

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title:	Agenda								
Date:	Wednesday 21 September 2016								
Time:	5.00 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%;">Beccy Hopfensperger</td> <td style="width: 33%;">Peter Thompson</td> </tr> <tr> <td>Betty Mclatchy</td> <td>Patricia Warby</td> </tr> <tr> <td>Karen Richardson</td> <td>Paula Wade</td> </tr> <tr> <td>Sarah Broughton</td> <td>Vacancy</td> </tr> </table> <p><u>Charter Member (1)</u> David Nettleton</p> <p><u>UKIP Member (1)</u> Barry Robbins</p>	Beccy Hopfensperger	Peter Thompson	Betty Mclatchy	Patricia Warby	Karen Richardson	Paula Wade	Sarah Broughton	Vacancy
Beccy Hopfensperger	Peter Thompson								
Betty Mclatchy	Patricia Warby								
Karen Richardson	Paula Wade								
Sarah Broughton	Vacancy								
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 Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk								

Public Information



St Edmundsbury
BOROUGH COUNCIL

Venue:	West Suffolk House Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 763233 Email: democratic.services@westsuffolk.gov.uk Web: www.westsuffolk.gov.uk
Access to agenda and reports before the meeting:	Copies of the agenda and reports are open for public inspection at the above address at least five clear days before the meeting. They are also available to view on our website.	
Attendance at meetings:	The Borough Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public.	
Public speaking:	<p>Members of the public who live or work in the Borough are invited to put one question or statement of not more than three minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within three minutes, the person who asked the question may ask a supplementary question that arises from the reply.</p> <p>A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.</p> <p>There is an overall time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.</p>	
Disabled access:	<p>West Suffolk House has facilities for people with mobility impairments including a lift and wheelchair accessible WCs. However, in the event of an emergency use of the lifts is restricted for health and safety reasons.</p> <p>Visitor parking is at the car park at the front of the building and there are a number of accessible spaces.</p>	
Induction loop:	An Induction loop is available for meetings held in the Conference Chamber.	
Recording of meetings:	<p>The Council may record this meeting and permits members of the public and media to record or broadcast it as well (when the media and public are not lawfully excluded).</p> <p>Any member of the public who attends a meeting and objects to being filmed should advise the Committee Administrator who will instruct that they are not included in the filming.</p>	

Agenda

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

1 - 8

To confirm the minutes of the meeting held on 27 July 2016 (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 2015-2016 ISA 260 Annual Results Report to those Charged with Governance

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Report No: **PAS/SE/16/018**

6. West Suffolk Annual Governance Statement 2015-2016

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Report No: **PAS/SE/16/019**

7. 2015-2016 Annual Statement of Accounts

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Report No: **PAS/SE/16/020**

8. Arrangements for Appointment of External Auditors

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Report No: **PAS/SE/16/021**

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9. Decision Relating to Complaint to the Local Government Ombudsman Report No: PAS/SE/16/022	199 - 202
10. Work Programme Update Report No: PAS/SE/16/023	203 - 206

Part 2 – Exempt

NONE

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

**Notes of Informal Discussions held on Wednesday 27 July 2016 at
5.00pm in the Conference Chamber West, West Suffolk House,
Western Way, Bury St Edmunds**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillors Sarah Broughton, Carol Bull, Betty McLatchy, David Nettleton, Karen Richardson, David Roach, Barry Robbins, Peter Thompson and Patricia Warby.

Forest Heath District Council (FHDC)

Councillor Louis Busuttil
(Chairman for the informal discussions)

Councillors Michael Anderson, Chris Barker, John Bloodworth, Rona Burt, Christine Mason, Colin Noble, and Peter Ridgwell.

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

FHDC – Councillor Stephen Edwards, Portfolio Holder for Resources and Performance

REMEMBRANCE:

Prior to the commencement of meeting, the Committee observed a one minute silence in memory of Council's Commercial Manager, Richard Hartley who had recently passed away.

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

- (1) Balanced Scorecards and Quarter 1 Performance Report 2016-2017;
- (2) West Suffolk Strategic Risk Register Quarterly Monitoring Report – June 2016; and
- (3) Work Programme Update.

All Members of Forest Heath District Council's Performance and Audit Scrutiny Committee had been invited to attend West Suffolk House, Bury St Edmunds to enable

joint informal discussions on the above reports to take place between the two authorities.

The Chairman of St Edmundsbury's Performance and Audit Scrutiny Committee welcomed all those present to West Suffolk House, Bury St Edmunds 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 Forest Heath'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 – 3 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 Scorecards Quarter 1 Performance Report 2016-2017**

The Business Partner (Resources and Performance) presented the report, which set out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2016-2017 and an overview of performance against those indicators for the first quarter of 2016-2017. The six balanced scorecards (attached at Appendices A to F) were linked to the Head of Service areas, which presented the first quarter performance.

Most indicators reported performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance.

Across all service balanced scorecards, there were indicators measuring the performance of the transactional finance functions. These were "% of non-disputed invoices paid within 30 days" and "% of debt over 90 days old". In the previous financial year, against these indicators, almost all services areas had failed to meet the targets of more than 95% of non-disputed invoices paid within 30 days and less than 10% of debt over 90 days old.

The finance and performance team had been working with service areas to try and improve performance against both of these measures. Monthly business intelligence reports were sent out to service areas with details of all invoices processed, and detailed aged debt lists. Debt control workshops had also been held to help improve debt collection performance. As a result of this, for the first time all six service areas achieved over 90% performance on invoices paid within 30 days for the first month of June, with two services being over 95%.

Members were also informed that the percentage of telephone calls taken had increased by 44% in the first quarter of the year due to the brown bin service and the EU referendum. Performance levels should revert to normal levels in the next quarter.

Members considered the report and did not raise any issues.

2. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – June 2016**

The Service Manager (Finance and Performance) the quarter one risk register monitoring report for 2016-2017 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 2016 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 2016 had been removed from the Register.

However, following consideration of the risk register, the Group felt that the probability rating allocated to the Residual Risk WS7 "Poor Project Management", should be increased from 2 to 3. No existing risks had been closed since the Strategic Risk Register was last reported to the Committee.

Members were advised that at the time of writing the report the full impact of the decision to leave the EU was not known, minor amendments had been made to some of the existing actions and controls to address immediate concerns. However, the Group would continue to monitor the situation as it developed over the next quarter, amending existing and / or adding new risks where necessary. Any changes would be report at the next meeting of the Performance and Audit Scrutiny Committee.

Members considered the report and did not raise any issues.

3. **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 2016-2017.

Members considered the report and did not raise any issues.

On the conclusion of the informal joint discussions at 5.08pm, Members of Forest Heath District Council's Performance and Audit Scrutiny Committee withdrew from Conference Chamber West to Conference Chamber East to hold their formal meeting.

The Chairman then formally opened the St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee in Conference Chamber West at 5.30pm.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 27 July 2016** at **5.30 pm** at the **Conference Chamber, West Suffolk House**, Western Way, Bury St Edmunds IP33 3YU

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Carol Bull
Betty Mclatchy
Karen Richardson

Peter Thompson
David Nettleton
Barry Robbins

Substitutes attending:
David Roach

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

97. **Substitutions**

The following substitution was declared:

Councillor David Roach for Councillor Beccy Hopfensperger.

98. **Apologies for Absence**

Apologies for absence were received from Councillor Beccy Hopfensperger.

99. **Minutes**

The minutes of the meeting held on 25 May 2016, were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

100. **Public Participation**

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

101. **Balanced Scorecards Quarter 1 Performance Report 2016-2017**

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/16/013.

Members had considered the report and there being no decision required, the Committee **noted** the Council's performance using the Balanced Scorecards for Quarter 1, 2016-2017.

102. **West Suffolk Strategic Risk Register Monitoring Report - June 2016**

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/16/014.

Members had considered the report and there being no decision required, the Committee **noted** the contents of the Quarter 1 West Suffolk Risk Register Monitoring report.

103. **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/16/015.

Members had considered the report and there being no decision required, the Committee **noted** the contents of the work programme for 2016-2017.

104. **Annual Performance Report for The Apex 2015-2016**

(Councillor Sarah Broughton and Peter Thompson both declared a non pecuniary interest as member's of The Apex Scrutiny Panel).

Prior to the Committee receiving Report No: PAS/SE/16/016, the Service Manager (Operations, Leisure and Culture) wished to pay respect to the late Richard Hartley, who was the driving force behind certain initiatives which had led to the improving financial performance of The Apex.

Report PAS/SE/16/016 set out The Apex's financial position for the year ending 2015-2016. The report included an executive summary, the details of The Apex's performance, Sodexo catering contract, analysis of budgets and conclusions.

The Apex budget for 2013-2014 had been reduced from £742,250 to £671,840 in 2014-2015 and to £639,431 in 2015-2016, representing a net positive variance of £47,000. This had resulted in a final out-turn figure of £592,000 in 2015-2016.

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 also generates a significant amount of economic development for the area.

The Apex management team had been successful in reducing the budget over the last financial year, mainly due to increasing revenues from ticket sales. It was anticipated that there would be further positive impact through increased programming and ticket sales in 2016-2017. The team would continue to work closely with The Apex Panel and Sodexo Prestige in realising the full benefits of the contract by increasing turnover and building performance levels.

The Committee scrutinised the annual performance report in detail and asked a number of questions to which the Cabinet Member for Leisure and Culture and officers duly responded. These questions and responses covered topics including the possibility of increasing the cost of tickets by 10%; and the lack of public transport after 5pm or on a Sunday in Haverhill and the surrounding area meaning residents could not get to The Apex.

Councillor David Nettleton raised concerns about the cost to the taxpayer in subsidising The Apex. He felt it was not the function of the Council to be subsidising The Apex as it was an entertainment venue, and not a public service. However, the majority of the Committee acknowledged that The Apex was moving in the right direction, in reducing the subsidy. The Cabinet Member commented on the progress made by The Apex over the last year and the benefits The Apex brought to the local economy.

The Chairman of the Committee also informed the Committee that the Council was committed to The Apex, and it was offering a service to its residents, and the Council needed more time in reducing the subsidy, before considering handing over the management of the facility to an alternative service provider.

The Cabinet Member advised the Committee that the concerns raised by Members would be raised directly with The Apex Panel so that they were aware of them.

There being no decision required, the Committee **noted** the 2015-2016 Annual Performance Report for The Apex.

Councillor Nettleton wished it to be recorded that he did not note the contents of the report.

105. **Financial Performance Report (Revenue and Capital) - Quarter 1 - (April to June 2016)**

(Councillor Ian Houlder, Portfolio Holder for Resources and Performance left the meeting at 6.05pm during the Committees consideration of this item).

The Committee received Report No: PAS/SE/16/017, which set out the financial performance for the first quarter of 2016-2017 and forecasted outturn position for 2016-2017.

Attached at Appendix A and B to the report was details of the Council's revenue performance and year end forecasted outturn position. Explanations of the main year end forecast over/(underspends) was set out within paragraph 1.2.3. Appendix C to the report set out the Council's capital

financial position for the first three months of 2016-2017, which showed expenditure of £597,000. Finally, a summary of the earmarked reserves was attached at Appendix D, along with the forecast year end position for 2016-2017.

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

The Committee scrutinised the report in detail and asked a number of questions to which response were duly provided. In particular discussions were held on the year end forecast variances over £25k in relation to the off street car parking and the increased costs for advertising in Development Control, to which officers duly responded.

Members also discussed the brown bin subscription service, introduced in April 2016. The report assumed that the budget position for the service was broadly in line with the cost neutral and the safe assumptions which were presented to the Committee in the original report. A more complete position would be available later in the financial year when there would be a fuller understanding of the impact of waste collection and disposal and the cost sharing arrangements were confirmed.

There being no decisions required, the Committee **noted** the Quarter 1 performance and the 2016-2017 year end forecast financial position.

106. **Annual Treasury Management Report 2015-2016 and Investment Activity (April to June 2016)**

The Committee received Report No: TMS/SE/16/003, which had been considered by the Treasury Management Sub-Committee on 18 July 2016. The Chairman of the Committee 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 2015-2016; and
- (b) Provided a summary of the investment activity for the first three months of the 2016-2017 financial year.

The Sub-Committee had scrutinised the Annual Treasury Management Report 2015-2016 and the Investment Activity for 1 April 2016 to 30 June 2016, and asked a number of questions to which officers duly responded. In particular the Sub-Committee suggested in future, the name of the person who signed the Statement of Compliance with the Treasury Management Code of Practice (Appendix 2) should be included alongside the signature.

The Performance and Audit Scrutiny Committee considered the report and asked questions to which officers duly responded.

The Committee noted the investment activity for April to June 2016, and with the vote being unanimous, it was

RECOMMENDED

That subject to the approval of full Council, the Annual Treasury Management Report for 2015-2016, attached as Appendix 1 to Report No: TMS/SE/16/003 be approved.

The Meeting concluded at 6.15 pm

Signed by:

Chairman

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Ernst and Young Presentation of 2015/16 ISA 260 Annual Results Report to those charged with Governance	
Report No:	PAS/SE/16/018	
Report to and date:	Performance and Audit Scrutiny Committee	21 September 2016
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 2015/16.	

Recommendation:	It is <u>RECOMMENDED</u> that: <ol style="list-style-type: none"> (1) The Committee <u>notes</u> that the auditor anticipates issuing an unqualified opinion on the Financial Statements for 2015/16 (as set out in the Audit Results Report - Appendix A); (2) The Committee <u>notes</u> that the auditor intends to issue a VFM conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in our use of resources (Appendix A); (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; and (4) The Chief Finance Officer, in consultation with the Chairman, be given delegated authority to conclude the signing of the accounts.
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"> • 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.
<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 type="checkbox"/> No <input checked="" type="checkbox"/> •	
<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*
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 recommendations

- 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 2015/16.
- 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 2015/16 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 30 June 2016, have been updated to reflect adjustments recommended by EY from their audit work. It should be noted by Members that these adjustments are all immaterial to the overall financial position of the Council and are, in most cases, simply presentational changes.
- 1.5 The auditor intends to issue an unqualified opinion on the Financial Statements for 2015/16 by the statutory deadline of 30 September 2016, subject to ongoing audit work not identifying any significant issues with the accounts. Should there be any "unadjusted audit errors" between now and the 30 September, the auditor will prepare an Addendum and agree this through the Chairman of the Performance and Audit Committee.

St Edmundsbury Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

9 September 2016

Ernst & Young LLP



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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office'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 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

<p>Status of the audit</p>	<p>We have substantially completed our audit of the financial statements of St Edmundsbury Borough Council for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> • Property Plant and Equipment; • Contingent Assets and Liabilities; • Financial instruments; • The allocation and recording of recharges between St Edmundsbury Borough Council and Forest Heath District Council; • Leases; • Related Party Transactions; • Completion of manager and director review procedures; • Review of the final version of the financial statements; • Completion of subsequent events review; and • Receipt of the signed management representation letter. <p>We have performed the procedures outlined in our Audit Plan and subject to satisfactory completion of the outstanding items above anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.</p> <p>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.</p>
<p>Audit differences</p>	<p>There are no unadjusted audit differences.</p> <p>Our audit identified a limited number of audit differences which our team have highlighted to management for amendment. These primarily relate to disclosure and presentational matters and have been corrected during the course of our work. These adjustments have not had an impact on useable reserves. The more significant of these are set out in Appendix A.</p>

Scope and materiality	<p>In our audit plan presented at the 25 May 2016 Performance and Audit Scrutiny Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.3m. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied.</p> <p>The threshold for reporting audit differences which impact the financial statements has not changed at £66,870.</p> <p>The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"> • Remuneration disclosures including any exit packages and termination benefits: Reduced materiality level is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts; • Related party transactions: Reduced materiality level is applied to testing of disclosures for completeness and accuracy. We also carry out Companies House searches to identify whether any key decision-makers in the Council had undisclosed interests; and • Member's allowances: review and test all transactions to supporting evidence and approvals. <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> • Pension valuations and disclosures • Valuation of property, plant and equipment • Risk of fraud in revenue recognition • Risk of management override. <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>We have adopted a fully substantive approach and have therefore not tested the operation of controls.</p>
Objections	<p>We have received no objections to the 2015/16 accounts from members of the public.</p>

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson
 Executive Director
 For and on behalf of Ernst & Young LLP

2. Responsibilities 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 (AGS). In the AGS, 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 2015/16 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); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and 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.

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.

