615)	(3,259)
Non-service related government grants	(79)	(71)
New Homes Bonus	(886)	(757)
Council tax freeze grant	(66)	(70)
Capital Grants and contributions	(511)	(417)
	(15,141)	(14,522)

Notes to the Core Financial Statements

Note 11 Property, Plant and Equipment

Movements on Balances

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

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

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

Continued on the following page.

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

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

2014/15 - Current Financial Year	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Cost or Valuation</u>								
At 1 April 2014	714	99,497	8,211	2,175	266	71	411	111,345
Additions	0	82	315	4	0	0	890	1,291
Reclassification from Assets under Construction	0	262	0	0	0	0	(262)	0
Revaluation increases recognised in the Revaluation Reserve	403	2,453	0	0	0	0	0	2,856
Revaluation (decreases) recognised in the Revaluation Reserve	0	(433)	0	0	0	0	0	(433)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	1,375	0	0	0	0	0	1,375
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(8,362)	0	0	0	0	0	(8,362)
Derecognition - disposals	(116)	(7)	(9)	0	0	0	0	(132)
At 31 March 2015	1,001	94,867	8,517	2,179	266	71	1,039	107,940

Continued on the following page.

Notes to the Core Financial Statements

2014/15 - Current Financial Year	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2014	(41)	(9,267)	(4,909)	(362)	0	0	0	(14,579)
Depreciation Charge	(11)	(2,731)	(561)	(81)	0	0	0	(3,384)
Revaluation gains - depreciation written out to the Revaluation Reserve	23	3,676	0	0	0	0	0	3,699
Revaluation losses - depreciation written out to the Revaluation Reserve	0	75	0	0	0	0	0	75
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,681	0	0	0	0	0	1,681
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	2,389	0	0	0	0	0	2,389
Derecognition - disposals	11	0	9	0	0	0	0	20
At 31 March 2015	(18)	(4,177)	(5,461)	(443)	0	0	0	(10,099)
<u>Net Book Value</u>								
At 31 March 2015	983	90,690	3,056	1,736	266	71	1,039	97,841
At 31 March 2014	673	90,230	3,302	1,813	266	71	411	96,766

Depreciation

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

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

Impairment

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

There were no impairment losses in 2013/14. In 2014/15 the Apex was valued for the first time by the District Valuer, using the Depreciated Replacement Cost method of valuation, resulting in a net revaluation loss of £4.840m. Further details are given in Note 4 Material Items of Income and Expense.

Notes to the Core Financial Statements

Capital Commitments

At 31 March 2015, the Council had not entered into any significant contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16.

Changes in Estimates

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

In addition, the Council has moved from using an in-house valuer to using an external valuer (District Valuer – see below).

Revaluations

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

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

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	575	3,056	1,736	163	0	1,039	6,569
Valued at fair value as at:								
31 March 2015	269	4,160	0	0	103	0	0	4,532
31 March 2014	0	5,705	0	0	0	(40)	0	5,665
31 March 2013	15	618	0	0	0	0	0	633
31 March 2012	166	6,672	0	0	0	(2,870)	0	3,968
31 March 2011	533	72,960	0	0	0	2,981	0	76,474
Total Net Book Value	983	90,690	3,056	1,736	266	71	1,039	97,841

Notes to the Core Financial Statements

Note 12 Heritage Assets

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

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

	Fine and Decorative Art	Horology	Civic Regalia	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2013	3,393	2,682	533	6,608
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Depreciation	0	0	0	0
Revaluations - depreciation adjustment	0	0	0	0
At 31 March 2014	3,393	2,682	533	6,608
At 1 April 2014	3,393	2,682	533	6,608
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Depreciation	0	0	0	0
Revaluations - depreciation adjustment	0	0	0	0
At 31 March 2015	3,393	2,682	533	6,608

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

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

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

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

Additions, Disposals and Impairment of Heritage Assets

There have been no additions to Heritage Assets during 2014/15.

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

Notes to the Core Financial Statements

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	3,393	3,393
Civic items	30	30	30	2,682	2,682
Other heritage assets	5	82	80	533	533
Total Heritage Assets	295	372	370	6,608	6,608

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

Note 13 Investment Properties

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

	2014/15	2013/14
	£000	£000
Income from Investment Properties (including net gain / loss from fair value adjustments)	(4)	(4)
Net (gain) / loss	(4)	(4)

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

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

	2014/15	2013/14
	£000	£000
Balance at 1 April	80	80
Net gains / (Losses) from fair value adjustments	30	0
Balance at 31 March	110	80



Haverhill football project

Notes to the Core Financial Statements

Note 14 Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.058m charged to revenue in 2014/15 was charged to the owner service and then recharged as an overhead across service headings in the Net Expenditure of Services.

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

	2014/15 Purchased Assets £000	2013/14 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	434	157
- Accumulated amortisation	(97)	(87)
Net carrying amount at start of year	337	70
Additions:		
- Purchases	106	277
Amortisation for the period	(58)	(10)
Net carrying amount at 31 March	385	337
Comprising:		
- Gross carrying amounts	539	434
- Accumulated amortisation	(154)	(97)
	385	337

Notes to the Core Financial Statements

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	8	1,066
Other Local Authorities	2,069	2,439
Other Entities and Individuals	3,968	3,121
	6,045	6,626

Long Term Debtors

	31 March 2015 £000	31 March 2014 £000
Car loans to employees	2	7
Car leasing scheme	25	20
Deferred sale of surplus properties	36	144
Mortgages and long term loans	295	442
Total Long Term Debtors	358	613

Notes to the Core Financial Statements

Note 16 Cash and Cash Equivalents

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

	31 March	Restated 31 March
	2015	2014
	£000	£000
Cash Held by the Council	8	7
Bank Current Accounts	9,163	9,567
Short Term Deposits with Clearing Banks & Building Societies	0	0
Total Cash and Cash Equivalents	9,171	9,574

2013/14 restated to reflect the instant access account in bank current accounts rather than short term deposits

Note 17 Assets held for Sale

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.

	Consumable Stores		Maintenance Materials		Total	
	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s	2014/15 £000s	2013/14 £000s
Balance outstanding at start of year	169	209	5	11	174	220
Purchases	703	979	20	14	723	993
Recognised as an expense in the year	(718)	(1,008)	(14)	(20)	(732)	(1,028)
Written off balances	(7)	(11)	0	0	(7)	(11)
Balance outstanding at year end	147	169	11	5	158	174

Notes to the Core Financial Statements

Note 19 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March	Restated 31 March	31 March	Restated 31 March
	2015	2014	2015	2014
	£000	£000	£000	£000
Investments				
Loans and receivables				
- Money market loans *	519	519	40,551	34,772
- Other loans	2	7	0	0
- Cash	0	0	96	1,240
Available for sale financial assets	0	0	0	0
Total investments	521	526	40,647	36,012
Debtors				
Loans and receivables	333	593	716	572
Financial assets carried at contract amounts **	0	0	3,074	2,412
Total debtors	333	593	3,790	2,983
Creditors				
Financial liabilities at amortised cost	0	0	2,746	2,432
Long Term Creditors	0	0	0	0
Total creditors	0	0	2,746	2,432

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

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

Loan to Churchmanor Estates Company for Suffolk Business Park

Notes to the Core Financial Statements

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

	Abbeycroft Leisure	Church- Manor Estates	Total
	£000	£000	£000
Nominal value of loans granted	150	716	866
Loans repaid	(65)	0	(65)
Balance at 31 March 2015	85	716	801

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	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest income	0	(351)	0	(351)	0	(520)	0	(520)
Total income in Surplus or Deficit on the Provision of Services	0	(351)	0	(351)	0	(520)	0	(520)
Gains on revaluation	0	0	0	0	0	0	(817)	(817)
Losses on revaluation	0	0	0	0	0	0	0	0
(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(817)	(817)
Net (gains) / loss for the year	0	(351)	0	(351)	0	(520)	(817)	(1,337)

Notes to the Core Financial Statements

Valuation assumptions

The interest rate at which the fair value of these soft loans have been made is arrived at by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid. As the Council is debt free, the Council's prevailing cost of borrowing is the Public Works Loan Board rate for the duration of the loans, in these cases 1.62% and 1.39% for Abbeycroft Leisure and Churchmanor Estates Company respectively. The additional allowance for the risk of default is 2.5% for both loans.

