

# Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title:</b>	<b>Agenda</b>										
<b>Date:</b>	<b>Wednesday 25 July 2018</b>										
<b>Time:</b>	<b>5.00 pm</b>										
<b>Venue:</b>	<b>Conference Chamber West West Suffolk House</b> Western Way Bury St Edmunds										
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Sarah Broughton</p> <p style="text-align: center;"><b>Vice Chairman</b> Patricia Warby</p> <p><i>Conservative Members (9)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Sarah Broughton</td> <td style="width: 33%;">Karen Richardson</td> </tr> <tr> <td>Beccy Hopfensperger</td> <td>Andrew Smith</td> </tr> <tr> <td>Jane Midwood</td> <td>Peter Thompson</td> </tr> <tr> <td>Clive Pollington</td> <td>Patricia Warby</td> </tr> <tr> <td>David Roach</td> <td></td> </tr> </table> <p><i>UKIP Member (1)</i> Barry Robbins</p>	Sarah Broughton	Karen Richardson	Beccy Hopfensperger	Andrew Smith	Jane Midwood	Peter Thompson	Clive Pollington	Patricia Warby	David Roach	
Sarah Broughton	Karen Richardson										
Beccy Hopfensperger	Andrew Smith										
Jane Midwood	Peter Thompson										
Clive Pollington	Patricia Warby										
David Roach											
<b>Substitutes:</b>	<p><i>Conservative Members (4)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Mary Evans</td> <td style="width: 33%;">Elaine McManus</td> </tr> <tr> <td>Susan Glossop</td> <td>Vacancy</td> </tr> </table>	Mary Evans	Elaine McManus	Susan Glossop	Vacancy						
Mary Evans	Elaine McManus										
Susan Glossop	Vacancy										
<b>Interests – Declaration and Restriction on Participation:</b>	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.										
<b>Quorum:</b>	Four Members										
<b>Committee administrator:</b>	<b>Christine Brain</b> Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:christine.brain@westsuffolk.gov.uk">christine.brain@westsuffolk.gov.uk</a>										

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# Public Information



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Venue:</b>	<b>West Suffolk House</b> Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 757120 Email: <a href="mailto:democratic.services@westsuffolk.gov.uk">democratic.services@westsuffolk.gov.uk</a> Web: <a href="http://www.stedmundsbury.gov.uk">www.stedmundsbury.gov.uk</a>
<b>Access to agenda and reports before the meeting:</b>	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.	
<b>Attendance at meetings:</b>	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.	
<b>Public participation:</b>	<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>	
<b>Disabled access:</b>	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 lift is restricted for health and safety reasons. Visitor parking is at the car park at the front of the building and there are a number of accessible spaces.	
<b>Induction loop:</b>	An Induction loop is available for meetings held in the Conference Chamber.	
<b>Recording of meetings:</b>	<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>	
<b>Personal Information</b>	<p>Any personal information processed by Forest Heath District Council or St Edmundsbury Borough Council arising from a request to speak at a public meeting under the Localism Act 2011, will be protected in accordance with the Data Protection Act 2018. For more information on how we do this and your rights in regards to your personal information and how to access it, visit our website: <a href="https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm">https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm</a> or call Customer Services: 01284 763233 and ask to speak to the Data Protection Officer.</p>	

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# 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 - 12**

To confirm the minutes of the meeting held on 31 May 2018 (copy attached).

**4. Public Participation**

Members of the public who live or work in Forest Heath 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 2017-2018 ISA 260 Annual Results Report to those charged with Governance**

**13 - 64**

Report No: **PAS/SE/18/018**

**6. West Suffolk Annual Governance Statement 2017-2018**

**65 - 84**

Report No: **PAS/SE/18/019**

**7. 2017-2018 Statement of Accounts**

**85 - 206**

Report No: **PAS/SE/18/020**

**8. Annual Treasury Management Report 2017-2018 and Investment Activity (April - June 2018)**

**207 - 224**

Report No: **TMS/SE/18/003** will be considered by the Treasury Management Sub-Committee on 16 July 2018.

The Chairman/Service Manager (Finance and Performance) will update the Committee verbally on any issues or recommendations arising from the consideration of this report.