3. Financial statements audit

Addressing 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.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Pension valuations and disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p> <p>Due to the nature, volume and size of the transactions we consider this to be a significant risk.</p>	<ul style="list-style-type: none"> ▶ Reviewed the information provided by the Council to the pension fund actuary; ▶ Liaised with the auditors of the Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to St Edmundsbury Borough Council; ▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments (PwC); and ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. 	<ul style="list-style-type: none"> ▶ Our audit work and testing of pension valuations and pensions disclosures has provided us with sufficient assurance over the balances disclosed within the financial statements. <p>We did not identify any matters that we need to bring to your attention.</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Valuation of property, plant and equipment</p> <p>Property, plant and equipment represent a significant balance in the Council's accounts and this is an area which involves judgemental inputs and estimates.</p> <p>The most significant accounting judgement and estimate that the Council forms in this area relates to the valuation of property, plant and equipment. In order to address this accounting risk the Council employs a valuation expert; Valuation Office Agency.</p> <p>The valuation risk is increased with the prospective application of IFRS13 Fair Value Measurement from 1 April 2015. This is likely to have the largest impact on the Council's investment property portfolio where asset valuations need to be reviewed to ensure they are based on best use.</p>	<ul style="list-style-type: none"> ▶ Performed audit procedures to place reliance on management's valuations expert; ▶ Tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments; and ▶ Reviewed and tested the Council's application of IFRS13 to ensure the fair value of relevant assets is based on economic best interest. 	<ul style="list-style-type: none"> ▶ Our audit work and testing of property, plant and equipment has provided us with sufficient assurance over the balances disclosed within the financial statements. <p>We did not identify any matters that we need to bring to your attention.</p>
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have rebutted this risk for the Council's income and expenditure streams except for:</p> <ul style="list-style-type: none"> ▶ Capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme; and ▶ The allocation and recording of recharges between St Edmundsbury Borough Council and Forest Heath District Council given the shared management arrangements between the two Councils. 	<ul style="list-style-type: none"> ▶ Reviewed and test revenue and expenditure recognition policies; ▶ Reviewed and discussed with management accounting estimates on revenue and expenditure recognition for evidence of bias; ▶ Developed a testing strategy to test material revenue and expenditure streams; ▶ Reviewed and tested revenue cut-off at the period end date; ▶ Tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure; and ▶ Tested recharges between Councils to ensure that they are appropriate and supported by appropriate documentation. 	<ul style="list-style-type: none"> ▶ Our audit work and testing of revenue streams has not identified any evidence fraud in relation to revenue recognition. <p>We did not identify any matters that we need to bring to your attention.</p>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<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>We have assessed journal amendments, accounting estimates (including the provision for Business Rate appeals) and unusual transactions as the area's most open to manipulation.</p>	<ul style="list-style-type: none"> ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewed accounting estimates for evidence of management bias; and ▶ Evaluated the business rationale for significant unusual transactions. 	<ul style="list-style-type: none"> ▶ Our audit work on journals and accounting estimates has not identified any evidence of management bias or significant unusual transactions. <p>We did not identify any matters that we need to bring to your attention.</p>

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 you 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 have no matters we wish to report.

Control themes and observations

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 adopted a fully substantive approach and have therefore not tested the operation of controls.

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.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

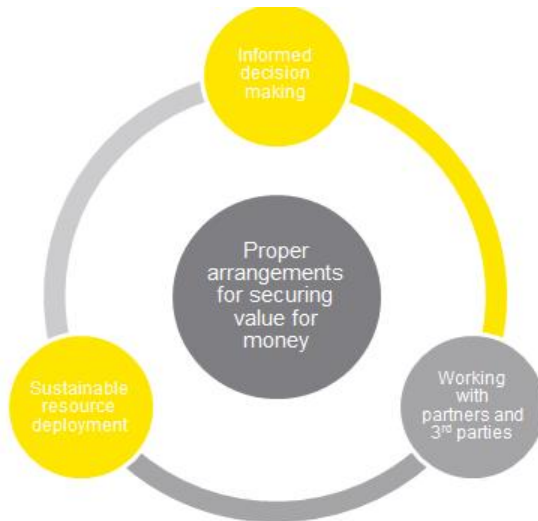
We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations in addition to the standard representations. Our request for such a letter is outlined in Appendix D.

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.

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Performance & Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

Overall conclusion

We identified the following significant risk in relation to these arrangements:

- Deploy resources in a sustainable manner: Achievement of savings needed over the medium term

We have performed the procedures outlined in our audit plan and the results are set out below. We did not identify any significant weaknesses in the Council's arrangements.

We therefore conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Significant risks

The table below presents the findings of our work in response to the risk areas in our audit plan.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as: "A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

VFM risk identified within our audit plan	Impacts arrangements for:	Key findings
<p>Sustainable resource deployment: Achievement of savings needed over the medium term</p> <p>To date the Council has responded well to the financial pressure resulting from the continuing economic downturn and reductions to central government funding. However, with the Council forecasting a cumulative budget gap of £2.6m by 2018/19, there remains significant financial pressure on the Council's budget and Medium Term Financial Strategy (MTFS) during the current and forthcoming financial years</p> <p>The Council has adopted a strategy of investing surplus reserves in investment property and through the establishment of Barley Homes Group Ltd in the residential property market. The Council's governance arrangements should be adequate to ensure that these decisions are based on a sound assessment of the returns and value of this strategy to the Council.</p>	<ul style="list-style-type: none"> ▶ Deploying resources in a sustainable manner. 	<ul style="list-style-type: none"> ▶ The Council has a track record of achieving its savings and budget over the past 3 years; ▶ There is also sufficient general fund reserves in place to accommodate the level of savings required in future years should these not be achieved; and ▶ The Council has appropriate processes for setting its budget, and the budget assumptions appear reasonable.

Appendix A – Corrected audit differences

The following corrected differences, which are greater than £66,870, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

Disclosures

Disclosure	Description of difference
Note 11 – Property, Plant & Equipment	Amended to ensure compliance with the requirements of IFRS 13 – fair value hierarchy.

Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 22 April 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. 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 22 September 2016.

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 was set out in our Audit Plan of 22 April 2016.

Appendix C – Auditor fees

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

Description	Proposed final Fee 2015/16 £'s	Scale Fee 2015/16 £'s	Variation comments
Total Audit Fee – Code work	To be confirmed	43,767	See Note 1
Certification of claims and returns	To be confirmed	30,822	See Note 2


Note 1 - Audit Fee – Code work. We need to review our costs once we have completed the outstanding procedures before reporting formally agreeing the final fee with you within our Annual Audit Letter.

We have undertaken a review of the Council's approach to the Minimum Revenue Provision. This additional work has an additional fee of £1,431 and is currently subject to approval by Public Sector Audit Appointments Ltd (PSAA).

Note 2 - Certification of claims and returns. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.


Appendix D – Request for a Management representation letter



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INVESTOR IN PEOPLE

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West Suffolk House
Western Way
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IP33 3YU

9 September 2016

Ref:
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Rachael,

**St Edmundsbury Borough Council – 2015/16 financial year
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Civic Affairs, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

General statement

That the letter of representations is provided in connection with our audit of the financial statements of St Edmundsbury Borough Council ("the Council") for the year ended *[balance sheet date]*. That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of St Edmundsbury Borough Council as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with /CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is 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 we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
3. You confirm that the Responsible Officer has:
 - Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts, and
 - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In



addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us 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 on the following date: 22 September 2016.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.



E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you 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 you have given to third parties.

F. Subsequent Events

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is 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 you used in making accounting estimates appropriately reflects your 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.

H. Segmental reporting

1. That you have reviewed the operating segments reported internally to the Council and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:
 - The nature of the products and services
 - The nature of the production processes



- The type or class of customer for their products and services
- The methods used to distribute their products

I. Going Concern

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

J. Retirement Benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. That all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

K. Use of management experts

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you 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 that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Performance and Audit Scrutiny Committee) on the proposed audit opinion date (21 September 2018) on formal headed paper.

Yours sincerely

Mark Hodgson
Executive Director
Ernst & Young LLP
United Kingdom

Appendix E – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about St Edmundsbury Borough Council ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>We have received all requested confirmations.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>We have not identified any material instances of non-compliance with laws and regulations.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan and Audit Results Report</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Letter/Audit Results Report</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter if considered necessary</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Certification Report</p>

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Mark Hodgson
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St Edmundsbury Borough Council - Audit for the year ended 31 March 2016

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 2016. 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 the Council as of 31 March 2016 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 2015/16 ("the CIPFA Code").

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.

Financial Statements and Financial Records

We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code.

We acknowledge our responsibility for the fair presentation of the financial statements which, we believe, give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. We have approved the financial statements.

We confirm that the Responsible Officer has:

- Reviewed the accounts;
- Reviewed all relevant written assurances relating to the accounts; and
- Made other enquires as appropriate.

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

As members of management of the Council, we 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.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud, and that we have disclosed to you the results of your assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud (regardless of the source or form and including, without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

Compliance with Laws and Regulations

We 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.

Information Provided and Completeness of Information and Transactions

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

We have recorded all material transactions in the accounting records and reflected them in the financial statements.

We 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 on the following date: 21 September 2016.

We confirm the completeness of information provided regarding the identification of related parties and that we have disclosed the identity of the Council related parties and all the related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. We have appropriately accounted for and disclosed such relationships and transactions in the financial statements.

We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Liabilities and Contingencies

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

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

We 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 we have given to third parties.

Subsequent Events

Other than described in the financial statements, there have been no events subsequent to the period end which require adjustment of or disclosure in the financial statements or notes thereto.

Accounting Estimates

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

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

- That we 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 our 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

We can confirm that we have reviewed the operating segments reported internally to the Council and that we are satisfied that these segments have been aggregated in accordance with the requirements of IFRS 8: Operating Segments.

Going Concern

We are satisfied that we have made you aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

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.

Use of Management Experts

We agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings, 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.

Signed on behalf of St Edmundsbury Borough Council

We confirm that this letter has been discussed and agreed by the Performance and Audit Scrutiny Committee on 21 September 2016.

Signed

.....
Rachael Mann
Chief Financial Officer

.....
Cllr Sarah Broughton
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 2015/16	
Report No:	PAS/SE/16/019	
Report to and date/s:	Performance and Audit Scrutiny Committee	21 September 2016
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 2015/16 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 2015/16 for signing by the Chief Executive and Leader.	
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"> This report has been prepared in consultation with the Leadership Team. 	

Alternative option(s):		• N/A	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
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"/> •	
Are there any equality implications? <i>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)
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 – Draft Annual Governance Statement 2015/16	

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 draft Annual Governance Statement for 2015/16 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 2015/16

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 councils are 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 Forest Heath District Council and St Edmundsbury Borough Council are responsible for conducting their business properly, and ensuring 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 the effective exercise 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 2015/16 using CIPFA's Delivering Good Governance in Local Governance Framework 2012.

2.2 Identifying and communicating the authorities' vision of their 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 set out how the councils will work in partnership to deliver the following priorities:
 - 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 2015/16 work was completed on a new approach to performance management using a "balanced scorecard". The new system uses 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, 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. During 2015/16 the Constitutions for both authorities underwent a thorough review to align the governance frameworks of the two councils.

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.
- Members are advised of their duties and responsibilities when first elected and the induction training outlines the importance of adherence to the code of conduct. 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.
- There is an established mechanism for monitoring and rewarding staff performance and behaviours in line with these values. There is also a West

Suffolk staff disciplinary and capability procedure, which 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 the West Suffolk website, unless properly restricted from public access by law. 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.
- During 2015/16 we continued the development of our financial management system to support decision making, for example through the forecasting module. Development work continues on the 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. These arrangements were fully reviewed during 2015/16 and rolled out to service areas.

- The Strategic Risk Management Group 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 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. The 2015/16 report concluded that probity at the councils remains at a high level.

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 Officers Leadership Team and the Leaders are members of Suffolk Public Sector Leaders, both of whom oversee change across the whole of the Suffolk "system". This includes the £3.35m of Transformation Challenge Award funding which was secured by Suffolk in November 2014 and the preparation of the East Anglian devolution deal announced at Budget March 2016.
- A number of other Suffolk-wide officer groups are also well established and help to further joined up working between the Suffolk councils.

- A third tier of managers exists at service manager level who deputise for their heads of service and are responsible for the day-to-day operations of their service areas. The service manager level also encourages 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 Re-engineering Reviews with a view to transforming the ways in which services are delivered through analysing processes and implementing major change projects.
- A Project Review Group including the Chief Executive, two Directors, Chief Financial Officer and the Corporate Policy Manager with responsibility for projects was established in February 2016. The Group meet fortnightly to review progress against projects and escalate issues to Leadership Team meetings as appropriate. In addition, project health checks have been introduced by Internal Audit which review the governance of selected projects and check that these are on track and well managed.
- The Medium Term Financial Strategy and budget setting process also provides an opportunity to review service delivery and to identify and support service transformation and change.
- A Business Partner model for support services is established within the councils, designed to add value and provide support and expertise to all service areas and project teams.

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. In addition, a rotating Deputy Monitoring Officer has been in place to support the Monitoring Officer and also ensure resilience and skill development in this area.

- The Constitutions for the two councils are regularly updated by the Monitoring Officer to ensure that all decision taking is supported by them.

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 and approving the Statement of Accounts, scrutinising risk and performance management arrangements, audit arrangements, the Annual Governance Statement and budgetary control and monitoring, and assists in development of the budget framework.

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

- The Monitoring Officer advises senior management team (Leadership Team and service managers) on new legislation and compliance with the Constitutions. They use their 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 Service Manager (Internal Audit) 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 quarterly to the Performance and Audit Scrutiny Committees through the balanced scorecards, grouped by service area.

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.
- The underlying theme of the newly elected members induction programme delivered May 2015 to July 2015 was to support members to find the information they needed and establish good working relations with senior officers. An officer/member buddy programme was used to signpost members to training and information they may need. A "market place" networking session for members and senior managers was followed by a programme of training to cover key subjects and committee-specific requirements. Small group and one-to-one ICT training was offered to all members to support the introduction of mobile appliances and access to committee documents online.
- Annually, members are invited to identify their training needs via a survey. The member development programme is agreed by the Joint Member Development Group in consultation with senior managers, to meet national and local priorities. This programme is supplemented by attendance by members and senior officers to specialist external events and seminars.

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

- West Suffolk councils engage routinely with residents, community groups, businesses, organisations, members and staff on a range of matters using a variety of different mechanisms.
- Our approach includes the use of social media tools to provide new avenues of interaction with the public.
- Our 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 the Trade Union.

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 (Abbeycroft Leisure), Anglia Revenues Partnership and 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 budget annually along with monitoring and reviewing performance against the Delivery Plan.
- Verse Facilities Management Ltd is an arms-length 'Teckal' organisation established to provide facilities management services (e.g. cleaning, custodians, caretaking, catering) to the West Suffolk councils. The intention is that the company will also compete for other facilities management business in the area and provide a vehicle for other potential council services to be moved to (subject to a full business case). The shareholding of the company is 60% in favour of Vertas Ltd (themselves 100% owned by Suffolk County Council), 26% St Edmundsbury Borough Council and 14% Forest Heath District Council. The company has four Directors; two from Vertas Ltd, one an officer representing St Edmundsbury Borough Council and one an officer representing Forest Heath District Council. A Councillor Shareholder Advisory Group is in the process of being established to have oversight of the company's activities. Subject to approval, this is likely to comprise four elected members with two from Suffolk County Council and one each from St Edmundsbury Borough Council and Forest Heath District Council.
- For Barley Homes (Group) Ltd, the councils' Housing Development Company jointly owned with Suffolk County Council, the Company has four Directors, two from Suffolk County Council, one officer representing Forest Heath District Council and one officer representing St Edmundsbury Borough Council. There is also a non-constituted Councillor Shareholders Advisory Group which represents the interests of the three shareholding councils. The Advisory Group reviews and comments on the Annual Business and Delivery Plan, in advance of its formal approval by the respective full Councils, as well as monitoring

and reviewing the company's performance against the Delivery Plan. The shareholding of this company is 50% held by Suffolk County Council and 25% by each of the West Suffolk councils.

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 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 2015/16, 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 councils, 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 the financial statements and the councils' systems which support them and his assessment of arrangements to achieve value for money.
- 3.6 The review of the effectiveness of the governance framework concluded that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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 councils' 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 his annual audit opinion on the councils' internal control environment;
- attracted significant public interest or had seriously damaged the councils' 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 Due to staff turnover and significant national recruitment challenges the councils' Building Control Service used temporary staff for some months. The councils now have a team of well-respected and experienced local surveyors who are rebuilding the service and winning back the market share temporarily lost during the interim. Early indications are that the quality of service and responsive professionalism of our surveyors are attracting users back. The service will continue to be dynamic and forward thinking in this very commercial environment where reputation of service and client relationships is paramount.