Fair Values of Assets and Liabilities

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

The fair values calculated are as follows:

	31 March 2015		Restated 31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	2,746	2,746	2,432	2,432
Long-term creditors	0	0	0	0
Total liabilities	2,746	2,746	2,432	2,432
Money market loans:				
- Short-term investments *	40,551	40,585	34,772	34,708
- Long-term investments *	521	521	526	526
Cash	96	96	1,240	1,240
Financial assets (debtors)	3,790	3,790	2,983	2,983
Available for Sale Financial Assets	0	0	0	0
Loans and Receivables	333	333	593	593
Total assets	45,291	45,325	40,114	40,050

* Investments restated to include accrued interest.

In overall terms, the fair value of the investments is £0.034m more than the book value at 31 March 2015.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future profit (based on economic conditions at 31 March 2015) attributable to the commitment to receive interest above current market rates.

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

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

Notes to the Core Financial Statements

Note 20 Creditors

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

Short-Term Creditors	31 March	31 March
	2015	2014
	£000	£000
Central Government Bodies	1,362	655
Other Local Authorities	3,610	2,231
Other Entities and Individuals	2,828	2,622
Total Short-term Creditors	7,800	5,508

Note 21 Provisions

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

	Long Term	Short Term
	Provision	Provision
	£000	£000
Balance as at 1 April	200	868
Additional Provisions made in 2014/15	0	1,127
Amounts used in 2014/15	0	(936)
Total Provisions	200	1,059

Long term provisions

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

Short term provisions

The provision of £1,059k is composed of:

- £199k relating to a structural defect claim in respect of a previously owned asset
- £860k relating to National Non-Domestic Rate appeals.

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

Notes to the Core Financial Statements

Note 22 Unusable Reserves

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

	31 March 2015 £000	31 March 2014 £000
Revaluation Reserve	25,693	20,228
Available for Sale Financial Instruments Reserve	469	469
Capital Adjustment Account	80,885	85,177
Pensions Reserve	(54,421)	(44,750)
Deferred Capital Receipts Reserve	247	376
Collection Fund Adjustment Account	229	(773)
Accumulated Absences Account	(200)	(200)
Total Unusable Reserves	52,902	60,527

Revaluation Reserve

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

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

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

	31 March 2015 £000	Restated 31 March 2014 £000
Balance at 1 April	20,228	19,963
Upward revaluation of Assets	6,555	1,402
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(358)	(466)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	6,197	936
Difference between fair value depreciation and historical cost depreciation	(637)	(670)
Accumulated gains on assets sold or scrapped	(95)	(1)
Amount written off to the Capital Adjustment Account	0	0
Balance at 31 March	25,693	20,228

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

Notes to the Core Financial Statements

Available for Sale Financial Instruments Reserve

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

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

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	469	414
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	0	55
Balance at 31 March	469	469

Capital Adjustment Account

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

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

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

Note 6 - Adjustments between Accounting Basis and Funding Basis under Regulations provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Notes to the Core Financial Statements

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

	31 March 2015 £000	31 March 2015 £000	31 March 2014 £000
Balance at 1 April		85,177	88,104
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
- Charges for depreciation and impairment of non-current assets	(3,384)		(3,426)
- Revaluation gains/(losses) on Property, Plant and Equipment	(2,918)		(463)
- Amortisation of Intangible Assets	(58)		(10)
- Revenue expenditure funded from capital under statute	(728)		(974)
- 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	(111)		(41)
		(7,199)	(4,914)
Adjusting amounts written out of the Revaluation Reserve		732	671
Net written out amount of the cost of non-current assets consumed in the year		(6,467)	(4,243)
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	954		657
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	769		923
- Application of grants to capital financing from the Capital Grants Unapplied Account	0		0
Capital Expenditure charged against the General Fund Balance	547		527
		2,270	2,107
Minimum Revenue Provision		0	0
Loan Principal Repayments		(125)	(791)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		30	0
Balance at 31 March		80,885	85,177

Notes to the Core Financial Statements

Pensions Reserve

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

The movements in the Pensions Reserve were as follows:

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	(44,750)	(37,860)
Remeasurements of the net defined benefit liability / (asset)	(7,904)	(4,943)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,579)	(4,307)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,812	2,360
Balance at 31 March	(54,421)	(44,750)

Deferred Capital Receipts Reserve

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

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	376	326
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(109)	75
Loan Principal Repayments	(20)	(25)
Balance at 31 March	247	376

Notes to the Core Financial Statements

Collection Fund Adjustment Account

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

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

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	(773)	(80)
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	241	30
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	761	(723)
Balance at 31 March	229	(773)

Accumulated Absences Account

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

	31 March 2015 £000	31 March 2014 £000
Balance at 1 April	(200)	(200)
Balance at 31 March	(200)	(200)

Notes to the Core Financial Statements

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15	2013/14
	£000	£000
Interest paid	0	0
Interest received	(360)	(520)
	(360)	(520)

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

	2014/15	2013/14
	£000	£000
Depreciation	(3,384)	(3,426)
Amortisation	(58)	(10)
Impairment and upward / (downward) valuations	(2,918)	(463)
(Increase) / decrease in Creditors	(2,361)	984
(Increase) / decrease in Provisions	(191)	(601)
Increase / (decrease) in Debtors and Payments in Advance	(958)	(1,152)
Increase / (decrease) in Inventories	(17)	(46)
Movement in Pensions Liability	(1,767)	(1,947)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	939	817
Carrying amount of short and long term investments sold	0	0
Deferred capital receipts	0	92
Movement in investment property values	30	0
Other non-cash items charged to the net surplus or deficit on the provision of services	1,002	0
	(9,683)	(5,752)

Notes to the Core Financial Statements

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

	2014/15	2013/14
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	796	923
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0	0
Any other items for which the cash effects are investing or financing cash flows	(728)	(282)
	68	641

Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2014/15	2013/14
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	1,467	744
Purchase of short-term and long-term investments	5,397	0
Other payments for investing activities	1,036	1,208
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(932)	(1,268)
Proceeds from short-term and long-term investments	(360)	(555)
Other receipts from investing activities	(693)	(58)
Net cash flows from investing activities	5,915	71

Notes to the Core Financial Statements

Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2014/15	2013/14
	£000	£000
Billing authorities - council tax and national non-domestic rates adjustments	(1,002)	(693)
Net cash flows from Financing activities	(1,002)	(693)

Notes to the Core Financial Statements

Note 26 Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice (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	3,969	36,571	0	0	40,540	(11,171)	(26,352)	(37,523)	3,017
HR & Democratic Services	1,017	796	0	0	1,813	(241)	0	(241)	1,572
Families & Communities	916	670	0	0	1,586	(331)	0	(331)	1,255
Planning & Growth	1,988	1,607	0	0	3,595	(2,265)	0	(2,265)	1,330
Operations	6,562	11,192	0	0	17,754	(15,934)	0	(15,934)	1,820
Housing	837	451	0	0	1,288	(204)	0	(204)	1,084
Totals	15,289	51,287	0	0	66,576	(30,146)	(26,352)	(56,498)	10,078