**Part 2 – Exempt**

**NONE**



# Informal Joint Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

**Notes of Informal Discussions held on Thursday 31 May 2018 at  
5.00pm in the Council Chamber, College Heath Road, Mildenhall**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillor Sarah Broughton  
(Chairman of the informal discussions)

Councillors Susan Glossop, Andrew Smith and Patricia Warby.

Forest Heath District Council (FHDC)

Councillors John Bloodworth, Louis Busuttil, Christine Mason, Colin Noble and Peter Ridgwell

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

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

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

- (1) External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards;
- (2) Internal Audit Annual Report 2017-2018
- (3) Outline Internal Audit Plan 2018-2019;
- (4) Balanced Scorecards and Quarter 4 Performance Report 2016-2017
- (5) 2018-2019 Draft Performance Indicators and Targets;
- (6) West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018;
- (7) Financial Outturn Report (Revenue and Capital) 2017-2018
- (8) Ernst and Young – 2018-2019 Indicative Fees;
- (9) Work Programme Update.

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

The Chairman of Forest Heath's Performance and Audit Scrutiny Committee welcomed all those present to the District Offices, Mildenhall and advised on the format of the proceedings for the informal joint discussions and subsequent separate

meetings of each authority, prior to handing over to the Chairman of St Edmundsbury's Performance and Audit Scrutiny Committee, who would be chairing the informal joint discussions.

Members noted that each Council permitted public participation at their Performance and Audit Scrutiny meetings. Therefore, for the purpose of facilitating these Constitutional requirements, it was proposed that public speaking should be permitted prior to the start of the informal discussions to enable any questions/statements to be considered by both Performance and Audit Scrutiny Committees on items 1 – 9 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. **External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards**

The Service Manager (Internal Audit) presented the report, which informed Members of the outcome of the recent assessment of the internal audit function by Tilia Solutions. Attached at Appendix A to the report was the full report issued by the assessor. The Standards required that in order to independently assess conformance with the Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.

The main conclusion from the assessor which was set out on page 2, paragraph 3 of Appendix A stated that "*no areas of non-compliance with the Standards were identified that would affect the overall scope or operation of the internal audit activity*" and that "*Council officers clearly value audit's input, requesting reviews, support and advice*".

However, the report had raised a number of recommendations and suggestions which had been agreed by the Internal Audit Service Manager, which were contained within the action plan included in the assessor's report as Appendix 1, and progress against the action plan would be reported to the Committee in due course.

Members scrutinised the report, in particular the Action Plan attached as Appendix 1 to the assessors report (Appendix A), and asked questions to which officers responded.

In response to a question raised the Service Manager (Internal Audit) explained that the external assessment had helped to confirm that the work carried out by Internal Audit was operating in accordance with the Standards.

Both Chairmen on behalf of the Committees wished to congratulate the Internal Audit Team on their work.

2. **Internal Audit Annual Report 2017-2018**

*[Councillor Ian Houlder, Portfolio Holder for Resources and Performance arrived at 5.15pm, during the consideration of this item].*

The Service Manager (Internal Audit) presented the report which provided members with an overview of the work carried out by Internal Audit for the year ending 31 March 2018.

Attached at Appendix A to the report was the Internal Audit Annual Report, and summaries of the audit work carried out during the year across West Suffolk was attached as Appendix B.

The report also included information which demonstrated the councils' progress made during the year in developing and maintaining an anti-fraud and anti-corruption culture and published actions taken where fraud or misconduct had been identified (Appendix C).

The Committee scrutinised the report and asked a number of questions to which officers responded. In particular discussions were held on cash handling checks and the processes which had been put in place to improve cash handling; improvements which had been made since the previous audit creditors; and contract extensions.

In response to a question raised regarding Non Domestic Rates (NDR) and the five points set out in paragraphs 8.4 to 8.8 of the report, regarding key areas where improvements were required, officers agreed to provide a written response on how the council was addressing the issues.

### 3. **Outline Internal Audit Plan 2018-2019**

The Service Manager (Internal Audit) presented the report which provided members with the proposed Outline Internal Audit Plan for 2018-2019.

The proposed 2018-2019 Audit Plan presented in a new format, attached at Appendix A to the report was a risk based plan of work for the Internal Audit team which provided a framework for ensuring that audit resources were focused on activities that would make the most difference to supporting West Suffolk priorities.