4.3 The 2015 Local and Parliamentary Elections combinations brought significant challenges to all councils in managing a once in 20-year event. For West Suffolk these challenges were exacerbated by the unexpected loss of a senior member of the election team a few weeks prior to the elections which resulted in the need to support a little more than usual the elections team, through realigning resources including staff, in order to ensure the successful delivery of the elections. The lessons learnt from the 2015 elections were embedded in planning and resourcing the 2016 Police and Crime Commissioner election and the EU referendum.

5. Focus for 2016/17

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 2016/17 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:

- key projects and lessons learned will continue to be discussed at the Service Managers meetings however project management oversight will be given an increased focus with meetings of the Project Review Group and Leadership Team to ensure accountability at a senior level and to minimise the impact of interdependencies between projects;
- development work on the financial management system, releasing its full potential for West Suffolk and recognising the importance of financial data, its availability and reporting abilities;
- 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; and
- further development of all our partnership relationships, for example, Barley Homes, Verse and the Anglian Revenues Partnership.

- 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 During 2015/16, the councils worked with other local authorities in East Anglia on a devolution deal with the Government, which would see significant powers and freedoms devolved from Whitehall to local areas, overseen by a Combined Authority.
- 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. Corporate behaviours are becoming embedded in a number of areas of council business. Members will continue to receive regular financial training / development sessions.
- 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:

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Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	2015/2016 Annual Statement of Accounts	
Report No:	PAS/SE/16/020	
Report to and date:	Performance and Audit Scrutiny Committee	21 September 2016
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 2015/16 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 2015/16 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 2015/16 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 2015/16 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2015/16 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 2015 – 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>		COU/SE/15/002 - Budget and Council Tax Setting:2015/16 and Medium Term Financial Strategy (Council 24 February 2015) PAS/SE/16/010 - Financial Performance Report (Revenue and Capital) Outturn - 2015-16 (Performance and Audit Scrutiny Committee 25 May 2016)	
Documents attached:		Appendix A – Statement of Accounts 2015/16 Appendix B – Schedule of Members Allowances 2015/16	

1. Key issues and reasons for recommendations

- 1.1 Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2015. 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 2016, with a view to its completion prior to the 30 September 2016 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 2015/16 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 2015/16 financial year are summarised below.

2. Financial Highlights – 2015/16

- 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 Narrative Report on pages 2 to 7 of the Statement of Accounts, key aspects of which are highlighted below:
- 2.2 **Revenue Expenditure** - The Council set a net expenditure budget for 2015/16 of £12.757m. The actual net expenditure position for the year, after incorporating minor adjustments resulting from the accounts closure process, was a budget underspend of £0.035m. Details of major variances can be seen in the report reference PAS/SE/16/010, entitled "Financial Performance Report (Revenue and Capital) Outturn - 2015-16" considered by this committee on 25 May 2016. This budget underspend resulted in an increase to the general fund reserve which stands at £3.259m as at 31 March 2016.
- 2.3 **Capital Expenditure** - Actual capital programme spend for the year was £3.6m which was on budget after allowing for project timings. Details of the major variances on the capital programme can also be seen in report PAS/SE/16/010.

- 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 2015/16 the total value of the Council's usable revenue and capital reserves increased from £31.922m (at 1 April 2015) to £35.008m (at 31 March 2016), a net increase of £3.086m. Further details regarding the movement on reserves during the year are provided on page 11 of the Statement of Accounts.
- 2.5 **Pension Fund** - The Local Government Pension Scheme is a national statutory scheme which, for Suffolk authorities, is administered by Suffolk County Council. Annual scheme valuations based on International Accounting Standards (IAS 19) are undertaken for the purposes of the Council's annual financial statements. As at 31 March 2015, the Council's IAS19 pension valuation disclosed an overall fund deficit of £54.421m. However, the 31 March 2016 IAS19 valuation showed a marked improvement in the Fund's position with the deficit having decreased to £43.008m. The decrease in deficit is primarily due to the financial assumptions at 31 March 2016 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 27 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 2015/16 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.

2015/2016 Statement of Accounts
St Edmundsbury Borough Council



Stanton Windmill

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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 and continues to grow, building on its strong business culture and its links with Cambridge, in particular the life sciences and biotechnology sectors based there.

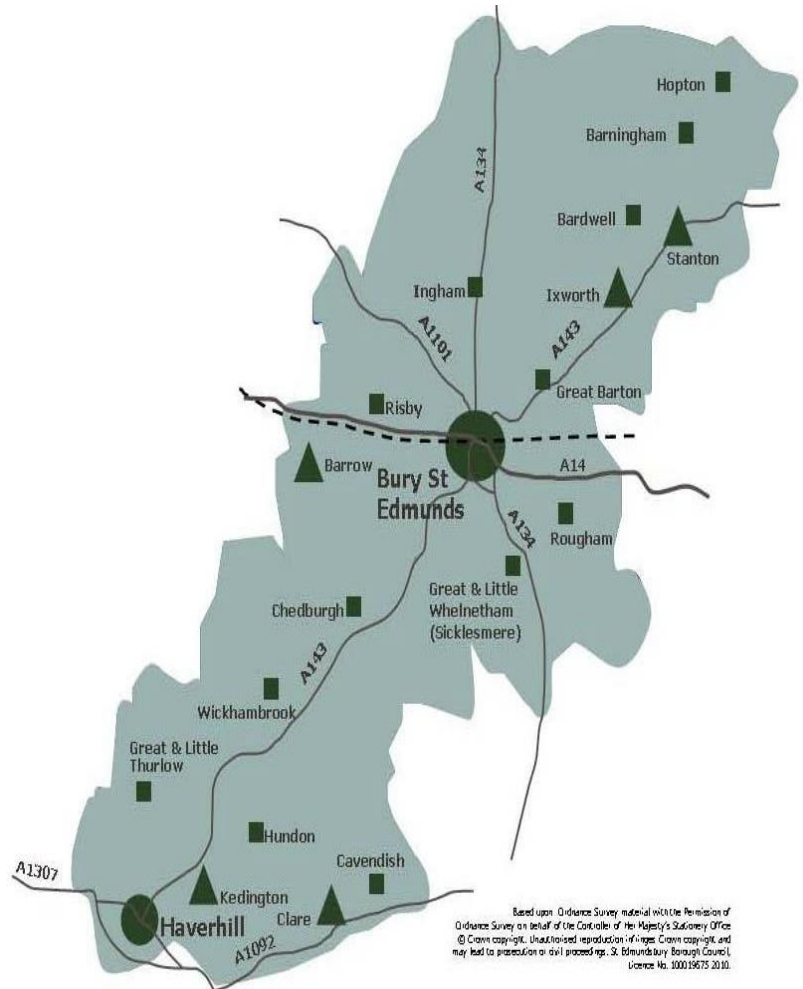
Today, St Edmundsbury has a thriving, diverse economy, embracing a number of business sectors. These include tourism, food and drink, life sciences and advanced manufacturing.

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](#)



Narrative Report by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2015/16. 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 2015 to 31 March 2016 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 2015.

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:

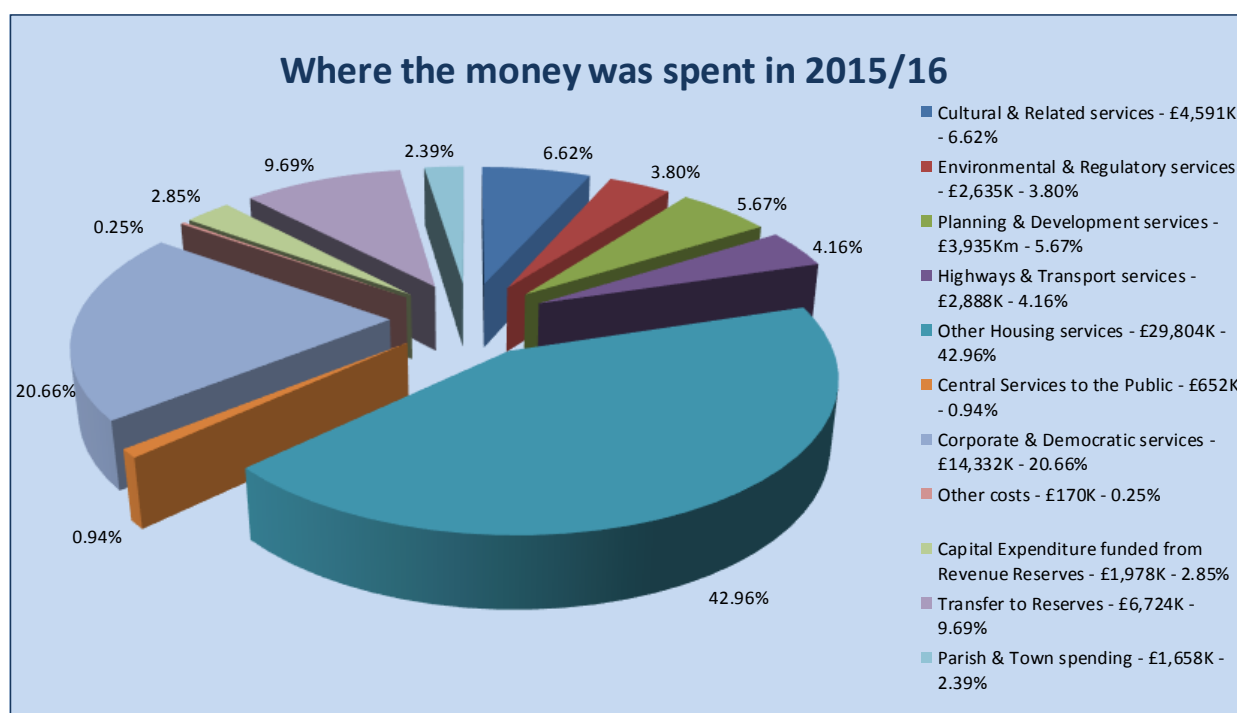
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

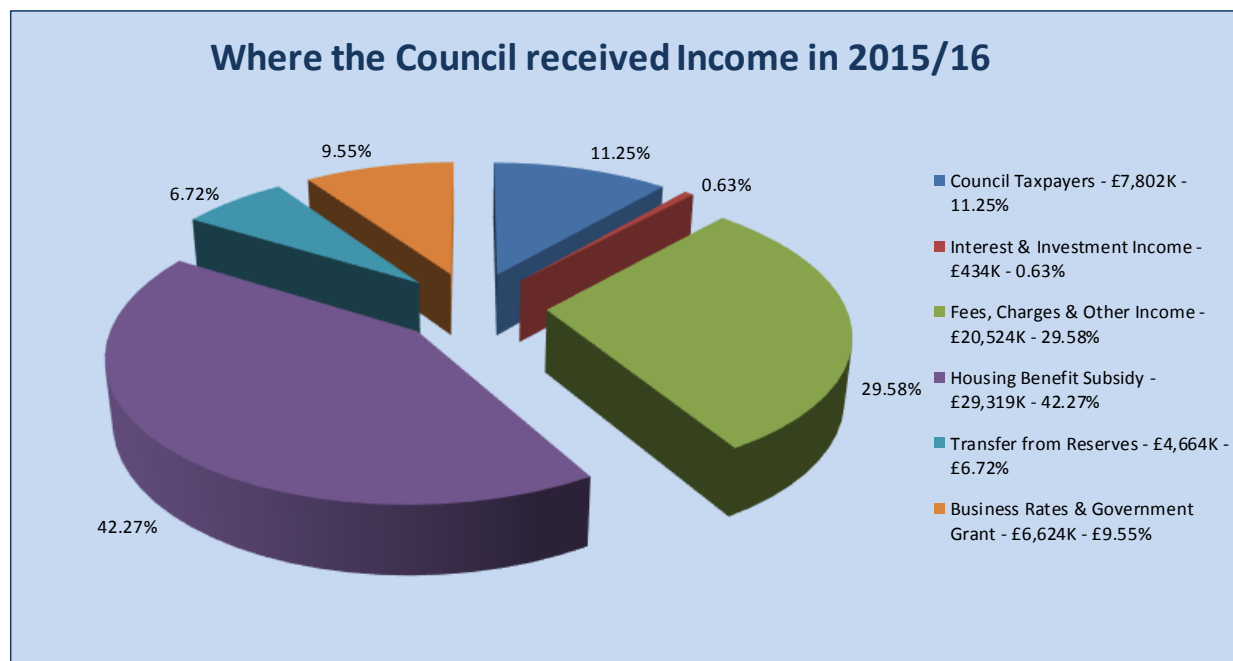
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to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

Overview of the financial year 2015/16

For the 2015/16 financial year, the Council saw an increase of £35k to its general fund reserve, which stands at £3,259k as at 31 March 2016, with an overall level of usable reserves (capital and revenue) of £35m.

The following charts show the sources of the Council's income for 2015/16, and how it was spent on services (excluding accounting adjustments required by International Financial Reporting Standards):





During 2015/16, the Council continued to face considerable financial challenges as a result of continued uncertainty in the wider economy and constraints on public sector spending including the reduction in central government grant funding and the changing landscape of local government financing. Additional challenges included declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness.

In order to respond to these pressures, the Council has had to make significant savings. The main contributor to delivering these savings has been sharing resources with Forest Heath District Council, which has to date achieved in excess of £4m in savings across both Councils. Details of the shared Leadership Team are set out in Note 28 of the accounts.

Details of variances against budget in excess of £50k can be seen in the report reference PAS/SE/16/010, entitled 'Financial Outturn Report (Revenue and Capital) 2015/16' considered by the Performance and Audit Committee on 25 May 2016.

The Council's capital expenditure for 2015/16 totalled around £3.6m, 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 £0.6m on capital grants within the year. Around £1.0m of the total £3.6m spend for 2015/16 was funded from the Council's usable capital receipts, the remainder being funded from grants and contributions. Overall the capital programme for 2015/16 was on budget, after allowing for project timings.

Material and Unusual charges or credits within the statements

There were no material or unusual charges or credits within the statements for 2015/16.

Major variances within the Comprehensive Income and Expenditure Statement – between 2014/15 and 2015/16

The Council had a number of variances in its cost of services between 2014/15 and 2015/16, amounting to an overall decrease of around £4,155k, primarily as a result of net revaluation losses in council properties during 2014/15.

Actuarial losses on pension assets/liabilities have also moved significantly from a charge of £7,904k in 2014/15 to a credit of £13,966k in 2015/16 and this is explained further in Note 33 Defined Benefit Pension Schemes.

The net impact of these and other minor changes on the Comprehensive Income and Expenditure Statement is an overall increase in the Total Comprehensive Income from 2014/15 to 2015/16 of £24,347k.

Narrative Report by the Chief Finance Officer

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 Narrative Report.

The figures contained in the Statement of Accounts are based on the latest actuarial valuation of the pension fund as at 31 March 2016 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 £43,008k compared to £54,421k at 31 March 2015. This net decrease in liabilities is represented by a decrease in liabilities of £11,864k and a decrease in assets of £451k. The overall decrease of £11,413k in the liability is primarily because the financial assumptions at March 2016 were more favourable than those at March 2015.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £43,008k 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 33 to the accounts.

Significant Provisions, Contingencies or Write-Offs

The Council has increased its provisions by £517k during the year to £1,776k for the financial year ending 31 March 2016. These provisions are detailed in Note 20 to the accounts.

The Council has included various contingent liabilities (Note 34) and contingent assets (Note 35) within the accounts.

Significant Cashflows Present and Future

As at 31 March 2016 the Council had made a commitment to contribute towards the Eastern Relief Road project. Full details have yet to be finalised but the commitment is expected to be in the region of £3m. Payment is likely to take place in 2016/17.

Key Strengths and Resources

Employees

St Edmundsbury Borough Council is part of the West Suffolk councils' shared service partnership, a single staffing structure that supports both Forest Heath District Council and St Edmundsbury Borough Council, while preserving separate political decision-making processes.

As at March 2016, West Suffolk councils employed 625 staff, with a voluntary staff turnover rate of 10.79% and an average sickness level of 6.61 days per full time equivalent (FTE) member of staff during 2015/16. This absence level was lower than the average of 8.54 days lost per FTE in district/borough councils in the East of England¹.

St Edmundsbury Borough Council is committed to investing in all West Suffolk staff, through corporate learning opportunities, bespoke training, and individual qualifications. Along with Forest Heath, St Edmundsbury has a particular focus on bringing in and bringing on local school leavers through apprenticeships. For example, 35 out of 53 new apprentices recruited by West Suffolk over the past 5 years have gone on to secure permanent employment with the councils.

Land and buildings

The value of land and buildings owned by St Edmundsbury Borough Council (not including plant and equipment) in 2015/16 was £93.215m.