Notes to the Core Financial Statements

Previous Year - 2013/14	Employees Expenses	Other Service Expenses	Support Service Recharges	Depn & Impairm't	Total Expenses	Fees, Charges & Other Service Income	Government Grants	Total Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Corporate Expenditure	1,778	912	0	0	2,690	(859)	0	(859)	1,831
Resources & Performance	2,473	32,932	0	0	35,405	(2,134)	(29,465)	(31,599)	3,806
Human Resources & Organisational Development	471	87	0	0	558	(91)	0	(91)	467
Legal & Democratic Services	432	551	0	0	983	(100)	(7)	(107)	876
Policy, Communications & Customers	436	303	0	0	739	(231)	0	(231)	508
Waste Management & Property Services	5,052	7,695	0	65	12,812	(12,605)	(50)	(12,655)	157
Leisure, Culture & Communities	1,662	4,045	0	26	5,733	(2,532)	(65)	(2,597)	3,136
Planning & Regulatory Services	2,288	712	0	8	3,008	(1,855)	0	(1,855)	1,153
Economic Development & Growth	152	192	0	0	344	(162)	0	(162)	182
Housing	386	502	0	369	1,257	(185)	(50)	(235)	1,022
Totals	15,130	47,931	0	468	63,529	(20,754)	(29,637)	(50,391)	13,138

Notes to the Core Financial Statements

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

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

	2014/15	2013/14
	£000	£000
Net Expenditure in the Head of Service Analysis	10,077	13,138
Net expenditure of services not included in the analysis	0	(98)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(4,198)	4,138
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	12,151	(1,540)
Cost of Services in Comprehensive Income and Expenditure Statement	18,030	15,638

The reason for the £8.3m 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 £13.6m 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.

Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

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

Current Year - 2014/15	Head of Service Analysis	Amounts not reported to Management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(29,786)	0	12,064	0	(17,722)	(490)	(18,212)
Interest and investment income	(360)	0	360	0	0	(360)	(360)
Income from council tax	0	0	0	0	0	(7,672)	(7,672)
Government grants and contributions	(26,352)	(11,009)	6,983	0	(30,378)	(6,983)	(37,361)
Total income	(56,498)	(11,009)	19,407	0	(48,100)	(15,505)	(63,605)
Employee expenses	15,289	0	(153)	0	15,136	1,919	17,055
Other service expenses	51,286	39	(7,103)	0	44,222	10	44,232
Support Service recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	6,772	0	0	6,772	0	6,772
Interest payments	0	0	0	0	0	0	0
Precepts and Levies	0	0	0	0	0	1,588	1,588
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1	1
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(939)	(939)
Total expenditure	66,575	6,811	(7,256)	0	66,130	2,579	68,709
Surplus or deficit on the provision of services	10,077	(4,198)	12,151	0	18,030	(12,926)	5,104

Notes to the Core Financial Statements

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

Previous Year - 2013/14	Portfolio Service Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of Recharges	Cost of Services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other Service Income	(20,244)	0	2,995	0	(17,249)	(4)	(17,253)
Interest and investment interest	(511)	0	511	0	0	(511)	(511)
Income from Council tax	0	0	0	0	0	(7,571)	(7,571)
Government Grants and contributions	(29,636)	0	0	0	(29,636)	(6,950)	(36,586)
Total Income	(50,391)	0	3,506	0	(46,884)	(15,036)	(61,920)
Employee Expenses	15,130	239	0	0	15,369	1,708	17,077
Other Service Expenses	47,931	0	(5,046)	(98)	42,787	(10)	42,777
Depreciation, amortisation and impairment	468	3,899	0	0	4,367	0	4,367
Interest payments	0	0	0	0	0	0	0
Precepts and levies	0	0	0	0	0	1,494	1,494
Payments to Housing Capital Receipts Pool	0	0	0	0	0	1	1
Gain or loss on disposal of non-current assets	0	0	0	0	0	(817)	(817)
Total Expenditure	63,529	4,138	(5,046)	(98)	62,522	2,376	64,898
(Surplus) or deficit on the provision of services	13,138	4,138	(1,540)	(98)	15,638	(12,660)	2,978

Notes to the Core Financial Statements

Note 27 Trading Operations

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

		2014/15	2014/15	2013/14	2013/14
		£000	£000	£000	£000
Industrial, Business Units & Shops	Turnover	(2,669)		(2,755)	
	Expenditure	1,195		1,362	
	(Surplus) / Deficit		(1,474)		(1,393)
Trade Refuse	Turnover	(1,465)		(1,242)	
	Expenditure	1,418		1,085	
	(Surplus) / Deficit		(47)		(157)
Markets	Turnover	(403)		(409)	
	Expenditure	323		369	
	(Surplus) / Deficit		(80)		(40)
Net Surplus on Trading Operations			(1,601)		(1,590)

Note 28 Members Allowances

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

	2014/15	Restated
	£000	2013/14
		£000
Allowances	305	305
Expenses	23	16
Total Members Allowances and Expenses	328	321

2013/14 figures have been restated to exclude national insurance, whilst this is not material this has been amended in order to allow comparisons between 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



Abbotts Bridge, Abbey Gardens, Bury St Edmunds

Notes to the Core Financial Statements

Note 29 Officers' Remuneration

Senior Officers' Remuneration

The remuneration of those senior officers on the payroll of St Edmundsbury Borough 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 £
Joint Chief Executive	2014/15	111,050	0	4,311	23,944	0	139,305
	2013/14	108,133	0	4,120	21,302	0	133,555
Director	2014/15	78,706	0	1,688	16,970	0	97,364
	2013/14	75,750	0	1,989	14,923	0	92,662
Director	2014/15	79,717	1,239	0	16,970	0	97,926
	2013/14	75,825	1,239	0	14,923	0	91,987
Head of HR, Legal & Democratic Services - new post wef 1st Nov 2014	2014/15	26,699	0	677	5,757	0	33,133
Head of Human Resources and Organisational Development	2014/15	35,750	0	947	7,708	0	44,405
	2013/14	62,286	127	1,258	11,938	0	75,609
Head of Legal and Democratic Services (Monitoring Officer) - post disestablished wef 1st Nov 2014	2014/15	39,740	723	0	8,568	0	49,031
	2013/14	67,765	1,239	0	13,452	0	82,456
Head of Leisure, Culture and Communities - postholder left 01/01/2015 & post disestablished	2014/15	58,048	0	1,183	10,670	16,413	86,314
	2013/14	67,327	0	1,276	13,249	0	81,852
Head of Operations - new post wef 1st Nov 2014	2014/15	28,598	0	1,408	6,166	0	36,172
Head of Waste Management and Property Services	2014/15	38,979	0	1,971	8,404	0	49,354
	2013/14	67,327	0	2,523	13,249	0	83,099
Head of Economic Development and Growth - post disestablished wef 1st Nov 2014	2014/15	32,404	723	0	6,987	0	40,114
	2013/14	55,625	1,239	0	10,943	0	67,807
Head of Families and Communities - new post wef 1st Nov 2014	2014/15	25,583	516	0	5,516	0	31,615
Head of Policy, Communications and Customers	2014/15	33,667	723	0	7,259	0	41,649
	2013/14	55,625	1,239	0	10,943	0	67,807

Notes to the Core Financial Statements

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 Forest Heath District Council or through its relationship with Anglia Revenues Partnership (under accounting standards IAS 19 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 Forest Heath District Council.
- 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	2013/14
	Number of Employees	Number of Employees
£50,000 to £54,999	5	3
£55,000 to £59,999	0	3
£60,000 to £64,999	1	1
£65,000 to £69,999	0	2
£70,000 to £74,999	0	1
£75,000 to £79,999	0	1
£80,000 to £84,999	1	1
£90,000 to £94,999	1	0
£100,000 to £104,999	0	1
£105,000 to £109,999	0	0
£110,000 to £114,999	0	1
£115,000 to £119,999	1	0

Shared Service Leadership Team (LT)

During 2011 Council approval was given to the creation and implementation of a shared officer structure with Forest Heath District Council (FHDC).

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 St Edmundsbury Borough Council.

The remuneration details of the staff employed by Forest Heath District 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 was reimbursed by FHDC for its share of relevant employee costs. The reimbursement is based on both councils sharing equally the savings resulting from the restructure.