The draft Internal Audit Plan included two categories of work, which supported the annual internal audit opinion (assurance work) and other (non-assurance work). The intention was that as far as possible the audits would be undertaken in priority order and as many of the audits completed as possible within the available resources.

Members considered the report and did not raise any issues.

### 4. **Balanced Scorecards Quarter 4 Performance Report 2017-2018**

*[Councillor John Bloodworth left the meeting at 5.40pm, during the consideration of this item].*

The Assistant Director (Resources and Performance) presented the report, which set out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2017-2018 and an overview of performance against those indicators for the final quarter of 2017-2018. The five balanced scorecards

(attached at Appendices A to E) were linked to the Assistant Director Service areas, which presented the final 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.

It was reported that within Resources and Performance, the "*% of non-disputed invoices paid within 30 days*" corporate indicator across both councils showed we had achieved positive results in the fourth quarter, reporting 93.54% of invoices paid within 30 days. However, the finance and performance team would continue to work with the service areas to try and improve performance against this indicator to achieve the 95% target, with monthly business intelligence reports being sent out with details of all invoices processed.

Each Assistant Director then presented their individual Balanced Scorecard and highlighted key areas for the Committees attention.

Members considered the report in detail and asked a number of questions on each of the Balanced Scorecards. In particular discussions were held on:

- **Appendix B** - Families and Communities Balanced Scorecard: "housing options – numbers in Bands A and B" - Member felt the Committee should be seeing all the figures and not just Bands A and B.

In response officers confirmed that data was collated on all bandings. It was agreed that the Assistant Director (Families and Communities) would liaise with both Chairs to identify the information which would be most useful to the Committees.

- **Appendix C** – HR, Legal and Democratic Services Balanced Scorecard: "HR – time taken to complete recruitment process – advert to offer (days)".

Councillor Andrew Smith questioned the value used in monitoring this indicator. He stated that over the last year the highest average reported to members was 26.25 days to complete the recruitment process and the target set was 35 days, which meant the council was exceeding the target. However, there seemed to be a confliction over the qualitative feedback reported to members regarding difficulties being faced in recruiting certain specialist staff.

In response the Assistant Director (Resources and Performance) would ask the Assistant Director (HR, Legal and Democratic Services) to look into this as the figures reported might not be showing the complete picture.

- **Appendix D** – Planning and Regulatory: A general discussion was held on the life expectancy of solar panels; what happened to the redundant solar panels, and the 5-star food rating and the imminent changes being made to the criteria by the Food Standards Agency.
- **Appendix E** - Operations Balanced Scorecard: "Number of flytipping incidents recorded in West Suffolk" - Members noted the green indicator, but were keen to see in future reporting more flytipping data, such as

public/private split; trend data on reported incidents; and the cost involved in clearing away.

Councillor Ridgwell informed the Committee that Household Waste Recycling Centres (HWRCs) in Norfolk were charging for the disposal of rubble etc. which he felt was pushing flytipping into the Forest Heath area.

In response the Assistant Director (Operations) advised that he did not believe there was any evidence that this was the case. He went on to explain that Suffolk County Council also made certain charges at their tips (HWRCs) for the disposal of rubble and white goods. The Suffolk Waste Partnership was discussing various policy decisions, in particular flytipping.

## 5. **2018-2019 Draft Performance Indicators and Targets**

The Service Manager (Finance and Performance) presented the report, which provided members with the opportunity to discuss and review the principles, metrics and format proposed to be used for performance management for 2018-2019. West Suffolk Councils had a clear set of Strategic Priorities that set out what the councils were aiming to achieve from 2018 to 2020.

Throughout 2017-2018 the Committee had reviewed each quarter a set of 97 Key Performance Indicators (KPIs) split across five service based balanced scorecards, and had been in use in various formats since April 2015.

The proposed KPIs for 2018-2019 had been categorised to match up against the Strategic Priorities (inclusive growth; families and communities; housing) or day-to-day service delivery creating four scorecards, which were attached as Appendix A to the report as examples on how they would look. It was proposed that the primary report to the Committee would be a summary of the key financial indicators, the key KPIs relevant to that period's performance and a commentary that used these KPIs (and any additional information) to highlight the key areas for discussion and decision making. This would be supported by the full set of KPIs split by Strategic Priority (plus Day-to-Day service monitoring) and the detailed Budget Monitoring reports, rather than a separate report to the Committee. It was envisaged that the new format would continue to evolve during 2018/19 taking into account feedback from Cabinet and this Committee.