Fees are charged in association with the use of these assets by third parties – for example, car parking charges, leases of industrial units and rent for office accommodation within our main office buildings (see Note 32 Leases).

Further, 164,353 KWh of renewable energy were generated on St Edmundsbury Borough Council properties in 2015/16.

Corporate reputation

St Edmundsbury Borough Council has gained national recognition for a number of services and facilities over the past year. These include, for example:

- organising and contributing to a 26-hour online conference for World Town Planning Day, looking at housing regeneration issues around the world;
- the Environmental Health team becoming qualified in a new award scheme, leading to an invitation to take part in a food and drinks show at the Houses of Parliament;
- taking part in a national planning conference to talk about setting up a shared planning service;
- working with the county council and clinical commissioning group on a Design Council programme to find innovative ways of supporting older people to remain independent;
- Arts Council status for West Stow Anglo-Saxon Museum (which teachers have recognized as providing an excellent educational programme) and grant to enable Moyse's Hall Museum to display national treasures;
- Gold Performance award for the management of our Local Land and Property Gazetteers; and
- recognition of the quality of the Apex entertainment venue from national and international performance stars.

¹ Source – 2014 EELGA sickness absence benchmarking survey - latest available figures

Narrative Report by the Chief Finance Officer

The Leader of St Edmundsbury Borough Council is the representative for all the district councils on the New Anglia Local Enterprise Partnership board, which has raised the profile of the council in the region.

The emergency services have recognized the value of working with St Edmundsbury Borough Council. Both West Suffolk councils are recognized locally by the police as having an excellent CCTV service which consistently helps them to track criminals, get convictions and, on several occasions, save lives. The councils' shared website has also been complimented for its maps by an emergency responder as a quick and accurate way of identifying addresses and potentially saving lives.

In the year 2015/16, the councils together received 65 formal complaints and 126 compliments (60% of these compliments are from Operations). Figures are for West Suffolk as not all compliments can be attributed to an individual council, given service delivery is shared.

Wider strengths

St Edmundsbury and Forest Heath were some of the earliest councils in the country to implement a fully shared service model, with a single staff team supporting two member bodies. A joint Strategic Plan and Medium Term Financial Strategy was published in 2014. This has enabled the councils to make significant savings without affecting frontline delivery. More widely, the councils' work in partnership with other authorities in Suffolk and neighbouring counties on co-locating and integrating services has led to both savings and better outcomes for residents (for example, sharing accommodation and co-designing service models such as Disabled Facilities Grants).

The councils' approach to customer access – i.e. centralising customer contact, shifting services online, and resolving more issues at first point of contact (94% in 2015/16) has also strengthened the councils' position by reducing the staff time required to deal with customers and allowing more time to be spent on complex cases.

The West Suffolk Families and Communities strategy, which aims to shift investment from supporting individuals in crisis to building resilience in families and communities, will support the councils in the future in managing demand for services.

Performance Indicators

For 2015/16 the Key Performance Indicator reports were developed into Balanced Scorecards (one per service) which are generated monthly and presented quarterly to Performance and Audit Scrutiny Committee (PASC) together with the Financial Performance Reports. They show key items per service and historical trends providing pertinent information to assist Heads of Service and Service Managers in operating their areas. These reports are discussed monthly at Leadership Team meetings. PASC will hold Cabinet to account based on the information contained therein.

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.

Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant reduced by 64% over the four year period 2013-17. The 4 year settlement offer from the government identifies that St Edmundsbury will actually be in a negative RSG position by 2019/20. DCLG intend to achieve this by making an adjustment through the business rates system. Therefore, we must focus on our ambition to be more self-sustaining both in controlling our net inflationary pressures and the income we generate ourselves whether it be existing or new opportunities.

The Council continues to deliver cost saving efficiencies, the key driver over the last three years being the delivery of the shared services agenda. This has already delivered in excess of £4 million annually in savings across the two councils. Savings achieved through sharing services with Forest Heath District 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

Narrative Report by the Chief Finance Officer

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. A contracts review has been commenced in 2016/17 looking to challenge terms of major contracts and ensure that they are being monitored with a view to identifying and crystallising savings.

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 2016/17 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. To facilitate this we have generated exciting new commercial opportunities in 2016/17 such as our Housing Company (Barley Homes Group) and partaken in Joint Ventures (JV) such as our Soft Facilities Management JV (Verse), which will become operational in 2016/17. We are also exploring other shared service opportunities.

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 2016-20, 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 2016/17.

The Council is also keeping a close eye on the national picture following the 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.



Knettishall Heath

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 2015 to 31 March 2016 has been prepared and I confirm that these accounts were approved by St Edmundsbury Council at the meeting held on 21 September 2016.

Signed:

Chairman of the Performance and Audit Scrutiny Committee

Date: 21 September 2016

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 2016 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.

Prior Year Movements - 2014/15	Note	General Fund	Earmarked	Capital Receipts	Capital Grants	Total Usable	Unusable	Total Authority
		Balance	General Fund	Reserve	Unapplied	Reserves	Reserves	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

The following statement shows the movement in reserves in respect of the current financial year ended 31 March 2016.

Current Year Movements - 2015/16	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 2015		3,224	13,406	15,113	179	31,922	52,902	84,824
Movements in Reserves during 2015/16								
Surplus (or deficit) on the provision of services		(1,370)	0	0	0	(1,370)	0	(1,370)
Other Comprehensive Income and Expenditure		0	0	0	0	0	18,906	18,906
Total Comprehensive Income and Expenditure		(1,370)	0	0	0	(1,370)	18,906	17,536
Adjustments between accounting basis and funding basis under regulations	6	3,430	0	283	743	4,456	(4,456)	0
Net increase or (decrease) before Transfers to Earmarked Reserves		2,060	0	283	743	3,086	14,450	17,536
Transfers (to) / from Earmarked Reserves	7	(2,025)	2,025	0	0	0	0	0
Increase / (Decrease) in 2015/16		35	2,025	283	743	3,086	14,450	17,536
Balance as at 31 March 2016 carried forward		3,259	15,431	15,396	922	35,008	67,352	102,360

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	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Central Services to the Public		1,743	1,027	716	2,534	875	1,659
Cultural and Related Services		7,650	2,265	5,385	10,405	1,824	8,581
Environmental and Regulatory Services		7,307	3,236	4,071	7,243	3,313	3,930
Planning Services		5,715	5,354	361	4,028	4,319	(291)
Highways and Transport Services		4,616	5,641	(1,025)	5,150	5,533	(383)
Other Housing Services		31,589	30,174	1,415	32,652	30,835	1,817
Corporate and Democratic Core		4,787	1,899	2,888	4,476	1,681	2,795
Non-distributed costs		67	3	64	(74)	4	(78)
Cost of Services		63,474	49,599	13,875	66,414	48,384	18,030
Other Operating Expenditure	8	711	0	711	650	0	650
Financing and Investment Income and Expenditure	9	1,758	452	1,306	1,929	364	1,565
Taxation and Non-Specific Grant Income	10	0	14,522	(14,522)	0	15,141	(15,141)
(Surplus)/Deficit on Provision of Services		65,943	64,573	1,370	68,993	63,889	5,104
Surplus on revaluation of Property, Plant and Equipment assets	21			(4,996)			(6,197)
Deficit or (Surplus) on revaluation of available for sales financial assets	21			56			0
Actuarial losses on pension assets / liabilities	33			(13,966)			7,904
Other Comprehensive (Income) and Expenditure				(18,906)			1,707
Total Comprehensive (Income) and Expenditure				(17,536)			6,811

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 2016 £000	31 March 2015 £000
Property, Plant and Equipment	11	101,767	97,841
Heritage Assets	12	6,608	6,608
Investment Property	13	110	110
Intangible Assets	14	357	385
Long-term Investments	18	463	519
Long-Term Debtors	15	297	358
Long-Term Assets		109,602	105,821
Short-term Investments	18	42,153	31,476
Assets Held for Sale	17	140	0
Inventories		148	158
Short-term Debtors	15	5,330	6,045
Cash and Cash Equivalents	16	3,347	9,171
Current Assets		51,118	46,850
Short-Term Creditors	19	(8,963)	(7,800)
Provisions	20	(1,576)	(1,059)
Current Liabilities		(10,539)	(8,859)
Provisions	20	(200)	(200)
Other Long-term Liabilities	33	(43,008)	(54,421)
Grants Receipts in Advance - Capital	29	(4,613)	(4,367)
Long-Term Liabilities		(47,821)	(58,988)
NET ASSETS		102,360	84,824
Usable Reserves		(35,008)	(31,922)
Unusable Reserves	21	(67,352)	(52,902)
TOTAL RESERVES		(102,360)	(84,824)

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016. These financial statements replace the unaudited financial statements certified by the S151 Officer on 30 June 2016.

Signed:

Date:

Chief Financial Officer (Section 151 Officer)

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	2015/16 £000	2014/15 £000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		1,370	5,104
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	22	(8,225)	(9,683)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	46	68
Net cash flows from Operating Activities		(6,809)	(4,511)
Investing Activities	23	12,466	5,915
Financing Activities	24	167	(1,002)
Net (increase) or decrease in cash and cash equivalents		5,824	402
Cash and cash equivalents at the beginning of the reporting period	16	(9,171)	(9,573)
Cash and Cash Equivalents at the end of the reporting period	16	(3,347)	(9,171)

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 2015/16 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:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is, therefore, no impact on the 2015/16 Statement of Accounts.

Note 2 Critical judgements in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the 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 30– 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 30 – 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 34 Contingent Liabilities and Note 35 Contingent Assets.

Notes to the Core Financial Statements

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 2016 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 £0.248m for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>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 10% increase in the employer's liability. In monetary terms this equates to around £14.140m.</p> <p>A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £4.415m.</p> <p>A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £3.870m.</p> <p>A 0.5% increase in the Pension increase rate would result in an additional 7% employer liability totalling approximately £10.065m.</p>
Arrears	At 31 March 2016, the Council had a sundry debt balance of £6.647m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2015/16 of £1.020m would be appropriate. However, factors such as the current economic climate may impact on the actual level of bad debts experienced by the Council.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.020m to be set aside as an allowance.

Notes to the Core Financial Statements

Note 4 Material Items of Income and Expense

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

Property and Vehicles

During 2015/16 there were no material purchases or sales of property and vehicles.

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 21 September 2016. 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 2016, 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 2016 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:

- Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Strategy, as outlined in note 36, means the Council's net assets are well protected and the Treasury Strategy (including investment criteria) will remain under review during this volatile period. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of the defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event.

There have been no other events occurring after the reporting date that would have a material impact on these financial statements.



Pakenham

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 2016 are as follows:

Current Year - 2015/16	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	3,597	0	0	(3,597)
Revaluation losses on Property, Plant and Equipment	21	0	0	(21)
Amortisation of Intangible Assets	65	0	0	(65)
Capital Grants and Contributions applied	(618)	0	743	(125)
Revenue Expenditure funded from Capital under Statute	571	0	0	(571)
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	(948)	1,230	0	(282)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	(1,978)	0	0	1,978

Continued on the following page.

Notes to the Core Financial Statements

Current Year - 2015/16 (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				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(1,004)	0	1,004
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	27	0	(27)
Transfer to Capital Receipts Reserve upon receipt of capital loan repayments	0	30	0	(30)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,976	0	0	(4,976)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(2,423)	0	0	2,423
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	167	0	0	(167)
Total Adjustments	3,430	283	743	(4,456)

Notes to the Core Financial Statements

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

Prior Year - 2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	3,384	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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	(547)	0	0	547

Continued on the following page.

Notes to the Core Financial Statements

Prior 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				
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 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 income credited to the Comprehensive Income and Expenditure Statement is different from council tax 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

Note 7 Transfers to / (from) Earmarked Reserves

General Fund Reserve	Balance at 1 April 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000
Strategic Priorities & MTFs	1,577	(110)	879	2,346	(746)	1,251	2,851
Invest to Save Reserve	1,102	(639)	427	890	(479)	649	1,060
Risk/Recession Reserve	35	(28)	32	39	0	64	103
BRR Equalisation Reserve	488	(479)	579	588	0	178	766
Self Insured Fund	455	(236)	13	232	0	0	232
Computer Equipment	103	(32)	229	300	(76)	73	297
Office Equipment	988	(204)	45	829	(450)	40	419
Section 106 - Public Service Village	65	(18)	0	47	(8)	5	44
HB Equalisation Reserve	1,607	(88)	88	1,607	(87)	209	1,729
Special Pension Reserve	317	0	0	317	0	0	317
Interest Equalisation Reserve	227	(40)	0	187	0	166	353
Professional Fees Reserve	0	0	0	0	0	65	65
ARP Reserve	0	(12)	72	60	(21)	35	74
Vehicle & Plant Renewal Fund	1,863	(179)	500	2,184	(438)	600	2,346
Wheeled Bins	75	(38)	76	113	0	148	261
Building Repairs Reserve	1,708	(1,568)	1,775	1,915	(1,797)	1,689	1,807
Industrial Rent Reserve	0	0	0	0	(84)	1,059	975
Commuted Maintenance	829	(167)	24	686	(107)	0	579
Museums - Gershom Parkington Bequest	519	(5)	11	525	(4)	18	539
Museums - Other	65	0	0	65	0	0	65
The Apex Reserve	33	0	0	33	(15)	0	18
Abbey Gardens Donation	21	0	0	21	(12)	31	40
Cemetery & Gravestone	5	(5)	0	0	0	0	0
Rural Areas Action Plan	91	0	0	91	(27)	0	64
Planning Reserve	314	(176)	0	138	(70)	0	68
Local Land Charges Reserve	0	0	0	0	0	101	101
EI-Historic Building Grants	1	0	0	1	0	0	1
S106 Monitoring Officer	0	(61)	75	14	(17)	6	3
Economic Development	41	(132)	142	51	(5)	0	46
Homelessness Legislation	0	0	0	0	(145)	268	123
S106 Revenue Reserve	0	0	0	0	0	8	8
Election Reserve	85	(21)	63	127	(80)	30	77
Total	12,614	(4,238)	5,030	13,406	(4,668)	6,693	15,431
Net Movement in the year				792			2,025

Notes to the Core Financial Statements

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

Strategic Priorities & MTFFS reserve (formerly New Homes Bonus reserve) – Monies received in respect of the New Homes Bonus Grant which have been set aside to support the delivery of the Council's strategic priorities and medium term financial strategy.

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

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.

Professional fees reserve – has been set up to meet future professional fee obligations.

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.

Industrial rent reserve - is for money set aside to meet lost lease income on the former Co-op building at Jubilee Walk, Haverhill.

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

Local land charges reserve – is money set aside in respect of the land charges service.

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.

S106 revenue reserve - Monies received in respect of S106 agreements held for future revenue spend.

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.

	2015/16 £000	2014/15 £000
Parish Council precepts	1,659	1,588
Payments to the Government Housing Capital Receipts Pool	0	1
(Gains) / losses on the disposal of non-current assets	(948)	(939)
	711	650

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”.

	2015/16 £000	2014/15 £000
Interest receivable and similar income	(445)	(351)
Net interest on the net defined benefit liability asset	1,755	1,920
Income and expenditure in relation to investment properties and changes in their fair value	(4)	(4)
	1,306	1,565

Note 10 Taxation and Non-Specific Grant Income

	2015/16 £000	2014/15 £000
Council tax Income	(8,045)	(7,830)
Non-domestic rates income and expenditure	(2,943)	(3,154)
Revenue Support Grant	(1,894)	(2,615)
Non-service related government grants	(82)	(79)
New Homes Bonus	(1,227)	(886)
Council tax freeze grant received in year	(68)	(66)
Capital Grants and contributions	(263)	(511)
	(14,522)	(15,141)

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 2015.

2014/15 - 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>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 - 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 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

Notes to the Core Financial Statements

The note below details the movements on balances in the current financial year ended 31 March 2016.

2015/16 - Current Financial Year	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<u>Cost or Valuation</u>								
At 1 April 2015	1,001	94,867	8,517	2,179	266	71	1,039	107,940
Additions	0	316	1,979	0	0	0	669	2,964
Revaluation increases recognised in the Revaluation Reserve	498	2,215	0	0	0	1,135	0	3,848
Revaluation (decreases) recognised in the Revaluation Reserve	0	(312)	0	0	0	0	0	(312)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	807	0	0	0	27	0	834
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(1,094)	0	0	0	(38)	0	(1,132)
Derecognition - disposals	0	(317)	(262)	0	0	0	0	(579)
Assets reclassified (to) / from Assets Under Construction	0	774	79	56	1	0	(910)	0
Assets reclassified (to) / from Held for Sale Assets	0	(140)	0	0	0	0	0	(140)
At 31 March 2016	1,499	97,116	10,313	2,235	267	1,195	798	113,423

Continued on the following page.