Notes to the Core Financial Statements

Shared Leadership Team (LT)	Note	2014/15	2014/15	2013/14	2013/14
		SEBC Cost £	FHDC Cost £	SEBC Cost £	FHDC 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		823,042	250,705	827,902	210,848
Net adjustment between the councils		(120,990)	120,990	(169,730)	169,730
Expenditure included in the Comprehensive Income and Expenditure Statement		702,052	371,695	658,172	380,578

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.

Notes to the Core Financial Statements

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	4	10	3	0	7	10	64,499	76,512
£20,001 - £40,000	1	8	0	0	1	8	23,579	198,744
£40,001 - £60,000	3	2	0	0	3	2	135,792	104,203
£60,001 - £80,000	0	3	0	0	0	3	0	216,968
£80,001 - £100,000	0	1	0	0	0	1	0	91,774
£100,001 - £150,000	1	2	0	0	1	2	105,695	232,910
Total	9	26	3	0	12	26	329,565	921,111

Termination Benefits

The Council terminated the contracts of 12 employees in 2014/15, the total value of these termination payments was £330k (2013/14 £921k).

The total cost of £330k in the table above is the gross amount of exit packages paid to Council employees. This total cost includes £244k for exit packages that have been committed to as part of the Council's Shared Services agenda with Forest Heath, of which £117k was recharged to Forest Heath in line with an agreed cost sharing basis. Forest Heath has incurred similar costs under the Shared Services agenda, the Council in turn, picking up an agreed share amounting to £111k. The Council has made allowances for this cost sharing within the overall charge to the Comprehensive Income and Expenditure Statement, resulting in an overall net charge to the Council of £324k.

Notes to the Core Financial Statements

Note 30 External Audit Costs

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

	2014/15	2013/14
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year:		
- Ernst & Young LLP	57	57
Fees payable for the certification of grant claims and returns for the year		
- Ernst & Young LLP	31	47
Fees payable in respect of other services provided during the year		
- Ernst & Young LLP	0	1
Total External Audit Costs	88	105

Notes to the Core Financial Statements

Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15	2013/14
	£000	£000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	2,615	3,259
National Non-domestic Rates	3,154	2,377
New Homes Bonus	886	757
Other Government Grants	79	71
Council Tax Freeze Grant	66	70
Capital Grants and Contributions		
Growth Area Initiative grant (DCLG)	145	267
Public Venue Grant - EEDA	0	0
Other Grants and contributions	366	149
Total credited to Taxation and Non-specific Grant Income and Expenditure	7,311	6,950
Credited to Services		
Revenue Grants and Contributions		
Housing Benefits Subsidy	29,556	28,618
Housing Benefit and Council Tax Administration Subsidy	427	570
National Non-domestic Rates Administration Grant	163	164
Other Grants and Contributions	74	122
Capital Grants and Contributions		
Disabled Facilities Grant	285	275
Growth Area Initiative grant (DCLG)	0	165
Other Grants and Contributions	0	66
Total credited to services	30,505	29,980

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

Notes to the Core Financial Statements

	2014/15	2013/14
	£000	£000
Capital Grants and Contributions Received in Advance		
Growth Area Initiative Grant (DCLG)	2,736	2,880
Other Grants	170	599
Developer Contribution - ASDA	539	692
Developer Contribution - Centros Miller	325	350
Developer Contributions - Other	597	253
Total	4,367	4,774

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 a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details on grants received from government departments are set out in Note 10 - Taxation and Non Specific Grant Income, Note 26 – Amounts reported for resource allocation decisions and Note 31 - Grant Income.

Forest Heath District Council

St Edmundsbury Borough Council and Forest Heath District Council have formally agreed that both councils are each other's preferred partners for Shared Services. The two councils appointed a shared 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:

- Abbeycroft Leisure Trust
- Association for Suffolk Museums Management Committee
- Bid 4 Bury Board of Directors
- Brecks Partnership
- Bury St Edmunds and District Volunteer Centre
- Dedham Vale and Stour Valley

Notes to the Core Financial Statements

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

During 2014/15 the Council made grant payments totalling £414k to organisations on which members served. Transactions with Abbeycroft Leisure are disclosed separately below.

During 2014/15 there were no transactions of a material nature to either the Council or related third parties involving members of the Council serving in a personal capacity.

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 – 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:

Notes to the Core Financial Statements

	2014/15	2013/14
	£000	£000
Income and expenditure in respect of related party transactions during the year		
Expenses	1,575	1,510
Income	(138)	(89)
	1,437	1,421

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

www.angliarevenues.gov.uk

Abbecroft Leisure Trust

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

The contract involved the transfer of leisure centre staff and leasing the leisure centres and athletics track to the trust at a peppercorn rent in return for a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid quarterly in advance. The Council is consulted on the business plans of Abbecroft Leisure prior to the agreement of a management fee to the Company. A management fee amounting to £260,000 was paid to the trust in 2014/15 compared to £280,000 in 2013/14.

Abbecroft Leisure has been working in partnership with Anglia Community Leisure (ACL) 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 Abbecroft 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 Abbecroft 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.

Abbecroft Leisure's principal activity is to provide leisure facilities to the local community. The Trust's registered address is Haverhill Leisure Centre, Lordscroft Lane, Haverhill, Suffolk, CB9 0ER.

Copies of Abbecroft Leisure's audited accounts can be obtained from The Chief Executive, Abbecroft Leisure, Haverhill Leisure Centre, Lordscroft Lane, Haverhill, Suffolk, CB9 0ER.

Further information regarding Abbecroft Leisure can be found on its website:

www.acleisure.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 £44,910,000 in 2014/15 (£44,852,000 in 2013/14) on their behalf. At 31 March 2015 the Council held creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £907,000.

Notes to the Core Financial Statements

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 Statement, Balance Sheet and Cash Flow Statements show the council tax collected on behalf of the Council but excludes the agency transactions.

Suffolk County Council – West Suffolk House Joint Committee

On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. The agreement between the Councils provides for each authority sharing costs on a 50/50 basis. The amounts of the Council's share of expenditure incurred by the West Suffolk House Joint Committee are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. The Council's net contribution to the operational costs of the building during 2014/15 was £501,150 (2013/14 £574,950).



Fireworks, Abbey Gardens

Notes to the Core Financial Statements

Note 33 Capital Expenditure and Capital Financing

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

	2014/15 Purchased Assets £000	2013/14 Purchased Assets £000
Opening Capital Financing Requirement	(833)	(833)
Capital investment		
Property, Plant and Equipment	1,291	623
Intangible Assets	106	276
Heritage Assets	0	0
Revenue expenditure funded from capital under statute	728	974
Loans financed from Capital	145	234
Sources of Finance		
Capital receipts	(954)	(657)
Government grants and other contributions	(769)	(923)
Sums set aside from revenue		
Direct revenue contributions	(547)	(527)
Closing Capital Financing Requirement	(833)	(833)
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)	0	0
	0	0

Notes to the Core Financial Statements

Note 34 Leases

Council as Lessor

Operating Leases

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

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

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

	2014/15	2013/14
	£000	£000
Not later than one year	2,559	2,588
Later than one year and not later than five years	7,585	8,055
Later than five years	97,576	99,281
Balance as at 31 March carried forward	107,720	109,924

Notes to the Core Financial Statements

Note 35 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

Band	2014/15		2013/14	
	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



Cavendish, Pink Cottages

Notes to the Core Financial Statements

Transactions relating to Post Employment Benefits

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

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

	2014/15	2013/14
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	2,595	2,494
- past service costs (including curtailments)	64	105
Financing and Investment Income and Expenditure		
Net Interest Expense	1,920	1,708
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,579	4,307
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)	(10,038)	3,498
- Actuarial gains and losses arising on changes in demographic assumptions	0	2,531
- Actuarial gains and losses arising on changes in financial assumptions	19,186	3,438
- Other (if applicable)	(1,244)	(4,524)
Sub-total: Actuarial gains and losses	7,904	4,943
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	12,483	9,250
Movement in Reserves Statement		
- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,579)	(4,307)
Actual amount charged against the General Fund Balance for pensions in the year	7,904	4,943
Employers' contributions payable to scheme	2,812	2,360