Members were asked to scrutinise the proposed balanced scorecard indicators and targets for 2018-2019, and identify any further information required for their use commencing in Quarter 1, which would be presented to the Committee in July 2018.

Members considered the report and noted that the Committee would be able to add commentary during the year as the proposed KPIs for 2018-2019 evolved. However, members sought reassurance that KPIs beyond the councils strategic priorities would also continue to be scrutinised, such as homelessness, planning and flytipping which were also important.

In response to a question raised on the proposed inclusive growth balanced scorecard, members were advised that annual information would be sourced from the Office of National Statistics, along with locally sourced data.

## 6. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018**

The Service Manager (Finance and Performance) presented the fourth quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting in March 2018 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 March 2018 had been removed from the Register. There had been no major amendments made to current risks during the reporting period and no existing risks had been closed since the Strategic Risk Register was last reported to the Committee.

However one new action had been added to risk number "WS14 (Service failure through unplanned events – *Adoption of lessons learnt from Carillion and Capita issues. Revise procurement and contract management policies to include learning*".

With regards to the impact of Brexit, the group would continue to monitor the situation as it developed, amending existing and / or adding new risks where necessary. Any changes would be reported at each meeting of the Committee in the normal manner.

Members considered the report and did not raise any issues.

## 7. **Financial Outturn Report (Revenue and Capital) 2017-2018**

The Service Manager (Finance and Performance) presented the report, which set out the financial performance and final outturn position for both councils for the year 2017-2018.

Attached to the report at Appendix A to E (overall year end position 2017-2018; revenue outturn position for 2017-2018; analysis of revenue variances for 2017-2018; capital outturn position for 2017-2018; and earmarked reserves for 2017-2018) was Forest Heath District Council's financial outturn report for 2017-2018.

Attached from Appendix F to J (overall year end position 2017-2018; revenue outturn position for 2017-2018; analysis of revenue variances for 2017-2018; capital outturn position for 2017-2018; and earmarked reserves for 2017-2018) was St Edmundsbury Borough Council's financial outturn report.

Forest Heath's revenue year end position showed a break-even against budget (Appendix A), and its capital financial year end position showed expenditure of £2,486,880 (Appendix D).

St Edmundsbury's revenue year end position showed an underspend of £35,523 (Appendix F), and in accordance with recommendations made by Council on 20 February 2018, the underspend would be transferred to the council's Invest to Save reserve (Appendix J). St Edmundsbury's capital financial position for the year end showed expenditure of £14,712,450.

The Committee considered the report and did not raise any issues.

## 8. **Ernst and Young – 2018-2019 Indicative Fees**

The Assistant Director (Resources and Performance) presented this report, which provided members with a basis to review the indicative fees for the 2018-2019 audit as set out in the audit letters for both councils at Appendix A (St Edmundsbury) and Appendix B (Forest Heath).

For 2018-2019, the Public Sector Audit Appointments Limited (PSAA) had set the scale fee for each audited body that had opted into the national scheme. The letters set out what the fees were, what they covered and the assumptions underlying the fee levels.

The indicative fees, (set out below) represented a reduction of 23% from the planned fees for 2017/18. Adequate provision had been made in the councils' budgets to cover these fees:

<b>Audit Scale Fee</b>	<b>Planned Fee 2017-2018 £</b>	<b>Indicative Fee 2018-2019 £</b>
St Edmundsbury BC	43,767	33,701
Forest Heath DC	47,059	36,235

The indicative fees will be reviewed and updated as necessary following the completion of the 2017/18 audit. They do not include the certification of the councils' 2018/19 housing benefit subsidy claims, which are dealt with below.

It was reported that the provision of Housing Benefit subsidy certification audit services fell outside of the PSA remit of appointing auditors. Therefore, they needed to be appointed by each participating council. In order to keep consistency of approach across each partner council that made up the Anglia Revenue Partnership, it was proposed to continue to use EY to deliver the Housing Benefit subsidy certification service for 2018-2019.