Notes to the Core Financial Statements

2015/16 - 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 2015	(18)	(4,177)	(5,461)	(443)	0	0	0	(10,099)
Depreciation Charge	(18)	(2,982)	(516)	(81)	0	0	0	(3,597)
Revaluation gains - depreciation written out to the Revaluation Reserve	23	1,404	0	0	0	0	0	1,427
Revaluation losses - depreciation written out to the Revaluation Reserve	0	33	0	0	0	0	0	33
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	227	0	0	0	0	0	227
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	51	0	0	0	0	0	51
Derecognition - disposals	0	56	246	0	0	0	0	302
At 31 March 2016	(13)	(5,388)	(5,731)	(524)	0	0	0	(11,656)
<u>Net Book Value</u>								
At 31 March 2016	1,486	91,728	4,582	1,711	267	1,195	798	101,767
At 31 March 2015	983	90,690	3,056	1,736	266	71	1,039	97,841

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 2015/16. 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.

Notes to the Core Financial Statements

Capital Commitments

As at 31st March 2016 the Council had made a commitment to contribute towards the Eastern Relief Road construction project. The £15million total Eastern Relief Road project is hoped to be completed by the summer of 2017. The completion of the road is crucial to the development of 500 homes, the secondary school and a business park, which is hoped to bring in an estimated 14,000 jobs and £275m to the town over the next 25 years.

Full details have yet to be finalised but the St Edmundsbury Borough Council commitment is expected to be in the region of £3m.

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.

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	361	4,582	1,710	267	0	797	7,717
Valued at fair value as at:								
31 March 2016	802	23,361	0	0	0	1,195	0	25,358
31 March 2015	684	49,141	0	0	0	0	0	49,825
31 March 2014	0	6,879	0	0	0	0	0	6,879
31 March 2013	0	8,321	0	0	0	0	0	8,321
31 March 2012	0	3,666	0	1	0	0	0	3,667
Total Net Book Value	1,486	91,729	4,582	1,711	267	1,195	797	101,767

Notes to the Core Financial Statements

Fair Value Hierarchy

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2016 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Development Land		1,180		1,180
Unoccupied Commercial Property		15		15
Total	0	1,195	0	1,195

There were no transfers between Levels during the year.

Valuation Techniques used to Determine Level 2 Fair Values

Significant Observable Inputs - Level 2

The valuation technique applied in respect of all the Fair Value figures was the market approach. The market approach is described in paragraphs B5 & B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable assets in the same or similar locations at or around the valuation date.

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 Insignia	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
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
At 1 April 2015	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 2016	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 Insignia – 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 2015/16.

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.

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and monuments	260	260	3,393	3,393	3,393
Civic items	30	30	2,682	2,682	2,682
Other heritage assets	82	80	533	533	533
Total Heritage Assets	372	370	6,608	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'.

	2015/16	2014/15
	£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:

	2015/16	2014/15
	£000	£000
Balance at 1 April	110	80
Net gains / (Losses) from fair value adjustments	0	30
Balance at 31 March	110	110

Notes to the Core Financial Statements

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2016 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Development Land		110		110
Total	0	110	0	110

There were no transfers between levels during the year.

Valuation Techniques used to determine Level 2 Fair Values

Significant Observable Inputs – Level 2

The valuation technique applied in respect of all the Fair Value figures was the market approach. The market approach is described in paragraphs B5 & B7 of IFRS13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute Level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable assets in the same or similar locations at or around the valuation date.

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 £0.066m charged to revenue in 2015/16 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:

	2015/16 Purchased Assets £000	2014/15 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	539	434
- Accumulated amortisation	(154)	(97)
Net carrying amount at start of year	385	337
Additions:		
- Purchases	38	106
Other disposals	(18)	0
Amortisation for the period	(66)	(58)
Amortisation written out on disposal	18	0
Net carrying amount at 31 March	357	385
Comprising:		
- Gross carrying amounts	559	539
- Accumulated amortisation	(202)	(154)
	357	385

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 2016	31 March 2015
	£000	£000
Central Government Bodies	3	8
Other Local Authorities	1,653	2,069
Council Tax / Business Rate Payers and Housing Benefit Debtors	2,271	1,905
Other Entities and Individuals	1,403	2,063
Total Short-term Debtors	5,330	6,045

Long Term Debtors

	31 March 2016	31 March 2015
	£000	£000
Car loans to employees	0	2
Car leasing scheme	28	25
Deferred sale of surplus properties	31	36
Mortgages and long term loans	238	295
Total Long-term Debtors	297	358

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 2016 £000	31 March 2015 £000
Cash Held by the Council	6	8
Bank Current Accounts	3,339	9,163
Short Term Deposits with Clearing Banks & Building Societies	2	0
Total Cash and Cash Equivalents	3,347	9,171

Note 17 Assets Held for Sale

The Council held the following assets for sale as at 31 March 2016:

	Current	
	2015/16 £000	2014/15 £000
Balance Outstanding at start of year	0	0
Assets Transferred into AHFS	140	0
Assets Transferred out of AHFS	0	0
Balance outstanding at Year End	140	0

Where the sale of assets is expected to be realised in the next financial year, these assets are classified as current assets held for sale in the Balance Sheet.

Notes to the Core Financial Statements

Note 18 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2016	2015	2016	2015
	£000	£000	£000	£000
Investments				
Loans and receivables				
- Money market loans	463	519	44,999	40,551
- Other loans	0	2	0	0
- Cash	0	0	500	96
Available for sale financial assets	0	0	0	0
Total investments	463	521	45,499	40,647
Debtors				
Loans and receivables	269	333	0	716
Financial assets carried at contract amounts	0	0	4,816	3,074
Total debtors	269	333	4,816	3,790
Creditors				
Financial liabilities at amortised cost	0	0	2,751	2,746
Long Term Creditors	0	0	0	0
Total creditors	0	0	2,751	2,746

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):

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

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

Loan to Churchmanor Estates Company for Suffolk Business Park

The loan to Churchmanor Estates Company towards the costs / fees associated with the design and planning approval stages of Suffolk Business Park, including approval of infrastructure works is deemed to be a soft loan - the loan is an interest free loan. This loan was repaid in full during 2015/16.

Notes to the Core Financial Statements

	Abbeycroft Leisure	Church- Manor Estates	Total
	£000	£000	£000
Nominal value of loans granted	85	716	801
Loans repaid	(30)	(716)	(746)
Balance at 31 March 2016	55	0	55

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.

	2015/16				2014/15			
	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	(445)	0	(445)	0	(351)	0	(351)
Total income in Surplus or Deficit on the Provision of Services	0	(445)	0	(445)	0	(351)	0	(351)
Gains on revaluation	0	0	0	0	0	0	0	0
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	0	0
Net (gains) / loss for the year	0	(445)	0	(445)	0	(351)	0	(351)

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 1.50% and 1.35% for Abbeycroft Leisure and Churchmanor Estates Company respectively. The additional allowance for the risk of default is 2.5% for both loans.

Notes to the Core Financial Statements

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 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	2,751	2,751	2,746	2,746
Long-term creditors	0	0	0	0
Total liabilities	2,751	2,751	2,746	2,746
Money market loans:				
- Short-term investments	44,999	45,046	40,551	40,585
- Long-term investments	463	463	521	521
Cash	500	500	96	96
Financial assets (debtors)	4,816	4,816	3,790	3,790
Available for Sale Financial Assets	0	0	0	0
Loans and Receivables	269	269	333	333
Total assets	51,047	51,094	45,291	45,325

In overall terms, the fair value of the investments is £0.047m more than the book value at 31 March 2016.

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 2016) 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 19.

Notes to the Core Financial Statements

Note 19 Creditors

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

	31 March 2016	31 March 2015
	£000	£000
Central Government Bodies	1,797	1,362
Other Local Authorities	3,539	3,610
Trade Creditors	1,275	1,264
Receipts in Advance	1,322	613
Other Entities and Individuals	1,030	951
Total Short-term Creditors	8,963	7,800

Note 20 Provisions

The table below shows the movements in the Council's provisions during the 2015/16 financial year:

	Long Term Provision	Short Term Provision
	£000	£000
Balance as at 1 April	(200)	(1,059)
Additional Provisions made in 2015/16	0	(744)
Amounts used in 2015/16	0	227
Total Provisions	(200)	(1,576)

Long term provisions

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

Short term provisions

The provision of £1,576k is composed of:

- £199k relating to a structural defect claim in respect of a previously owned asset
- £1,377k 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 2016. 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 21 Unusable Reserves

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

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	29,749	25,693
Available for Sale Financial Instruments Reserve	413	469
Capital Adjustment Account	80,121	80,885
Pensions Reserve	(43,008)	(54,421)
Deferred Capital Receipts Reserve	215	247
Collection Fund Adjustment Account	62	229
Accumulated Absences Account	(200)	(200)
Total Unusable Reserves	67,352	52,902

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 2016 £000	31 March 2015 £000
Balance at 1 April	25,693	20,228
Upward revaluation of Assets	5,275	6,555
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(279)	(358)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	4,996	6,197
Difference between fair value depreciation and historical cost depreciation	(929)	(637)
Accumulated gains on assets sold or scrapped	(11)	(95)
Balance at 31 March	29,749	25,693

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 2016 £000	31 March 2015 £000
Balance at 1 April	469	469
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(56)	0
Balance at 31 March	413	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 2016 £000	31 March 2016 £000	31 March 2015 £000
Balance at 1 April		80,885	85,177
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	(3,597)		(3,384)
- Revaluation gains/(losses) on Property, Plant and Equipment	(21)		(2,918)
- Amortisation of Intangible Assets	(65)		(58)
- Revenue expenditure funded from capital under statute	(571)		(728)
- 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	(277)		(111)
		(4,531)	(7,199)
Adjusting amounts written out of the Revaluation Reserve		940	732
Net written out amount of the cost of non-current assets consumed in the year		(3,591)	(6,467)
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	1,004		954
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(125)		769
Capital Expenditure charged against the General Fund Balance	1,978		547
		2,857	2,270
Loan Principal Repayments		(30)	(125)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0	30
Balance at 31 March		80,121	80,885

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 33 - Defined Benefit Pension Scheme.

The movements in the Pensions Reserve were as follows:

	31 March 2016 £000	31 March 2015 £000
Balance at 1 April	(54,421)	(44,750)
Remeasurements of the net defined benefit liability / (asset)	13,966	(7,904)
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	(4,976)	(4,579)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,423	2,812
Balance at 31 March	(43,008)	(54,421)

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 2016 £000	31 March 2015 £000
Balance at 1 April	247	376
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(5)	(109)
Loan Principal Repayments	(27)	(20)
Balance at 31 March	215	247

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 2016 £000	31 March 2015 £000
Balance at 1 April	229	(773)
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	76	241
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	(243)	761
Balance at 31 March	62	229

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 2016 £000	31 March 2015 £000
Balance at 1 April	(200)	(200)
Balance at 31 March	(200)	(200)

Notes to the Core Financial Statements

Note 22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2015/16	2014/15
	£000	£000
Interest received	(448)	(360)
	(448)	(360)

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

	2015/16	2014/15
	£000	£000
Depreciation	(3,597)	(3,384)
Amortisation	(65)	(58)
Impairment and upward / (downward) valuations	(21)	(2,918)
(Increase) / decrease in Revenue Creditors	(1,054)	(2,361)
(Increase) / decrease in Provisions	(517)	(191)
Increase / (decrease) in Revenue Debtors and Payments in Advance	(1,189)	(958)
Increase / (decrease) in Inventories	(10)	(17)
Movement in Pensions Liability	(2,553)	(1,767)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	948	939
Movement in investment property values	0	30
Other non-cash items charged to the net surplus or deficit on the provision of services	(167)	1,002
	(8,225)	(9,683)

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:

	2015/16	2014/15
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	618	796
Any other items for which the cash effects are investing or financing cash flows	(572)	(728)
	46	68

Note 23 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2015/16	2014/15
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	2,894	1,467
Purchase of short-term and long-term investments	11,124	5,397
Other payments for investing activities	630	1,036
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(809)	(932)
Proceeds from short-term and long-term investments	(448)	(360)
Other receipts from investing activities	(925)	(693)
Net cash flows from investing activities	12,466	5,915

Note 24 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2015/16	2014/15
	£000	£000
Billing authorities - council tax and national non-domestic rates adjustments	167	(1,002)
Net cash flows from Financing activities	167	(1,002)

Notes to the Core Financial Statements

Note 25 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 - 2015/16	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	3,313	35,001	0	0	38,314	(10,872)	(34,624)	(45,496)	(7,182)
HR & Democratic Services	1,158	929	0	0	2,087	(394)	0	(394)	1,693
Families & Communities	1,090	884	0	0	1,974	(241)	(50)	(291)	1,683
Planning & Growth	2,052	1,508	0	0	3,560	(2,209)	(101)	(2,310)	1,250
Operations	6,680	20,291	0	0	26,971	(25,375)	(11)	(25,386)	1,585
Housing	798	761	0	0	1,559	(624)	0	(624)	935
Totals	15,091	59,374	0	0	74,465	(39,715)	(34,786)	(74,501)	(36)

Notes to the Core Financial Statements

Previous 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

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.

	2015/16	2014/15
	£000	£000
Net Expenditure in the Head of Service Analysis	(36)	10,077
Net expenditure of services not included in the analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	4,603	(4,198)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	9,308	12,151
Cost of Services in Comprehensive Income and Expenditure Statement	13,875	18,030

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 - 2015/16	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	(31,485)	0	2,383	8,004	(21,098)	(5)	(21,103)
Interest and investment income	(261)	0	445	0	184	(448)	(264)
Income from council tax	(7,969)	0	7,969	0	0	(8,045)	(8,045)
Government grants and contributions	(34,786)	(355)	6,456	0	(28,685)	(6,476)	(35,161)
Total income	(74,501)	(355)	17,253	8,004	(49,599)	(14,974)	(64,573)
Employee expenses	15,092	798	0	0	15,890	1,756	17,646
Other service expenses	57,715	477	(6,287)	0	51,905	3	51,908
Support Service recharges	0	0	0	(8,004)	(8,004)	0	(8,004)
Depreciation, amortisation and impairment	0	3,683	0	0	3,683	0	3,683
Precepts and Levies	1,658	0	(1,658)	0	0	1,658	1,658
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(948)	(948)
Total expenditure	74,465	4,958	(7,945)	(8,004)	63,474	2,469	65,943
Surplus or deficit on the provision of services	(36)	4,603	9,308	0	13,875	(12,505)	1,370

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 - 2014/15	Head of Service Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other Service Income	(29,786)	0	12,064	0	(17,722)	(490)	(18,212)
Interest and investment interest	(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
Depreciation, amortisation and impairment	0	6,772	0	0	6,772	0	6,772
Precepts and levies	0	0	0	0	0	1,588	1,588
Payments to Housing Capital	0	0	0	0	0	1	1
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

Note 26 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:

		2015/16	2015/16	2014/15	2014/15
		£000	£000	£000	£000
<u>Industrial, Business Units & Shops</u>	Turnover	(3,822)		(2,669)	
	Expenditure	2,407		1,195	
	(Surplus) / Deficit		(1,415)		(1,474)
<u>Trade Refuse</u>	Turnover	(1,458)		(1,465)	
	Expenditure	1,197		1,418	
	(Surplus) / Deficit		(261)		(47)
<u>Markets</u>	Turnover	(426)		(403)	
	Expenditure	337		323	
	(Surplus) / Deficit		(89)		(80)
Net Surplus on Trading Operations			(1,765)		(1,601)

Note 27 Members Allowances

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

	2015/16	2014/15
	£000	£000
Allowances	303	305
Expenses	24	23
Total Members Allowances and Expenses	327	328

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



Great Livermere

Notes to the Core Financial Statements

Note 28 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 £	Compen- sation for Loss of Office £	Total £
Chief Executive	2015/16	111,050	0	4,972	26,338	0	142,360
	2014/15	111,050	0	4,311	23,944	0	139,305
Director	2015/16	81,288	0	2,135	19,279	0	102,702
	2014/15	78,706	0	1,688	16,970	0	97,364
Director (to 25/10/2015)	2015/16	47,578	699	0	10,708	0	58,985
	2014/15	79,717	1,239	0	16,970	0	97,926
Director (from 04/01/2016)	2015/16	19,047	206	80	4,517	0	23,850
	2014/15	0	0	0	0	0	0
Head of HR, Legal & Democratic Services	2015/16	65,804	0	2,093	15,607	0	83,504
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
Head of Families and Communities	2015/16	63,654	1,239	0	15,097	0	79,990
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
Head of Operations	2015/16	70,965	0	4,011	16,831	0	91,807
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

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.
- 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	2015/16 Number of Employees	2014/15 Number of Employees
£50,000 to £54,999	9	5
£55,000 to £59,999	2	0
£60,000 to £64,999	0	1
£80,000 to £84,999	0	1
£90,000 to £94,999	0	1
£110,000 to £114,999	1	0
£115,000 to £119,999	0	1

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.