Notes to the Core Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15	2013/14
	£000	£000
Present value of the defined benefit obligation	(159,042)	(137,153)
Fair value of plan assets	104,621	92,403
Sub-total	(54,421)	(44,750)
Other movements in the liability (asset) (if applicable)	0	0
Net liability arising from defined benefit obligation	(54,421)	(44,750)

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

	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	92,403	93,487
Interest income	3,933	4,165
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	10,038	(3,498)
- Other (if applicable)	0	0
The effect of changes in foreign interest rates	0	0
Contributions from employer	2,680	2,227
Contributions from employees into the scheme	703	644
Contributions in respect of unfunded benefits	132	133
Benefits paid	(5,136)	(4,622)
Unfunded benefits paid	(132)	(133)
Other (if applicable)	0	0
Closing fair value of scheme assets	104,621	92,403

Notes to the Core Financial Statements

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

	2014/15	2013/14
	£000	£000
Opening balance at 1 April	137,153	131,347
Current service cost	2,595	2,494
Interest cost	5,853	5,873
Contributions from scheme participants	703	644
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	0	2,531
- Actuarial gains / losses arising from changes in financial assumptions	19,186	3,438
- Other (if applicable)	(1,244)	(4,524)
Past service cost	64	105
Losses / (gains) on curtailment (where relevant)	0	0
Liabilities assumed on entity combinations	0	0
Benefits paid	(5,136)	(4,622)
Unfunded benefits paid	(132)	(133)
Liabilities extinguished on settlements (where relevant)	0	0
Closing fair value of scheme liabilities	159,042	137,153



Apex, Bury St Edmunds

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

Asset Category	2014/15	2014/15	2014/15	2014/15	2013/14	2013/14	2013/14	2013/14
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of Total Assets %	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of Total Assets %
<u>Equity Securities:</u>								
- Consumer	7,836	0	7,836	8%	8,023	0	8,023	9%
- Manufacturing	3,604	0	3,604	3%	4,885	0	4,885	5%
- Energy and Utilities	1,756	0	1,756	2%	3,632	0	3,632	4%
- Financial Instruments	4,528	0	4,528	4%	5,464	0	5,464	6%
- Health and Care	3,276	0	3,276	3%	3,454	0	3,454	4%
- Information Technology	1,881	0	1,881	2%	1,871	0	1,871	2%
- Other	1,059	0	1,059	1%	1,895	0	1,895	2%
	23,940	0	23,940	23%	29,224	0	29,224	32%
<u>Debt Securities:</u>								
- Corporate Bonds (Investment Grade)	15,163	0	15,163	15%	12,676	0	12,676	14%
- UK Government	2,229	0	2,229	2%	1,830	0	1,830	2%
- Other	4,561	0	4,561	4%	3,676	0	3,676	4%
	21,953	0	21,953	21%	18,182	0	18,182	20%
<u>Private Equity:</u>								
All	0	3,186	3,186	3%	0	3,189	3,189	3%
<u>Real Estate:</u>								
UK Property	10,053	0	10,053	10%	0	9,282	9,282	10%
<u>Investment Funds and Unit Trusts:</u>								
Equities	29,190	0	29,190	28%	19,657	0	19,657	21%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	4,036	0	4,036	4%	3,369	0	3,369	4%
Infrastructure	0	2,354	2,354	2%	0	1,482	1,482	1%
Other	6,321	2,360	8,681	8%	5,794	1,595	7,389	8%
	39,547	4,714	44,261	42%	28,820	3,077	31,897	34%
<u>Derivatives:</u>								
Foreign Exchange	2	0	2	0%	0	0	0	0%
<u>Cash and Cash Equivalents:</u>								
All	1,226	0	1,226	1%	629	0	629	1%
Totals	96,721	7,900	104,621	100%	76,855	15,548	92,403	100%

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	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%)	9%	15,093
Longevity (1 year increase or decrease in member life expectancy)	3%	4,771
Rate of increase in salaries (increase or decrease by 0.5%)	3%	4,479
Rate of increase in pensions (increase or decrease by 0.5%)	6%	10,296

Notes to the Core Financial Statements

Impact on the Council's Cash Flows

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

The Council anticipated paying £2,525k expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years for 2014/15 (17.3 years 2013/14).

Note 36 Contingent Liabilities

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

The scheme of arrangement was triggered during 2013/14, and the scheme administrators issued a levy notice for £0.031m, being 15% of the gross payment made by MMI. Further levies may be due, and it is currently calculated that the Council's maximum exposure will be £0.292m.

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 £0.065m 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 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 Tribunal in London. The value of claims submitted and not yet paid as at 31st March 2015 is £6.96m. There is a potential for future claims to the value of about £0.85m per annum. In addition if the claim is successful interest may also be due from HMRC.

VAT Sports and Leisure Activities: Following on from the House of Lords ruling on the Fleming and Conde Nest claims, the Council has submitted further claims against HMRC for the refund of overpaid VAT on sports tuition for the periods 1978 to 1989 and 1996 to 2008. These claims are currently being stood behind the outcome of similar claims submitted by 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 £0.66m.

VAT Compound Interest Claim: A High Court decision in the Cars 'Group Litigation Order' (GLO) indicated that, in certain circumstances, compound interest may be claimed from HMRC where VAT has previously been overpaid as a result of HMRC error. This matter is currently subject to consideration by the Court of Appeal. A claim has been lodged by the Council following refunds received under the Fleming case which is waiting to be heard by the High Court. The outcome of these claims is difficult to predict, but based on overpayments already refunded by HMRC the estimated value of the Council's claim is in the region of £0.33m.

Notes to the Core Financial Statements

Note 38 Nature and Extent of Risks arising from Financial Instruments

Key Risks

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

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

Overall procedures for managing risk

The Council's finance team work actively to minimise the Council's exposure to the unpredictability of the financial markets, and to protect the financial resources available to fund services. Risk management is carried out by the finance team under policies approved by the Council in the Annual Treasury Management and Investment Strategy. The Council provides written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

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

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

The Council's lending criteria for 2014/15 was set out in the Annual Treasury Management and Investment Strategy 2014/15, which was approved by the Council in February 2014. The following table shows the credit criteria applicable as at 31 March 2015.

Rated Banks & Institutions

Sector Treasury Services Colour Code Key *	Credit Criteria 31 March 2015
Purple	£10m for maximum of 2 years (subject to max 50% of portfolio)
Orange	£9m for maximum of 2 years (subject to max 40% of portfolio)
Red	£8m for maximum of 1 year (subject to max 35% of portfolio)
Green	£6m for maximum of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government)	£15m for maximum of 2 years

Notes to the Core Financial Statements

Rated Building Societies

Sector Treasury Services Colour Code Key *	Credit Criteria 31 March 2015
Red	£8m for maximum of 1 year (subject to max 35% of portfolio)
Green	£6m for maximum of 1 year (subject to max 30% of portfolio)

Non-Rated Building Societies

Asset Base **	Credit Criteria 31 March 2015
Asset base > £2,500m	£3m for maximum of 6 months
Asset base > £1,000m	£2.5m for maximum of 6 months

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

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

The full Annual Treasury Management and Investment Strategy for 2014/15 is available on the Council's website.

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

	Amount at 31 March 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	40,551	1.167	0.567	22,979	19,865

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

Notes to the Core Financial Statements

Of the £2.148m total debt outstanding at 31 March 2015, £0.613m has exceeded its due date for payment, and is analysed by age as follows:

	2014/15	2013/14
	£000	£000
Less than three months	288	860
Three to six months	58	15
Six months to one year	93	50
More than one year	174	177
	613	1,102

Liquidity risk

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

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

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

Market risk

Maturity risk

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

The approved treasury limits for investments placed for more than one year in duration are also a key parameter used to address this risk. As at 31 March 2015, the Council had two investments totalling £4m placed for a period of more than one year.