The indicative fees (as set out below) and detailed in Appendix C (St Edmundsbury) and Appendix B (Forest Heath) represented a reduction of 1.6% from the fees for 2017-2018. Adequate provision had been made in the councils' budgets to cover these fees:

<b>Audit Scale Fee</b>	<b>Fee 2017-2018 £</b>	<b>Indicative Fee 2018-2019 £</b>
St Edmundsbury BC	15,203	14,960
Forest Heath DC	15,203	14,960

The Committee scrutinised each other's indicative fees and asked questions to which responses were provided.

In response to a question raised regarding indicative fees for 2019-2020, the Assistant Director (Resources and Performance) advised that assumptions had been made, and she was hopeful that there would be further reductions.

The Committee was pleased to see that the indicative fees were decreasing, which meant EY had confidence in the councils' processes.

#### 9. **Work Programme Update**

The Assistant Director (Resources and Performance) presented the report, which provided information on the current status of each Committee's Work Programme for 2018-2019.

The Assistant Director informed members that both councils Overview and Scrutiny Committees on 6 and 7 June 2018 would be considering a report to establish a West Suffolk Joint Task and Finish Group to Review the Garden Waste Collection Service. The Group would be made up of eight members (four from each council), with one from each council being a member of the Performance and Audit Scrutiny Committee. Members were requested to inform the Democratic Services Officer (Scrutiny) by Tuesday 5 June 2018 if they were interested in sitting on the Joint Task and Finish Group as the Performance and Audit Scrutiny representative for Forest Heath District Council / St Edmundsbury Borough Council.

She then advised the Committee on some changes to the July and September 2018 work programme items. It was proposed that the first quarter monitoring reports currently scheduled for 27 September 2018 be brought forward to an additional Informal Joint meeting to be held on 25 July 2018, commencing at 5.30pm at St Edmundsbury Borough Council. Therefore, on 25 July 2018 there would be three meetings:

- 5pm: St Edmundsbury's Performance and Audit Scrutiny Committee (Approval of Accounts)
- 5.30pm: Informal Joint Performance and Audit Scrutiny
- 6pm: Forest Heath's Performance and Audit Scrutiny Committee (Approval of Accounts)

Finally, it was proposed that an additional item also be included on its work programme for 27 September 2018 on "Delivering a Sustainable Medium Term Financial Strategy".

Members considered its work programme for 2018-2019, and agreed to the proposed changes to its forward work programme and the additional informal joint meeting on 25 July 2018.

On the conclusion of the informal joint discussions at 6.28pm, all Members remained in the Council Chamber to then hold their individual formal meetings.

In the presence of Forest Heath's Performance and Audit Scrutiny members, the Chairman then formally opened the St Edmundsbury Borough Council Performance and Audit Scrutiny Committee in the Council Chamber at 6.30pm.



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# Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

**Minutes** of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 31 May 2018** at **6.30 pm** in the **Council Chamber**, District Offices, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

**Chairman** Sarah Broughton  
**Vice Chairman** Patricia Warby

Andrew Smith

**Substitutes attending:**

Susan Glossop

**By Invitation:**

Ian Houlder, Cabinet Member for Resources and Performance

## 203. **Substitutions**

The following substitution was declared:

Councillor Susan Glossop for Councillor Jane Midwood.

## 204. **Minutes**

The minutes of the meeting held on 31 January 2018 were unanimously accepted by the Committee as an accurate record of the meeting and signed by the Chairman.

## 205. **Apologies for Absence**

Apologies for absence were received from Councillors Beccy Hopfensperger, Jane Midwood, Karen Richardson, David Roach, Barry Robbins and Peter Thompson.

## 206. **Public Participation**

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

207. **External Quality Assessment of Internal Audit Outcomes**

Further to the informal joint 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/18/009.

Members had scrutinised the report in detail and asked questions, to which responses were provided.

With there being no decision required, the Committee **noted** the contents of the External Quality Assessment of Internal Audit.

208. **Internal Audit Report (2017-2018)**

Further to the informal joint 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/18/010.

Members had scrutinised the report in detail and asked questions, to which responses were provided.