Notes to the Core Financial Statements

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 for 2014/15 was based on both councils sharing equally the savings resulting from the restructure. From 2015/16 onwards, the reimbursement is based on equal cost share.

Shared Leadership Team (LT)	Note	2015/16	2015/16	2014/15	2014/15
		SEBC Cost £	FHDC Cost £	SEBC Cost £	FHDC Cost £
Chief Executive		150,431		148,734	
Director		109,472		104,656	
Director (to 25/10/2015)		61,189		104,693	
Director (from 04/01/2016)		25,651			
Head of Resources and Performance (S151 Officer)			78,411		86,294
Head of Housing			83,352		80,609
Head of Human Resources and Organisational Development	1			47,121	
Head of Human Resources, Legal and Democratic Services	2	88,180		35,408	
Head of Policy, Communications and Customers	1			44,398	
Head of Families and Communities	2	85,423		33,794	
Head of Waste Management and Property Services	1			51,497	
Head of Operations	2	95,307		38,152	
Head of Planning and Regulatory Services	1				46,926
Head of Planning and Growth	2		92,620		36,876
Head of Leisure, Culture and Communities	3	0		68,803	
Head of Legal and Democratic Services (Monitoring Officer)	4	0		78,430	
Head of Economic Development and Growth	4	0		67,356	
Total expenditure included in Officers' Remuneration disclosure		615,653	254,383	823,042	250,705
Net adjustment between the councils		-180,635	180,635	-120,990	120,990
Expenditure included in the Comprehensive Income and Expenditure Statement		435,018	435,018	702,052	371,695

Notes to the Core Financial Statements

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, Legal and Democratic Services, Head of Families and Communities, Head of Operations and Head of Planning and Growth were created with effect from 1 November 2014.
- 3 The post of Head of Leisure, Culture and Communities was disestablished with effect from 31 December 2014.
- 4 The posts of Head of Legal and Democratic Services and Head of Economic Development and Growth were disestablished with effect from 28 February 2015.

Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a) + (b)		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Nos	Nos	Nos	Nos	Nos	Nos	£	£
£0 - £20,000	5	4	1	3	6	7	20,632	64,499
£20,001 - £40,000	1	1	0	0	1	1	21,218	23,579
£40,001 - £60,000	0	3	0	0	0	3	0	135,792
£80,001 - £100,000	1	0	0	0	1	0	81,512	0
£100,001 - £150,000	0	1	0	0	0	1	0	105,695
Total	7	9	1	3	8	12	123,362	329,565

Termination Benefits

The Council terminated the contracts of 8 employees in 2015/16 with termination payments of £123k in total (2014/15 £330k).

The total cost of £123k in the table above is the gross amount of exit packages paid by the Authority to its employees. This total cost includes £103k for exit packages that have been committed to as part of the Council's Shared Services agenda with Forest Heath DC, of which £51k was recharged to Forest Heath DC on an agreed cost sharing basis. Forest Heath DC has incurred similar costs for exit packages under the Shared Services agenda, and St Edmundsbury BC is in turn, paying an agreed cost share amounting in total to £23k. The Council has made allowances for this cost sharing within the charge to the Comprehensive Income and Expenditure Statement, resulting in an overall net charge to the Council of £95k.

Notes to the Core Financial Statements

Note 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

	2015/16 £000	2014/15 £000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	1,894	2,615
National Non-domestic Rates	2,943	3,154
New Homes Bonus	1,227	886
Council Tax Freeze Grant	68	66
Non-service related government grants	82	79
Capital Grants and Contributions		
Growth Area Initiative grant (DCLG)	0	145
Other Grants and contributions	263	366
Total credited to Taxation and Non-specific Grant Income and Expenditure	6,477	7,311
Credited to Services		
Revenue Grants and Contributions		
Housing Benefits Subsidy	28,591	29,556
Housing Benefits and Council Tax Administration Subsidy	483	427
National Non-domestic Rates Administration Grant	163	163
Other Grants and Contributions	170	74
Capital Grants and Contributions		
Disabled Facilities Grant	355	285
Total credited to services	29,762	30,505

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:

	2015/16 £000	2014/15 £000
Capital Grants and Contributions Received in Advance		
Growth Area Initiative Grant (DCLG)	2,709	2,736
Other Grants	607	170
Developer Contribution - ASDA	535	539
Developer Contribution - Centros Miller	108	325
Developer Contributions - Other	654	597
Total	4,613	4,367

Notes to the Core Financial Statements

Note 30 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 25 – Amounts reported for resource allocation decisions and Note 29 - 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. A 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 28 - 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 2015/16 is shown in Note 27 - 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:

- Abbey of St Edmund Heritage Partnership
- Association for Suffolk Museums Management Committee
- Barley Homes (Group) Ltd Shareholder Advisory Group
- Breaking New Ground Board (previously Brecks Partnership)
- Bury St Edmunds and District Volunteer Centre
- Dedham Vale and Stour Valley
- District Councils' Network
- East of England Local Government Association
- George Savage Trust
- Gershom Parkington Memorial Trust
- Guildhall Feoffment Trust
- King Edward VI Grammar School Bury St. Edmunds Foundation
- Local Government Association (including General Assembly and Rural Commission)
- Magna Carta Trust
- New Anglia Local Enterprise Partnership (LEP) Board
- One Haverhill
- Our BuryStEdmunds (BID4BURY) Board
- Our Greenest County Board (SCC)
- Rural Services Network
- Smith's Row Art Gallery (formerly Bury St Edmunds Art Gallery)
- Southgate Community Partnership
- St John's Centre Trustees Bury St Edmunds
- Stiff's Alms-houses Charity Trustees, Rougham
- Suffolk County Council – Health and Wellbeing Board
- Suffolk County Council – Health Scrutiny Committee
- Suffolk Flood Management Joint Scrutiny Committee
- Suffolk Joint Emergency Planning Policy Panel

Notes to the Core Financial Statements

- Suffolk Police and Crime Panel
- Suffolk Waste Partnership
- Suffolk West Citizens' Advice Bureau (formerly Bury St Edmunds Citizens' Advice Bureau and Haverhill Citizens' Advice Bureau)
- Theatre Royal Management Board
- West Stow Anglo-Saxon Village Trust
- West Suffolk Network Senior Representatives Group
- Western Suffolk Community Safety Partnership
- Verse Facilities

During 2015/16 the Council made grant payments totalling £330k to organisations on which members served. Transactions with Barley Homes (Group) and Verse Facilities are disclosed separately below.

During 2015/16 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:

	2015/16	2014/15
	£000	£000
Income and expenditure in respect of related party transactions during the year		
Expenses	1,523	1,575
Income	(201)	(138)
	1,322	1,437

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

www.angliarevenues.gov.uk

Abbeycroft Leisure

On 1st April 2005, the Council entered into a 15 year contract with Abbeycroft Leisure for the operation of its two leisure centres, the athletics track and the management of the bookings of other sports facilities. Abbeycroft Leisure is a company limited by guarantee, with charitable status. It is run by a board of trustees and, up until 31 March 2015, the Council had the power to nominate up to two trustees, as long as the number nominated did not equal or exceed 20% of the total number of trustees.

The contract involved the transfer of leisure centre staff and leasing the leisure centres and athletics track to the trust at a peppercorn rent in return for a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid quarterly in advance. The Council is consulted on the business plans of Abbeycroft Leisure prior to the agreement of a management fee to the Company. A management fee amounting to £232,000 was paid to the trust in 2015/16 compared to £260,000 in 2014/15.

Notes to the Core Financial Statements

During 2012/13 the Council advanced a loan to the Trust amounting to £150,000 repayable over 5 years. The amount outstanding at 31 March 2016 was £54,551.

Abbeycroft Leisure has worked 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 subsequently agreed to a merger effective from 1 April 2015. The merged single entity has been named Abbeycroft Leisure.

The new board allows for 12 trustees. 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 for St Edmundsbury Borough Council or Forest Heath District Council to appoint board members (or send observers) has been removed under the merger.

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

Copies of Abbeycroft Leisure's audited accounts can be obtained from The Chief Executive at the above address.

Further information regarding Abbeycroft 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 £45,457k in 2015/16 (£44,910k in 2014/15) on their behalf. At 31 March 2016 the Council held creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £1,463k.

The total sums collected for Suffolk County Council, Suffolk Police Authority 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 2015/16 was £461k (2014/15 £501k).

Verse Facilities Management Limited

Verse Facilities Management Limited is a Joint Venture Company set up in 2015 between Vertas (a company wholly owned by Suffolk County Council), St Edmundsbury Borough Council and Forest Heath District Council with a shareholding of 60%, 26% and 14% respectively. The main business of the company is to provide facilities management and property support services.

This arrangement is a legal entity conducted under joint control with up to 7 directors (each having equal voting rights), 4 of whom are appointed by the shareholders (2 Vertas, 1 St Edmundsbury, 1 Forest Heath) and up to 3 others who are employees of the Company. Only the 4 shareholder appointments have been made to date with a resultant voting rights split of 50:25:25.

The financial share of the company is split 60:26:14 between the shareholders. Group accounts have not been prepared for this entity as the sums involved are immaterial. Instead the results of the Company's first part year of trading (incorporated 6 August 2015) are reported through this note to the accounts:

Notes to the Core Financial Statements

	2015/16
	£000
Verse Facilities Management Ltd - Results Statement	
Turnover	486
Profit on Ordinary Activities before Taxation	5
Profit on Ordinary Activities after Taxation	5
Net Assets	0

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

Copies of Verse Facilities Management Ltd's accounts may be obtained by contacting them at:
Beacon House, Landmark Business Park, Whitehouse Road, Ipswich IP1 5PB

Barley Homes (Group) Limited

Barley Homes (Group) Limited is a company limited by shares and wholly owned by Suffolk County Council (50%), St Edmundsbury Borough Council (25%) and Forest Heath District Council (25%). The company will act commercially, building homes for sale and private rent (including a minimum 30% affordable housing in line with Planning Policy).

This arrangement is a legal entity conducted under joint control with up to 7 directors (each having equal voting rights), 4 of whom are appointed by the shareholders (2 SCC, 1 St Edmundsbury, 1 Forest Heath) and up to 3 independent directors who may not be employed by any of the shareholders. Only the 4 shareholder appointments have been made to date with a resultant voting rights split of 50:25:25.

The Company was incorporated on 15 March 2016 and no financial transactions have taken place during 2015/16.



East Town Park, Haverhill

Notes to the Core Financial Statements

Note 31 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.

	2015/16 Purchased Assets £000	2014/15 Purchased Assets £000
Opening Capital Financing Requirement	(833)	(833)
Capital investment		
Property, Plant and Equipment	2,964	1,291
Intangible Assets	38	106
Heritage Assets	0	0
Revenue expenditure funded from capital under statute	571	728
Loans financed from capital grants	27	145
Loans repaid to capital grants	(743)	0
Sources of Finance		
Capital receipts	(1,004)	(954)
Government grants and other contributions	125	(769)
Sums set aside from revenue		
Direct revenue contributions	(1,978)	(547)
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 32 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:

	2015/16	2014/15
	£000	£000
Not later than one year	2,679	2,559
Later than one year and not later than five years	7,321	7,585
Later than five years	95,254	97,576
Balance as at 31 March carried forward	105,254	107,720



River Lark, Abbey Gardens

Notes to the Core Financial Statements

Note 33 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	2015/16		2014/15	
	Percentage Contribution	Salary Range	Percentage Contribution	Salary Range
1	5.5%	Up to £13,600	5.5%	Up to £13,500
2	5.8%	£13,601 to £21,200	5.8%	£13,501 to £21,000
3	6.5%	£21,201 to £34,400	6.5%	£21,001 to £34,000
4	6.8%	£34,401 to £43,500	6.8%	£34,001 to £43,000
5	8.5%	£43,501 to £60,700	8.5%	£43,001 to £60,000
6	9.9%	£60,701 to £86,000	9.9%	£60,001 to £85,000
7	10.5%	£86,001 to £101,200	10.5%	£85,001 to £100,000
8	11.4%	£101,201 to £151,800	11.4%	£100,001 to £150,000
9	12.5%	Over £151,800	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

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:

	2015/16	2014/15
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	3,199	2,595
- past service costs (including curtailments)	22	64
Financing and Investment Income and Expenditure		
Net Interest Expense	1,755	1,920
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	4,976	4,579
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	1,654	(10,038)
- Actuarial gains and losses arising on changes in financial assumptions	(13,377)	19,186
- Other (if applicable)	(2,243)	(1,244)
Sub-total: Actuarial gains and losses	(13,966)	7,904
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	(8,990)	12,483
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	(4,976)	(4,579)
Actual amount charged against the General Fund Balance for pensions in the year	(13,966)	7,904
Employers' contributions payable to scheme	2,423	2,812

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:

	2015/16	2014/15
	£000	£000
Present value of the defined benefit obligation	(147,178)	(159,042)
Fair value of plan assets	104,170	104,621
Net liability arising from defined benefit obligation	(43,008)	(54,421)

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

	2015/16	2014/15
	£000	£000
Opening fair value of scheme assets	104,621	92,403
Interest income	3,314	3,933
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	(1,654)	10,038
Contributions from employer	2,301	2,680
Contributions from employees into the scheme	697	703
Contributions in respect of unfunded benefits	122	132
Benefits paid	(5,109)	(5,136)
Unfunded benefits paid	(122)	(132)
Closing fair value of scheme assets	104,170	104,621

Notes to the Core Financial Statements

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

	2015/16	2014/15
	£000	£000
Opening balance at 1 April	159,042	137,153
Current service cost	3,199	2,595
Interest cost	5,069	5,853
Contributions from scheme participants	697	703
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in financial assumptions	(13,377)	19,186
- Other (if applicable)	(2,243)	(1,244)
Past service cost	22	64
Benefits paid	(5,109)	(5,136)
Unfunded benefits paid	(122)	(132)
Closing fair value of scheme liabilities	147,178	159,042



Hardwick Heath

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

Asset Category	2015/16	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15	2014/15
	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	8,107	0	8,107	8%	7,836	0	7,836	8%
- Manufacturing	3,121	0	3,121	3%	3,604	0	3,604	3%
- Energy and Utilities	1,145	0	1,145	1%	1,756	0	1,756	2%
- Financial Instruments	4,326	0	4,326	4%	4,528	0	4,528	4%
- Health and Care	3,519	0	3,519	3%	3,276	0	3,276	3%
- Information Technology	2,797	0	2,797	3%	1,881	0	1,881	2%
- Other	1,164	0	1,164	1%	1,059	0	1,059	1%
	24,179	0	24,179	23%	23,940	0	23,940	23%
<u>Debt Securities:</u>								
- Corporate Bonds (Investment Grade)	16,577	0	16,577	16%	15,163	0	15,163	15%
- UK Government	0	0	0	0%	2,229	0	2,229	2%
- Other	3,864	0	3,864	4%	4,561	0	4,561	4%
	20,441	0	20,441	20%	21,953	0	21,953	21%
<u>Private Equity:</u>								
All	0	3,230	3,230	3%	0	3,186	3,186	3%
<u>Real Estate:</u>								
UK Property	11,410	0	11,410	11%	10,053	0	10,053	10%
<u>Investment Funds and Unit Trusts:</u>								
Equities	3,925	0	3,925	4%	29,190	0	29,190	28%
Bonds	0	2,633	2,633	3%	0	0	0	0%
Hedge Funds	0	0	0	0%	4,036	0	4,036	4%
Commodities	28,006	0	28,006	26%	0	0	0	0%
Infrastructure	6,864	2,519	9,383	9%	0	2,354	2,354	2%
Other	0	0	0	0%	6,321	2,360	8,681	8%
	38,795	5,152	43,947	42%	39,547	4,714	44,261	42%
<u>Derivatives:</u>								
Foreign Exchange	93	0	93	0%	2	0	2	0%
<u>Cash and Cash Equivalents:</u>								
All	871	0	871	1%	1,226	0	1,226	1%
Totals	95,789	8,382	104,171	100%	96,721	7,900	104,621	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 2016.