Interest rate risk

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

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

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

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

Notes to the Core Financial Statements

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

As the Council did not have any variable rate investments during 2014/15, there would have been no effect on its interest income had interest rates been either 1% higher or lower.

[Price risk](#)

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

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

[Foreign exchange risk](#)

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

Note 39 Trust Funds

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

	Balance at 31 March 2014 £	Income £	Expenditure £	Balance at 31 March 2015 £
West Stow Anglo-Saxon Village Trust	(5,331)	(40)	951	(4,420)
Gershom Parkington Memorial Trust	(11,504)	(86)	0	(11,591)
94th Bomb Group Memorial Association	(16,268)	(121)	139	(16,251)
Totals	(33,104)	(248)	1,090	(32,261)

There are no formal investments for the trust funds, but national interest is credited from the General Fund, based on the budgeted average rate of interest earned on the Council's own investments of 0.75%. This amounted to:

	Interest Income 2014/15 £	Interest Income 2013/14 £
West Stow Anglo-Saxon Village Trust	(40)	(34)
Gershom Parkington Memorial Trust	(86)	(170)
94th Bomb Group Memorial Association	(121)	(241)
Total	(248)	(445)

West Stow Anglo Saxon Village Trust

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

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

Gershom Parkington Memorial Trust

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

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

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

94th Bomb Group Memorial Association Fund

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

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

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

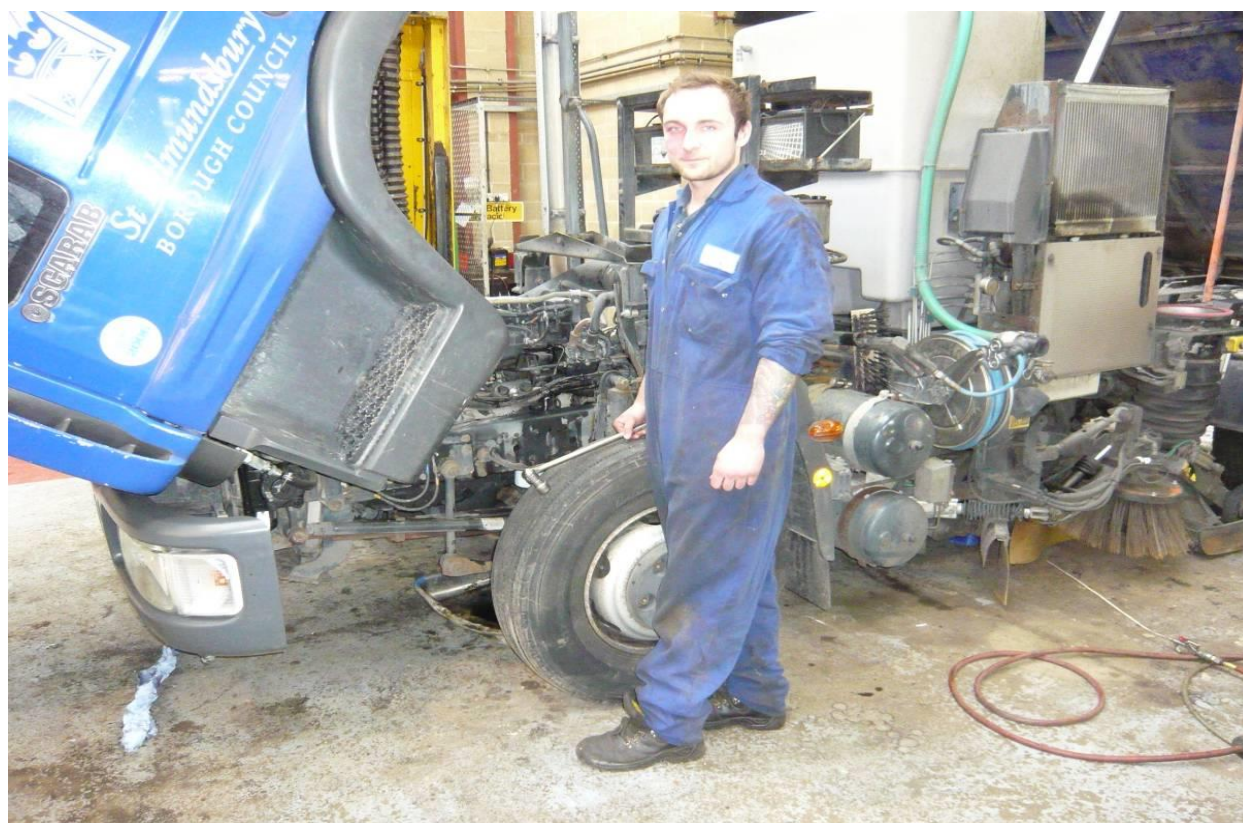
- The general maintenance, as necessary, of the American War Memorial in the Abbey Gardens, Bury St Edmunds;
- The beautification of the Appleby Rose Garden and the replacement of trees and shrubs in that area;
- Such other purposes as may be mutually agreed between the Association and the Council.

Notes to the Core Financial Statements

Note 40 Agency Services

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

	2014/15	2014/15	2013/14	2013/14
	£000	£000	£000	£000
<u>Work undertaken on behalf of Suffolk County Council</u>				
On-Street Car Parking				
Income from parking fees		(941)		(833)
Expenditure:				
Running Expenses	34		40	
Administration	226		255	
		260		295
Net Surplus paid to Suffolk County Council		(681)		(538)



Collection Fund and Notes

Collection Fund and Notes

Collection Fund Comprehensive Income and Expenditure Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2014/15			2013/14		
	Council		Total	Council		Total
	Tax	NNDR	£000	Tax	NNDR	£000
Income						
Income Receivable						
Council Tax receivable	(53,758)	0	(53,758)	(52,944)	0	(52,944)
National Non-Domestic Rates receivable	0	(46,947)	(46,947)	0	(45,489)	(45,489)
Transitional Protection receivable	0	30	30	0	13	13
Repayment of previous years deficit						
St Edmundsbury Borough Council	(83)	(463)	(546)	(30)	0	(30)
Central Government	0	(579)	(579)	0	0	0
Suffolk County Council	(427)	(116)	(543)	(155)	0	(155)
Suffolk Police Authority	(63)	0	(63)	(23)	0	(23)
Total Income	(54,331)	(48,075)	(102,406)	(53,152)	(45,476)	(98,628)
Expenditure						
Precepts						
St Edmundsbury Borough Council	7,672	18,039	25,711	7,571	18,185	25,756
Central Government	0	22,549	22,549	0	22,731	22,731
Suffolk County Council	39,119	4,510	43,629	39,069	4,546	43,615
Suffolk Police Authority	5,791	0	5,791	5,784	0	5,784
	52,582	45,098	97,680	52,424	45,462	97,886
Charges to the Collection Fund						
Write-off of uncollectable amounts	114	174	288	167	183	350
Increase/(Decrease) in Bad Debts Provision	(23)	20	(3)	355	91	446
Increase/(Decrease) in Appeals Provision	0	714	714	0	1,436	1,436
Cost of Collection	0	163	163	0	164	164
Renewal Energy Income retained by Council	0	255	255	0	36	36
	91	1,326	1,417	522	1,910	2,432
(Surplus) / Deficit for the year	(1,658)	(1,651)	(3,309)	(206)	1,896	1,690
Fund balance as at 1 April	350	1,896	2,246	556	0	556
(Surplus) / Deficit carried forward	(1,308)	245	(1,063)	350	1,896	2,246

Collection Fund and Notes

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	5,258	1,790
Band B	between £40,001 and £52,000	17,455	9,828
Band C	between £52,001 and £68,000	9,324	6,806
Band D	between £68,001 and £88,000	7,252	6,533
Band E	between £88,001 and £120,000	4,325	4,716
Band F	between £120,001 and £160,000	1,926	2,548
Band G	between £160,001 and £320,000	1,482	2,294
Band H	over £320,000	132	210
Council Tax Base		47,154	34,725

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 £1,514.23 (2013/14 £1,511.63).

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. St Edmundsbury 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 £111,596,020 (31st March 2013/14: £111,264,489).

Collection Fund and Notes

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	39,119	(975)	38,144	39,329
Suffolk Police Authority	5,791	(145)	5,646	5,823
St Edmundsbury Borough Council	7,672	(190)	7,482	7,621
	52,582	(1,310)	51,272	52,773
NNDR				
Suffolk County Council	4,510	24	4,534	4,736
Central Government	22,549	122	22,671	23,679
St Edmundsbury Borough Council	18,039	98	18,137	18,944
	45,098	244	45,342	47,359

Accounting Policies

This section of the accounts sets out the accounting policies used in compiling the accounts. Any technical terms are explained in the glossary at page 110.

I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice (SeRCOP) 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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. As the Council is debt free, no interest is payable on borrowings.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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 Council'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 Council'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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

VII. Charges to Revenue for Non-Current Assets

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

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

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

VIII. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Accounting Policies

Post Employment Benefits

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

The Local Government Pension Scheme

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

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

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

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

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

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

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

Discretionary Benefits

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

IX. Events After the Reporting Period

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

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

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

X. Exceptional Items

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

XI. Financial Instruments - Financial Liabilities

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

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

During 2014/15 the Council retained its debt free status.

XII. Financial Instruments - Financial Assets

Financial assets are classified into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market (e.g. investments with financial institutions)
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments (e.g. company shares).

Loans and Receivables

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

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

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

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

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

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

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

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

XIII. Government Grants and Contributions

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

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

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

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

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

XIV. Heritage Assets

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

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

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

Heritage buildings and monuments

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

The Museum Collections

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

Civic Regalia

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

Heritage Assets – General

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

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

XV. Intangible Assets

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

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

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

XVI. Interests in Companies and Other Entities

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

XVII. Inventories

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

XVIII. Investment Properties

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

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

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

XIX. Joint Operations and Jointly Controlled Assets

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

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

XX. Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

Accounting Policies

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

XXI. Overheads and Support Services

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

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

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

XXII. Property, Plant and Equipment

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

Accounting Policies

Recognition

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

The following de minimis levels are applied:

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Impairment

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Depreciation

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

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

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

Accounting Policies

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.

XXIII. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XXIV. Reserves

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

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

XXV. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year (for example, improvement grants made to individuals and capital expenditure on assets not owned by the Council). Where the Council has determined to meet the cost of this expenditure from existing

Accounting Policies

capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XXVI. 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.



Haverhill Cemetery

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 Government 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 risk-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:

John Griffiths
Leader of the Council

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Auditors Report

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

Opinion on the Authority's financial statements

We have audited the financial statements of St Edmundsbury Borough Council for the year ended 31 March 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 40. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Chief Financial Officer's Responsibilities set out on page 8, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 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 St Edmundsbury Borough 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.

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 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, St Edmundsbury Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

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

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

Glossary

Accounting Code of Practice

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

Accounting Period

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

Accruals

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

Actuarial Gains and Losses

Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These changes are reflected in the Pensions Reserve in the Balance Sheet.

Actuarial Valuation

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

Actuary

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

Amortised Cost

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

Asset

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

Assets held for Sale

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

Balance Sheet

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

Budget

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

Business Rate Retention Scheme

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

Capital Expenditure

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

Capital Financing

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Chief Financial Officer (CFO)

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

Code of Practice on Local Authority Accounting in the United Kingdom

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

Council Tax Freeze Grant

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

Creditors

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

Contingent Liabilities

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

Debtors

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

Defined Benefit Pension Scheme

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

Deminimis

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

Depreciation

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

Donated Asset

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

Employee Benefits

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

External Auditor

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

Exit Package

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

Fair Value

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

Financial Instruments

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

Financial Timetable

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

Formula Grant

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

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

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

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

Main Office

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

Telephone: 01284 763233

Website: www.westsuffolk.gov.uk

Email: customer.services@westsuffolk.gov.uk

Haverhill Office

Haverhill House
Lower Downs Slade
Haverhill
Suffolk
CB9 9EE

St Edmundsbury Borough Council**Schedule of Members' Allowances and other expenses - 2014/15**

Name	Payments to Members				Total
	Basic Allowance	Special Responsibilities	Mileage	Other Expenses	
	£	£	£	£	£
Beckwith, Trevor	5,265	0	393	180	5,838
Broughton, Sarah	5,213	3,157	0	180	8,550
Brown, Anthony	5,265	0	0	0	5,265
Buckle, Terence	5,265	0	0	180	5,445
Byrne, Maureen	5,265	0	382	180	5,827
Chung, Hung	5,265	0	346	192	5,803
Clements, Terence	5,265	5,795	758	180	11,997
Clifton-Brown, Robert	5,265	0	175	0	5,439
Cockle, Robert	5,265	0	18	189	5,472
Cox, Gordon (Deceased)	2,656	0	366	91	3,112
Everitt, Robert	5,265	697	100	1,213	7,274
Farmer, Paul	5,265	0	41	180	5,485
Farthing, Jeremy	5,265	0	0	180	5,445
French, Phillip	5,265	0	0	0	5,265
Gower, Patricia	5,184	5,136	998	274	11,592
Griffiths, John	5,265	10,529	1,139	920	17,852
Hind, Diane	5,184	1,557	0	180	6,921
Hopfensperger, Paul	5,265	0	0	180	5,445
Hopfensperger, Rebecca	5,265	0	0	0	5,265
Houlder, Ian	5,265	3,163	253	183	8,863
Levack, Helen	5,265	0	0	180	5,445
Marks, Timothy	5,265	0	1,138	196	6,599
Mcmanus, John	5,265	0	0	180	5,445
Mildmay-White, Sara	5,213	6,256	834	327	12,630
Nettleton, David	5,265	0	0	180	5,445
Oliver, Stefan	5,265	1,581	0	0	6,846
Pugh, Alaric	5,265	5,795	1,469	232	12,760
Ray, David	5,184	5,706	1,030	190	12,110
Rayner, Joanna	5,265	0	0	0	5,265
Redhead, Derek	5,265	0	939	7	6,211
Richardson, Karen	5,236	2,094	0	180	7,510
Rushbrook, Marion	5,265	0	86	180	5,530
Rushen, Angela	5,213	1,566	450	180	7,408
Rynsard, Ida (Wakelam, Julia)	5,213	0	0	0	5,213
Simner, Paul	5,265	0	0	180	5,445
Spicer, Christopher	5,265	0	135	187	5,587
Springett, Clive	5,184	0	138	181	5,503
Stamp, Sarah	5,213	5,737	252	180	11,382
Stevens, Peter	5,265	5,795	1,704	417	13,180
Thorndyke, John	5,265	4,214	1,400	180	11,059
Wade, Paula	5,213	0	55	0	5,268
Warby, Francis	5,265	1,051	83	180	6,579
Warby, Patricia	5,265	1,581	131	0	6,976
Whittaker, Adam	5,265	0	0	180	5,445
Whittaker, Dorothy	5,265	0	0	180	5,445
Totals	233,636	71,410	14,811	8,578	328,435

Notes:

1. Other expenses includes public transport, subsistence, mobile phones and broadband payments.

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

<https://democracy.westsuffolk.gov.uk/documents/s1239/Members%20Allowances%20Scheme.pdf>