The significant assumptions used by the actuary have been:

	2015/16	2014/15
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	2.2%	2.4%
Rate of increase in salaries	4.2%	4.3%
Rate for discounting scheme liabilities	3.5%	3.2%

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 %	Approximate
	increase to Employer Liability	monetary amount
	%	£000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	10%	14,140
Longevity (1 year increase or decrease in member life expectancy)	3%	4,415
Rate of increase in salaries (increase or decrease by 0.5%)	3%	3,870
Rate of increase in pensions (increase or decrease by 0.5%)	7%	10,065

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 2016. The next formal triennial valuation is due to be completed on 31 March 2019.

The Council anticipated paying £2,667k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17.3 years for 2015/16 (17.3 years 2014/15).

Note 34 Contingent Liabilities

Mandatory Rate Relief for NHS Trusts: A large number of authorities, including St Edmundsbury, have received applications for mandatory charitable business rate relief from a company called GVA Grimley Ltd acting on behalf of NHS Trusts. If awarded, the relief will be backdated for the maximum period of 6 years and could have a significant impact on council finances.

The Local Government Association (the representative body for Local Authorities) has sought legal advice from Counsel on behalf of the authorities. Counsel advice is that NHS Trusts and Foundation Trusts are not charities, and that the applications for rate relief are therefore unfounded. The IRRV have also advised members not to award relief and to continue issuing demand notices accordingly.

To date the council has received claims from Trusts which, if awarded, could cost the council £825k with an ongoing annual impact of £150k.

Note 35 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 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 36 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 2015/16 was set out in the Annual Treasury Management and Investment Strategy 2015/16, which was approved by the Council in February 2015. The following table shows the credit criteria applicable as at 31 March 2016.

Sector Colour Code Key	Maximum Duration / Investment Values*
Lending Criteria - Rated Banks and Investment Scheme	
Sector Colour Code Key	Credit Criteria
Purple	Max £10m for max of 2 years (subject to max 50% of portfolio)
Orange	£9m for max of 2 years (subject to max 40% of portfolio)
Red	£8m for max of 1 year (subject to max 35% of portfolio)
Green	£6m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government)	£15m for max of 2 years
Lending Criteria – Rated Building Societies	
Sector Colour Code Key	Credit Criteria
Red	£8m for max of 1 year (subject to max 35% of portfolio)
Green	£6m for max of 1 year (subject to max 30% of portfolio)
Lending Criteria – Non-Rated Building Societies **	
Asset Base	Credit Criteria
Asset base > £2,500m	£3m for maximum of 6 months
Asset base > £1,000m	£2.5m for maximum of 6 months

Notes to the Core Financial Statements

* 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 2015/16 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 2016 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000s	Estimated maximum exposure at 31 March 2015 £000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	44,999	0.913	0.523	23,534	22,979

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.

Of the £1.702m total debt outstanding at 31 March 2016, £0.386m has exceeded its due date for payment, and is analysed by age as follows:

	2015/16 £000	2014/15 £000
Less than three months	120	288
Three to six months	19	58
Six months to one year	54	93
More than one year	193	174
	386	613

Notes to the Core Financial Statements

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 2016, the Council had no investments 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, 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 2015/16, 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 £0.463m. 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 £0.023m 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.

Notes to the Core Financial Statements

Note 37 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 2015 £	Income £	Expenditure £	Balance at 31 March 2016 £
West Stow Anglo-Saxon Village Trust	(4,420)	(34)	1,667	(2,787)
Gershom Parkington Memorial Trust	(11,591)	(89)	0	(11,680)
94th Bomb Group Memorial Association	(16,250)	(125)	156	(16,219)
Totals	(32,261)	(248)	1,823	(30,686)

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 0.77%. This amounted to:

	Interest Income 2015/16 £	Interest Income 2014/15 £
West Stow Anglo-Saxon Village Trust	(34)	(40)
Gershom Parkington Memorial Trust	(89)	(86)
94th Bomb Group Memorial Association	(125)	(121)
Total	(248)	(248)

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;

Notes to the Core Financial Statements

- 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.

Note 38 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.

	2015/16	2015/16	2014/15	2014/15
	£000	£000	£000	£000
<u>Work undertaken on behalf of Suffolk County Council</u>				
On-Street Car Parking				
Income from parking fees		(887)		(941)
Expenditure:				
Running Expenses	31		34	
Administration	250		226	
		281		260
Net Surplus paid to Suffolk County Council		(606)		(681)

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.

	2015/16			2014/15		
	Council			Council		
	Tax £000	NNDR £000	Total £000	Tax £000	NNDR £000	Total £000
Income						
Income Receivable						
Council Tax receivable	(55,056)	0	(55,056)	(53,758)	0	(53,758)
National Non-Domestic Rates receivable	0	(47,372)	(47,372)	0	(46,947)	(46,947)
Transitional Protection receivable	0	127	127	0	30	30
Repayment of previous years deficit						
St Edmundsbury Borough Council	0	(240)	(240)	(83)	(463)	(546)
Suffolk County Council	0	(60)	(60)	(427)	(116)	(543)
Suffolk Police Authority	0	0	0	(63)	0	(63)
Central Government	0	(300)	(300)	0	(579)	(579)
Total Income	(55,056)	(47,845)	(102,901)	(54,331)	(48,075)	(102,406)
Expenditure						
Repayment of previous years surplus						
St Edmundsbury Borough Council	167	0	167	0	0	0
Suffolk County Council	853	0	853	0	0	0
Suffolk Police Authority	126	0	126	0	0	0
Precepts						
St Edmundsbury Borough Council	7,801	18,483	26,284	7,672	18,039	25,711
Central Government	0	23,103	23,103	0	22,549	22,549
Suffolk County Council	39,494	4,621	44,115	39,119	4,510	43,629
Suffolk Police Authority	5,963	0	5,963	5,791	0	5,791
	54,404	46,207	100,611	52,582	45,098	97,680
Charges to the Collection Fund						
Write-off of uncollectable amounts	177	162	339	114	174	288
Increase/(Decrease) in Bad Debts Provision	(30)	28	(2)	(23)	20	(3)
Increase/(Decrease) in Appeals Provision	0	1,292	1,292	0	714	714
Cost of Collection	0	162	162	0	163	163
Renewal Energy Income retained by Council	0	260	260	0	255	255
	147	1,904	2,051	91	1,326	1,417
(Surplus) / Deficit for the year	(505)	266	(239)	(1,658)	(1,651)	(3,309)
Fund balance as at 1 April	(1,308)	245	(1,063)	350	1,896	2,246
(Surplus) / Deficit carried forward	(1,813)	511	(1,302)	(1,308)	245	(1,063)

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	5,286	2,529
Band B	between £40,001 and £52,000	17,565	10,800
Band C	between £52,001 and £68,000	9,390	6,725
Band D	between £68,001 and £88,000	7,281	5,920
Band E	between £88,001 and £120,000	4,363	4,435
Band F	between £120,001 and £160,000	1,926	2,338
Band G	between £160,001 and £320,000	1,497	2,120
Band H	over £320,000	133	191
Council Tax Base		47,441	35,058

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

The average total Band D Council Tax for the year was £1,519.17 (2014/15 £1,514.23).

Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 49.3p in 2015/16 (48.2p in 2014/15) and 48.0p for small businesses in 2015/16 (47.1p in 2014/15) 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 2016 was £111,561,764 (31st March 2014/15: £111,550,765).

Collection Fund and Notes

Note C3 Precepts and Demands

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

	2015/16 Precept/Demand £000	Share of balance 31 March 2016 £000	2015/16 Total £000	2014/15 Total £000
Council Tax				
Suffolk County Council	39,494	(1,343)	38,151	38,144
Suffolk Police Authority	5,963	(203)	5,760	5,646
St Edmundsbury Borough Council	7,801	(267)	7,534	7,482
	53,258	(1,813)	51,445	51,272
NNDR				
Suffolk County Council	4,621	51	4,672	4,534
Central Government	23,103	256	23,359	22,671
St Edmundsbury Borough Council	18,483	204	18,687	18,137
	46,207	511	46,718	45,342



West Front, Abbey Gardens

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 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, 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.

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 2015/16 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

Accounting Policies

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).

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) 2015/16. 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

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.

XXVII. Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) In the principal market for the asset or liability, or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability

The authority measures the fair value of an asset or liability using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability



Wildflowers, Cowlinge

West Suffolk Annual Governance Statement 2015/16

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 councils are 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 Forest Heath District Council and St Edmundsbury Borough Council are responsible for conducting their business properly, and ensuring 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 the effective exercise 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 2015/16 using CIPFA's Delivering Good Governance in Local Government Framework 2012.
- 2.2 **Identifying and communicating the authorities' vision of their 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 set out how the councils will work in partnership to deliver the following priorities:

- 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 2015/16 work was completed on a new approach to performance management using a "balanced scorecard". The new system uses 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, 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. During 2015/16 the Constitutions for both authorities underwent a thorough review to align the governance frameworks of the two councils.

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.
- Members are advised of their duties and responsibilities when first elected and the induction training outlines the importance of adherence to the code of conduct. 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.
- There is an established mechanism for monitoring and rewarding staff performance and behaviours in line with these values. There is also a West Suffolk staff disciplinary and capability procedure, which 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 the West Suffolk website, unless properly restricted from public access by law. 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.
- During 2015/16 we continued the development of our financial management system to support decision making, for example through the forecasting module. Development work continues on the 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. These arrangements were fully reviewed during 2015/16 and rolled out to service areas.
- The Strategic Risk Management Group 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 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. The 2015/16 report concluded that probity at the councils remains at a high level.

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 Officers Leadership Team and the Leaders are members of Suffolk Public Sector Leaders, both of whom oversee change across the whole of the Suffolk "system". This includes the £3.35m of Transformation Challenge Award funding which was secured by Suffolk in November 2014 and the preparation of the East Anglian devolution deal announced at Budget March 2016.
- A number of other Suffolk-wide officer groups are also well established and help to further joined up working between the Suffolk councils.
- A third tier of managers exists at service manager level who deputise for their heads of service and are responsible for the day-to-day operations of their service areas. The service manager level also encourages 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 Re-engineering Reviews with a view to transforming the ways in which services are delivered through analysing processes and implementing major change projects.

- A Project Review Group including the Chief Executive, two Directors, Chief Financial Officer and the Corporate Policy Manager with responsibility for projects was established in February 2016. The Group meet fortnightly to review progress against projects and escalate issues to Leadership Team meetings as appropriate. In addition, project health checks have been introduced by Internal Audit which review the governance of selected projects and check that these are on track and well managed.
 - The Medium Term Financial Strategy and budget setting process also provides an opportunity to review service delivery and to identify and support service transformation and change.
 - A Business Partner model for support services is established within the councils, designed to add value and provide support and expertise to all service areas and project teams.
- 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. In addition, a rotating Deputy Monitoring Officer has been in place to support the Monitoring Officer and also ensure resilience and skill development in this area.
 - The Constitutions for the two councils are regularly updated by the Monitoring Officer to ensure that all decision taking is supported by them.
- 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 and approving the Statement of Accounts, scrutinising risk and performance management arrangements, audit arrangements, the Annual Governance Statement and budgetary control and monitoring, and assists in development of the budget framework.

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

- The Monitoring Officer advises senior management team (Leadership Team and service managers) on new legislation and compliance with the Constitutions. They use their 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 Service Manager (Internal Audit) 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 quarterly to the Performance and Audit Scrutiny Committees through the balanced scorecards, grouped by service area.

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.
- The underlying theme of the newly elected members induction programme delivered May 2015 to July 2015 was to support members to find the information they needed and establish good working relations with senior officers. An officer/member buddy programme was used to signpost members to training and information they may need. A "market place" networking session for members and senior managers was followed by a programme of training to cover key subjects and committee-specific requirements. Small group and one-to-one ICT training was offered to all members to support the introduction of mobile appliances and access to committee documents online.
- Annually, members are invited to identify their training needs via a survey. The member development programme is agreed by the Joint Member Development Group in consultation with senior managers, to meet national and local priorities. This programme is supplemented by attendance by members and senior officers to specialist external events and seminars.

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

- West Suffolk councils engage routinely with residents, community groups, businesses, organisations, members and staff on a range of matters using a variety of different mechanisms.
- Our approach includes the use of social media tools to provide new avenues of interaction with the public.
- Our 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 the Trade Union.

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 (Abbeycroft Leisure), Anglia Revenues Partnership and 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 budget annually along with monitoring and reviewing performance against the Delivery Plan.
 - Verse Facilities Management Ltd is an arms-length 'Teckal' organisation established to provide facilities management services (e.g. cleaning, custodians, caretaking, catering) to the West Suffolk councils. The intention is that the company will also compete for other facilities management business in the area and provide a vehicle for other potential council services to be moved to (subject to a full business case). The shareholding of the company is 60% in favour of Vertas Ltd (themselves 100% owned by Suffolk County Council), 26% St Edmundsbury Borough Council and 14% Forest Heath District Council. The company has four Directors; two from Vertas Ltd, one an officer representing St Edmundsbury Borough Council and one an officer representing Forest Heath District Council. A Councillor Shareholder Advisory Group is in the process of being established to have oversight of the company's activities. Subject to approval, this is likely to comprise four elected members with two from Suffolk County Council and one each from St Edmundsbury Borough Council and Forest Heath District Council.
 - For Barley Homes (Group) Ltd, the councils' Housing Development Company jointly owned with Suffolk County Council, the Company has four Directors, two from Suffolk County Council, one officer representing Forest Heath District Council and one officer representing St Edmundsbury Borough Council. There is also a non-constituted Councillor Shareholders Advisory Group which represents the interests of the three shareholding councils. The Advisory Group reviews and comments on the Annual Business and Delivery Plan, in advance of its formal approval by the respective full Councils, as well as monitoring and reviewing the company's performance against the Delivery Plan. The shareholding of this company is 50% held by Suffolk County Council and 25% by each of the West Suffolk councils.

- 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 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 2015/16, 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 councils, 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 the financial statements and the councils' systems which support them and his assessment of arrangements to achieve value for money.
- 3.6 The review of the effectiveness of the governance framework concluded that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
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 councils' 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 his annual audit opinion on the councils' internal control environment;
 - attracted significant public interest or had seriously damaged the councils' 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 Due to staff turnover and significant national recruitment challenges the councils' Building Control Service used temporary staff for some months. The councils now have a team of well-respected and experienced local surveyors who are rebuilding the service and winning back the market share temporarily lost during the interim. Early indications are that the quality of service and responsive professionalism of our surveyors are attracting users back. The service will continue to be dynamic and forward thinking in this very commercial environment where reputation of service and client relationships is paramount.
- 4.3 The 2015 Local and Parliamentary Elections combinations brought significant challenges to all councils in managing a once in 20-year event. For West Suffolk these challenges were exacerbated by the unexpected loss of a senior member of the election team a few weeks prior to the elections which resulted in the need to support a little more than usual the elections team, through realigning resources including staff, in order to ensure the successful delivery of the elections. The lessons learnt from the 2015 elections were embedded in planning and resourcing the 2016 Police and Crime Commissioner election and the EU referendum.
5. **Focus for 2016/17**
- 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 2016/17 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:
- key projects and lessons learned will continue to be discussed at the Service Managers meetings however project management oversight will be given an increased focus with meetings of the Project Review Group and Leadership Team to ensure accountability at a senior level and to minimise the impact of interdependencies between projects;
 - development work on the financial management system, releasing its full potential for West Suffolk and recognising the importance of financial data, its availability and reporting abilities;
 - 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; and
 - further development of all our partnership relationships, for example, Barley Homes, Verse and the Anglian Revenues Partnership.
- 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 During 2015/16, the councils worked with other local authorities in East Anglia on a devolution deal with the Government, which would see significant powers and freedoms devolved from Whitehall to local areas, overseen by a Combined Authority.
- 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. Corporate behaviours are becoming embedded in a number of areas of council business. Members will continue to receive regular financial training / development sessions.

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

6. **Assurance by Chief Executive and Leaders of the Councils**

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

Signed:

James Waters
Leader of the Council

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Signed:

John Griffiths
Leader of the Council

Date:

Auditors Report

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

To be inserted at the conclusion of the audit September 2016.

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 pension 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 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.



Moyses Hall Clock – Bury St Edmunds

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



West Suffolk House, Bury St Edmunds

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St Edmundsbury Borough Council

Schedule of Members' Allowances and other expenses - 2015/16

Name	Payments to Members				Total
	Basic Allowance	Special Responsibilities	Mileage	Other Allowances (Note 1)	
	£	£	£	£	£
Beckwith, Trevor	595	0	151	20	766
Broughton, Sarah	5,345	3,213	0	180	8,739
Brown, Anthony	5,351	0	0	0	5,351
Brown, Simon	4,756	0	344	192	5,293
Buckle, Terence	5,351	0	0	180	5,531
Bull, Carol	4,756	0	1,133	172	6,061
Burns, John	4,756	0	0	160	4,916
Byrne, Maureen	595	0	221	20	836
Chung, Patrick **	5,351	0	197	180	5,728
Clements, Terence	5,351	654	378	182	6,565
Clifton-Brown, Robert	595	0	61	0	656
Cockle, Robert	5,351	0	27	189	5,567
Crooks, Jason	4,756	0	0	160	4,916
Everitt, Robert *	5,351	5,119	68	697	11,234
Farmer, Paul	595	0	0	20	615
Farthing, Jeremy	5,351	1,397	0	180	6,928
Fox, Paula	4,756	0	119	160	5,035
French, Phillip	595	0	0	0	595
Glossop, Susan	4,756	0	501	160	5,418
Gower, Patricia	576	571	149	96	1,392
Griffiths, John	5,351	10,702	886	588	17,526
Hailstone, Wayne	4,756	0	0	160	4,916
Hind, Diane	5,332	2,998	14	287	8,632
Hopfensperger, Paul	5,351	0	0	180	5,531
Hopfensperger, Rebecca	5,351	0	0	0	5,351
Houlder, Ian	5,351	5,540	779	180	11,849
Levack, Helen	595	0	0	20	615
Marks, Margaret	4,756	0	369	0	5,125
Marks, Timothy	4,056	932	1,008	136	6,133
McLatchy, Betty	4,756	0	0	0	4,756
McLatchy, Ivor	4,756	0	0	160	4,916
Mcmanus, John	595	0	0	20	615
Midwood, Jane	4,756	0	0	160	4,916
Mildmay-White, Sara	5,345	6,288	881	361	12,874
Nettleton, David	5,351	0	0	180	5,531
Oliver, Stefan	595	179	0	0	773
Pollington, Clive	4,756	0	370	160	5,286
Pugh, Alaric	5,351	5,773	1,803	297	13,224
Ray, David	576	634	141	20	1,371
Rayner, Joanna	5,351	5,119	73	171	10,714
Redhead, Derek	595	0	27	0	622
Richardson, Karen	5,338	465	0	180	5,983
Roach, David	4,756	0	729	165	5,650
Robbins, Barry	4,756	0	43	160	4,960
Rout, Richard	4,756	0	0	160	4,916
Rushbrook, Marion	595	0	0	20	615
Rushen, Angela	5,345	1,606	687	180	7,818
Rynsard, Ida (Wakelam, Julia)	5,345	0	27	0	5,372
Simner, Paul	595	0	0	20	615
Speed, Andrew	4,756	0	0	160	4,916
Spicer, Christopher	595	0	99	20	714
Springett, Clive	5,332	0	122	180	5,634
Stamp, Sarah	5,345	648	0	180	6,173
Stevens, Peter	5,351	5,773	2,165	436	13,724

Name	Payments to Members				Total
	Basic Allowance	Special Responsibilities	Mileage	Other Allowances (Note 1)	
Thompson, Peter	4,756	0	0	160	4,916
Thorndyke, John	5,351	4,282	1,161	180	10,974
Wade, Paula	5,345	0	0	156	5,502
Warby, Francis	5,351	1,068	186	180	6,785
Warby, Patricia	5,351	1,608	342	0	7,301
Whittaker, Adam	595	0	0	20	615
Whittaker, Dorothy	595	0	0	20	615
Totals	238,785	64,569	15,261	8,605	327,219

Notes:

1. Other allowances includes public transport, subsistence, mobile phones and broadband payments.
2. The amounts in the above table are before any deductions for taxation.
3. * Mayor until 19th May 2015 ** Mayor from 19th May 2015
4. The schedule of payments as shown above is in line with the Members' Allowances scheme, as held on the Council's website:

http://www.westsuffolk.gov.uk/Council/Finance_and_Statistics/upload/SEBCMembersAllowancesSchemeJun2016.pdf

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Arrangements for appointment of External Auditors	
Report No:	PAS/SE/16/021	
Report to and date/s:	Performance and Audit Scrutiny Committee	21 September 2016
	Cabinet	1 November 2016
	Full Council	20 December 2016
Portfolio holder:	Cllr Ian Houlder Portfolio Holder for Resources and Performance Tel: 07597 961069 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 consider the options available for appointing External Auditors in time to make a first appointment by 31 December 2017, following the closure of the Audit Commission, and the end of the transitional arrangements.	

Recommendation:		Performance and Audit Scrutiny Committee	
		<p>It is <u>RECOMMENDED</u> that:</p> <p>(1) Arrangements for appointing External Auditors at the conclusion of the 2017/18 audit are <u>noted</u>; and</p> <p>(2) Option 3, to 'opt-in' to the sector led body (Public Sector Audit Appointments Ltd (PSAA)) for the independent appointment of the Council's External Auditor, beginning with responsibilities for the financial year 2018/19, is recommended to Full Council for approval.</p>	
Key Decision:		<i>Is this a Key Decision and, if so, under which definition?</i>	
<i>(Check the appropriate box and delete all those that do not apply.)</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"> Consultation has taken place across Suffolk and similar papers are being presented to all councils to similar timetables 	
Alternative option(s):		<ul style="list-style-type: none"> Auditors must be appointed using one of the options detailed in the report 	
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"> As set out in the body of this report. 	
<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"> As set out in the body of this report. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
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*
Successful transition not achieved to timescales		Early consideration of preferred approach by all Suffolk Councils	Low

Option 3 is not available	Medium	Shared approach across Suffolk gives reassurance of market need	Low
Audit fees increase as a result of a retender process	Medium	Collaborative procurement offers opportunity to keep Audit Fees down	Low
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		http://www.psa.co.uk/supporting-the-transition/procurement-and-appointment-of-auditors/	
Documents attached:		None	

1. Key issues and reasons for recommendations

1.1 It is the Council's statutory responsibility to appoint a local auditor to audit its 2018/19 accounts by the 31 December 2017.

1.2 Alternative Options

1.2.1 The Council can choose one of the following options:

- a) Establish a stand-alone Auditor Panel to make the appointment on behalf of the Council;
- b) Commence work on exploring the establishment of local joint procurement arrangements with neighbouring authorities; or
- c) Use an existing independent panel of the Authority (this will only be applicable where a suitably constituted panel already exists).

1.3 Background

1.3.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015, the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

1.3.2 The Council's current external auditor is Ernst & Young LLP; this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission, the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA with delegated authority from the Secretary of State CLG. Over recent years, the Council has benefited from a significant reduction in fees compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from the closure of the Audit Commission. The Council's current external audit fees are £75k per annum including the certification of the housing benefit subsidy claim.

1.3.3 When the current transitional arrangements come to an end on 31 March 2018, the Council will move to the local appointment of its auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission, they covered NHS and local government bodies and offered maximum economies of scale.

1.3.4 The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial

Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including the Council's current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

1.4 Overall considerations

1.4.1 Risk management

1.4.2 There is no immediate risk to the Council. However, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

1.4.3 Providing the Local Government Association (LGA) with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

1.5 Legal implications

1.5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;

d) Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

e) Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

1.6 Financial Implications

1.6.1 Current external fee levels are likely to increase when the current contracts end in 2018.

1.6.2 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above would need to be estimated and included in the Council's budget moving forward if either of those options are progressed. This would include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.

- 1.6.3 Opting-in to a national Sector Led Body provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

1.7 Options for local appointment of External Auditors

- 1.7.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

1.7.2 Option 1 To make a stand-alone appointment

- 1.7.2.1 In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly (or a majority) independent members as defined by the Act. Independent members for this purpose are independent appointees; this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

1.7.2.2 Advantages/benefit

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

1.7.2.3 Disadvantages/risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances

- 1.7.2.4 The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

- 1.7.2.5 The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

1.7.3 Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

- 1.7.3.1 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly (or a majority) of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council will need to liaise with other local authorities to assess the appetite for such an arrangement.

1.7.3.2 Advantages/benefits

The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

- 1.7.3.3 There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

1.7.3.4 **Disadvantages/risks**

The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used, or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

- 1.7.3.5 The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel selects a firm that is conflicted for this Council, then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

1.7.4 **Option 3 Opt-in to a sector led body**

- 1.7.4.1 In response to the consultation on the new appointment arrangement, the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

1.7.4.2 **Advantages/benefits**

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities

- 1.7.4.3 By offering large contract values, the firms would be able to offer better rates and lower fees than are likely to result from local negotiation
- 1.7.4.4 Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.
- 1.7.4.5 The appointment process would not be ceded to locally appointed independent members. Instead a separate body is set up to act in the collective interests of the 'opt-in' authorities.

1.7.4.6 **Disadvantages/risks**

Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

- 1.7.4.7 In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

1.8 The way forward

- 1.8.1 The Council has until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by Spring 2017 in order that the contract negotiation process can be carried out during 2017.
- 1.8.2 The LGA are working with the PSAA. The DCLG have recently approved the PSAA to become the Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB.
- 1.8.3 The Suffolk Councils' Section 151s and internal audit staff have already met with the LGA to discuss the advantages of the sector led approach. Collectively the officers are in support of this approach.

1.9 Conclusion

- 1.9.1 The Council must, by the 31 December 2017, take action to implement new arrangements for the appointment of external auditors from April 2018. In order that more detailed proposals can be developed, the Council is asked to give early consideration to the preferred approach.
- 1.9.2 The Council has been asked by the LGA for an indication of the preferred approach in order that it can invest resources in providing appropriate support to Councils. The LGA is strongly supportive of the SLB approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate lowest fees.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Decision relating to complaint to Local Government Ombudsman	
Report No:	PAS/SE/16/022	
Report to and date:	Performance and Audit Scrutiny Committee	21 September 2016
Portfolio holder:	Alaric Pugh Portfolio Holder for Planning and Growth Tel: 07930460899 Email: alaric.pugh@stedsbc.gov.uk	
Lead officer:	Steven Wood Head of Planning and Growth Tel: 01284 757306 Email: steven.wood@westsuffolk.gov.uk	
Purpose of report:	To inform the Committee of the details of a complaint the Local Government Ombudsman received in relation to the Local Planning Authorities decision not to re-consult on an application for a rear extension.	
Recommendation:	<p>Performance and Audit Scrutiny Committee:</p> <p>It is <u>RECOMMENDED</u> that:</p> <p>The Committee <u>note</u> the action taken by the Head of Planning and Growth to remedy the findings of the Local Government Ombudsman following a complaint made to him in relation to the Planning Authority's lack of re-consultation in relating to a rear extension adjacent to the complainants property.</p>	

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:		Local Government Ombudsman	
Alternative option(s):		<ul style="list-style-type: none"> • Do nothing. • Accept the findings of the Local Government Ombudsman (LGO). 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • The budget of £500	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Internal resources dealing with the complaint.	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Providing advice on the options and actions being considered	
<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)
Not to comply with the LGO suggest remedy	High	Comply with the LGO remedy	Low
Reputational Challenge	High	Comply with the LGO remedy	Low
Wards affected:		All	
Background papers:		Local Government Ombudsman Complaint reference: 16 001 647	
Documents attached:		None	

1. Key issues and reasons for recommendation

1.1 Summary of the Complaint

- 1.1.1 In October 2015, Ms A's next door neighbour submitted a planning application to build a two storeys and single storey rear extension. At the beginning of November Ms A responded to the neighbour notification letter she had received by telling the Council that while she did not object to the application she did have concerns about how close the single storey extension would be to her property as her air source heating unit is located close to the boundary.
- 1.1.2 At the end of November 2015, the Council as Planning Authority wrote to the neighbour's agent to advise that it would be unable to approve the application because of concerns about its impact on Ms A's property, and the property on the other side. In relation to Ms A's property, the Council noted that the extensions would lead to a material adverse impact upon amenity due to their overbearing appearance and general loss of light, exacerbated by the depth of the proposed development of 6.3m. To address this, the case officer at the time suggested a cutting back of the first floor element of the two storeys extension.
- 1.1.3 The Council gave the agent 14 days for amended plans to be provided and said it would take a further 21 days to decide whether it would be necessary to re-consult. Amended plans were then submitted to the Council in December 2015, which showed a reduction in the length of the two storey element from 6.3m to 3.8m and an increase in the footprint of the single storey extension with an increase along the boundary with Ms A's property from 3.3m to 6.3m.
- 1.1.4 The Council did not re-consult with neighbours and permission was granted for the amended application under delegated powers. Ms A complained to the Council that, given the nature of the changes to the application, it should have consulted her about them and that by not doing so she had lost the opportunity to comment on them or to discuss the changes with her neighbour.
- 1.1.5 The Council upheld Ms A's complaint and accepted it should have given her the opportunity to comment on the amended plans because of the extent of the amendments to the proposed development. The Council apologised for its error and told Ms A it had taken action to brief planning officers dealing with applications to avoid such an error in the future. However, it satisfied itself that the decision to approve the application was correct and explained to her why it would not have changed even if Ms A had been given the opportunity to make her further representations.

2. Ombudsman's Decision

- 1.2.1 The LGO accepted that the Council's fault was not in dispute. The Council had already admitted that it should have re-consulted with Ms A and it did not do so. In responding to Ms A's complaint under the Council's own complaints procedure, the Council recognised she had been inconvenienced as a result of its failure to re-consult and that this may have caused her stress. The Council accordingly apologised and reassessed the application to see, even if Ms A had commented further on the amended plans, whether this would have led to a

different outcome and it concluded it would not have.

- 1.2.2 The LGO felt ,while the Council did carry out a reassessment , Ms A lost the opportunity to comment and she is now left with the uncertainty of not knowing whether, had she been notified and had the chance to speak to her neighbour, the plans for the development would have been modified to take into account her concerns.

3. Agreed Remedy

- 1.3.1 In recognition of the Council's fault, and the injustice this caused Ms A, the LGO proposed to the Council that it pay Ms A £500 to settle her complaint.
- 1.3.2 In reviewing the LGO findings the Head of Planning and Growth accepted the findings and agreed to pay Ms A £500 accordingly.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Work Programme Update	
Report No:	PAS/SE/16/023	
Report to and date:	Performance and Audit Scrutiny Committee	21 September 2016
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 Democratic Services Officer (Scrutiny) 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 for 2016-2017.	

Performance and Audit Scrutiny Committee Work Programme (St Edmundsbury Borough Council)

Description	Lead Officer
24 November 2016 (Time: 5.00pm)	
Informal Joint Meeting (Hosted by Forest Heath District Council)	
Joint Reports	
Mid-year Internal Audit Progress Report 2016-2017	Service Manager (Internal Audit)
Balanced Scorecards Quarter 2 Performance Report 2016-2017	Head of Resources and Performance
West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2016	Head of Resources and Performance
Work Programme Update	Democratic Services Officer (Scrutiny)
St Edmundsbury Specific Reports	
EY – Presentation of Annual Audit Letter 2015-2016	Head of Resources and Performance
Financial Performance Report (Revenue and Capital) Quarter 2 – 2016-2017	Head of Resources and Performance
Delivering a Sustainable Budget 2017-2018	Head of Resources and Performance
Mid-year Treasury Management Report and Investment Activity (April – September 2016)	Head of Resources and Performance
25 January 2017 (Time: 5.00pm)	
Informal Joint Meeting (Hosted by St Edmundsbury Borough Council)	
Joint Reports	
Balanced Scorecards Quarter 3 Performance Report 2016-2017	Head of Resources and Performance
West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2016	Head of Resources and Performance
Work Programme Update	Democratic Services Officer (Scrutiny)
St Edmundsbury Specific Reports	
Financial Performance Report (Revenue and Capital) Quarter 3 – 2016-2017	Head of Resources and Performance
Delivering a Sustainable Budget 2017-2018 – Update	Head of Resources and Performance
Treasury Management Report 2016-2017 and Investment Activity (April – December 2016)	Head of Resources and Performance
Annual Treasury Management and Investment Strategy Statements 2017-2018	Head of Resources and Performance

25 May 2017 (Time: 5.00pm)

**Informal Joint Meeting
(Hosted by Forest Heath District Council)**

Joint Reports	
Internal Audit Report (2016-2017) and Outline Internal Audit Plan (2017-2018)	Service Manager (Internal Audit)
Balanced Scorecard and Quarter 4 Performance Report 2016-2017	Head of Resources and Performance
West Suffolk Strategic Risk Register – Quarter 4	Head of Resources and Performance
Work Programme Update	Democratic Services Officer (Scrutiny)
St Edmundsbury Specific Reports	
EY – Certification of Claims and Returns Annual Report 2015-2016	Head of Resources and Performance
EY – Presentation of the External Audit Plan and Fees 2016-2017 and 2017-2018 Indicative Fees	Head of Resources and Performance
Financial Outturn Report (Revenue and Capital) 2016-2017	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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