3. This payment analysis will be held on the Council's website in line with the local government Transparency agenda.

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Performance & Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Delivering a Sustainable Budget 2016/17	
Report No:	PAS/SE/15/026	
Report to and date/s:	Performance and Audit Scrutiny Committee	23 September 2015
	Cabinet	20 October 2015
Portfolio holder:	Ian Houlder Portfolio Holder for Resources and Performance Tel: (01359) 250912 Email: ian.houlder@stedsbc.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: <ol style="list-style-type: none"> 1) Note 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 of Paragraph 5.1 of this report. 	
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 - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Consultation:		<ul style="list-style-type: none"> PAS/SE/14/010 - Delivering a sustainable Budget 2015-2016 and Budget Consultation Results 	
Alternative option(s):		<ul style="list-style-type: none"> Not applicable 	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> 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? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> To be considered as part of implementation of service changes	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
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: <i>(all background papers are to be published on the website and a link included)</i>		COU/SE/15/002 Budget and Council Tax Setting 2015/16 CAB/SE/15/048 West Suffolk Strategic Plan and Medium Term Financial Strategy	
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 St Edmundsbury Borough 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 St Edmundsbury 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 24 February 2015 (Report COU/SE/15/002), sets out the current and future financial pressures and challenges facing St Edmundsbury.
- 2.3 Since February's Budget and Council Tax setting meeting, there have been a couple of significant budget pressures totalling approximately £459,500 that are expected to impact the Council for 2016/17, detailed below:
- An additional £375,000 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 charges following contract changes - £336,000
 - Recycling tipping charges (blue bins) following contract changes - £39,000
 - An additional £84,500 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

3. Budget gap and budget assumptions

- 3.1 Taking these budget pressures into account, the total savings target for 2016/17 currently stands at £1.9 million.

Table 1: Budget gap for 2016/17-2018/19

	2016/17	2017/18	2018/19
Original budget gap (a year)	£1,443,000	£885,000	£547,000
Additional budget pressures	£459,500	-	-
Revised Budget gap (a year)	£1,902,500	£885,000	£547,000
Budget gap (cumulative)	£1,902,500	£2,787,500	£3,334,500

- 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 2010/11-2014/15
- 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 St Edmundsbury 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 St Edmundsbury's shared priorities can be delivered in 2016/17 is significant, especially as the projected £1.9 million budget gap for 2016/17 is on top of the savings delivered locally by the Borough over the years and the £4 million annual shared service savings already delivered across West Suffolk with Forest Heath District 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, St Edmundsbury 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 £1.9 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/SE/15/048, 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 22 September (Cabinet Report number CAB/SE/15/048, 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	1,903
<i>Budget saving proposals</i>	
Income generation - ARP Bailiffs and trading company services	(36)
Income generation - Asset lease for Nowton Park (Cottage)	(14)
Income generation - Catering and events at West Stow	(30)
Income generation - Street Cleansing	(7)

Description	2016/17 £'000 Pressure/ (Saving)
Income generation - Tree Maintenance	(10)
Income generation - Vehicle Workshop	(45)
Income generation - Waste Services	(98)
Income generation and reduction in bed and breakfast costs linked to investment - Report XXX	(105)
Income generation – Internal Audit	(10)
Income generation/efficiencies - Apex	(30)
Budget assumption change - 1% for pay inflation	(70)
Budget assumption change for car parking to reflect current volumes	(100)
Business Process Re-Engineering - release of staffing capacity following efficiencies created through process redesign	(163)
Contract efficiencies including ICT supplies and services	(98)
Contract efficiencies through Facilities Management joint venture - part year savings	(32)
Further staffing changes including service changes and vacancy management	(147)
Mitigate Building Control overspend/reduction income through increasing market share, changes in fee levels	(85)
Reduction in Legal professional fees	(7)
Reduction in Leisure Trust Management fee - subject to negotiations with Abbeycroft Leisure	(25)
Reduction in Victory Ground grant in line with previous committee report	(8)
Remaining community centre transfers as identified in previous Cabinet report B12	(50)
Increased occupancy and share running costs of Haverhill Office	(20)
Supplies and services savings, including around 5% reduction on all supplies and services budgets	(209)
Continue with the Local Council Tax Support Grant level - phasing out by April 2017 (25% for 2016/17) – no financial impact as already budgeted – see paragraph 5.2 below.	-
Remaining Budget Gap *	504

* 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 September 2013 (report E52) St Edmundsbury BC agreed to continue to support the Borough'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, St Edmundsbury 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, the Borough 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 Borough 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 Borough. 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 £112,500 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 £281,483 for the Borough 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 the Borough 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.

Rural Initiative Grant Scheme (RIGS)

- 5.8 This funding scheme was established in 2005 as a four year capital fund at a total of £200,000. Since the planned end date of 2009, the Scheme has continued, drawing funds as part of the Rural Action Plan. The scheme is a one-off match-funding grant scheme from £250 up to £10,000, which must be used for a specific capital project. Larger grants of over £4,000 are reserved for village halls and recreation facilities, but smaller grants can also be used for a wide variety of other schemes which benefit rural communities.

- 5.9 Applications may be made throughout the year, although an individual organisation cannot re-apply for funding from the council within two years of a grant being awarded for up to £4,000 and three years for grants approved between £4,001 and £10,000. All applications are considered by the Grant Working Party which will normally approve grants through an e-mail voting system.
- 5.10 The scheme is a pump-priming grant and for every £1 the Council has awarded through RIGS, over £8 of additional funding has been obtained for projects from other sources. To date £310,949 has been awarded through the scheme. Typical examples of projects awarded funding include support for new and refurbished community facilities, sports facilities and play areas along with smaller projects such as community defibrillators and outreach sports activities.
- 5.11 As at August 2015, the RIGS has a remaining uncommitted budget of £38,018. Based on previous spending patterns, this money would be sufficient to continue the scheme for a further year. In May 2014, a decision was made by my Cabinet, in support of a Rural Area Working Party recommendation (report F5 refers) that: 'any remaining underspends from the delivery of the Rural Action Plan 2011 to 2014 be used for future rural initiatives in addition to the Rural Initiatives Grant Scheme and any Locality Budgets allocated to Rural Members.'
- 5.12 It is recommended that the current Rural Action Plan underspend of circa £90,000 be allocated in full to the RIGS fund to allow the scheme to continue for the four year period 2016-2020, by allocating an equal sum in each of those years, taking into account an underspend from the current year's budget 2015/16. The fund will then cease from April 2020. It is envisaged that Community Infrastructure Levy will be in place by then acting as the funding stream direct to town and parish councils for such projects.

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	23 September 2015
Cabinet to consider recommendations from Performance and Audit Scrutiny Committee – 23 September 2015	20 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	15 December 2015
Council approval of Local Council Tax Reduction Scheme and Council Tax technical changes 2015/16	15 December 2015
2016/17 Budget and Council Tax Setting - Cabinet.	9 February 2016
2016/17 Budget and Council Tax Setting - Full Council.	23 February 2016

MTFS Assumptions	St Edmundsbury					Source
	2015/16	2016/17	2017/18	2018/19	2019/20	
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	0.0%	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	23.7%	25.7%	27.7%	29.7%	31.8%	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	0.9%	1.5%	2.00%	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	£ 1.594	£ 1.212	£ 0.872	£ 0.581	£ 0.290	Linked to above
RSG Reduction £m		£ 0.382	£ 0.340	£ 0.291	£ 0.291	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



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Work Programme Update	
Report No:	PAS/SE/15/027	
Report to and date:	Performance and Audit Scrutiny Committee	23 September 2015
Chairman of the Committee:	Sarah Broughton Chairman of the Performance and Audit Scrutiny Committee Tel: 01284 787327 Email: sarah.broughton@stedsbc.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 <u>RECOMMENDED</u> that: Members consider and <u>note</u> the current status of its Work Programme.	

Performance and Audit Scrutiny Committee Work Programme (St Edmundsbury Borough 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
St Edmundsbury 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	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
St Edmundsbury Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 3 – 2015-2016	Service Manager (Resources 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
St Edmundsbury 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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