Councillor Patricia Warby moved the recommendation, this was duly seconded by Councillor Andrew Smith, and with the vote being unanimous, it was:

**RESOLVED:**

That:

- (1) The contents of the Annual Internal Audit Report 2017-2018 and the Managing the Risk of Fraud, Theft and Corruption Report, as set out in Appendices A and C to Report No: PAS/SE/18/010, be noted.
- (2) The conclusion drawn in respect of the annual review of the effectiveness of internal audit, be endorsed.

209. **Outline Internal Audit Plan (2018-2019)**

Further to the informal joint 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/18/011.

Members had considered report then Councillor Patricia Warby moved the recommendation, this was duly seconded by Councillor Andrew Smith, and with the vote being unanimous, it was:

**RESOLVED:**

That the Internal Audit Plan for 2018-2019 attached as Appendix A to Report No: PAS/SE/18/011, be approved.

210. **Balanced Scorecards and Quarter 4 Performance Report 2017-2018**

Further to the informal joint 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/18/012.

Members had scrutinised the report in detail and asked questions, to which responses were provided.

With there being no decision required, the Committee **noted** the Council's performance using the Balanced Scorecards for the final quarter of 2017-2018.

211. **2018-2019 Draft Performance Indicators and Targets**

Further to the informal joint 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/18/013.

Members had scrutinised the report in detail and asked questions, to which responses were provided.

With there being no decision required, the Committee **noted** the Council's performance indicators to be used in 2018-2019.

212. **West Suffolk Strategic Risk Register Quarterly Monitoring Report - March 2018**

Further to the informal joint 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/18/014.

Members considered the report and with there being no decision required, the Committee **noted** the contents of the Quarter 4 West Suffolk Strategic Risk Register Monitoring Report 2017-2018.

213. **Financial Outturn Report (Revenue and Capital) 2017-2018**

Further to the informal joint 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/18/015.

Members had considered the report and with there being no decision required, the Committee **noted** the 2017-2018 outturn revenue and capital positions, attached as Appendices G and I to Report No: PAS/SE/18/015.

214. **Ernst and Young - 2018-2019 Indicative Fees**

Further to the informal joint 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/18/016.

Members had scrutinised the report in detail and asked questions, to which responses were provided.

With there being no decision required, the Committee **noted** the External Audit indicative fees for 2018-2019, attached as Appendix A to Report No: PAS/SE/18/016.

215. **Work Programme Update**

Further to the informal joint 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/18/017.

Members had scrutinised the report and the verbal changes made to the work programme for its July 2018 meeting.

With there being no decision required, the Committee **noted** the contents of its forward work programme for 2018-2019 and changes made by officers to its July 2018 meeting.

The Meeting concluded at 6.35pm

**Signed by:**

**Chairman**

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# Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Ernst and Young presentation of 2017/2018 Annual Results Report to those Charged with Governance</b>	
<b>Report No:</b>	<b>PAS/SE/18/018</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	25 July 2018
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 07970 729435 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:Rachael.mann@westsuffolk.gov.uk">Rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present the results of Ernst and Young's audit of the financial statements for 2017/2018.	

<p><b>Recommendations:</b></p>	<p><b>Performance and Audit Scrutiny Committee</b></p> <p><b>It is <u>RECOMMENDED</u> that:</b></p> <p>(1) <b>The Committee <u>notes</u> that the auditor anticipates issuing an unqualified opinion on the Financial Statements for 2017/18 (as set out in the Audit Results Report - <u>Appendix A</u>);</b></p> <p>(2) <b>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 (<u>Appendix A</u>);</b></p> <p>(3) <b>The Committee <u>approves</u> the Letter of Representation at <u>Appendix B</u>, on behalf of the Council, before the EY Executive Director issues his opinion and conclusion; and</b></p> <p>(4) <b>The Chief Financial Officer, in consultation with the Chairman, be given delegated authority to conclude the signing of the accounts.</b></p>
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>• The work completed by external audit, as part of the statement of accounts audit, includes consideration by the EY Executive 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.</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>•</li> </ul>

<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
None			
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix A</b> – Audit Results Report  <b>Appendix B</b> – Letter of Representation	

**1. Key issues and reasons for recommendation(s)**

- 1.1 Ernst and Young (EY) are the Council's appointed external auditor. The attached report presents the results of their audit of the financial statements for 2017/2018.
- 1.2 It sets out issues they are formally required to report on, to those charged with governance. 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 2017/2018 statement of accounts, signed by the Council's Chief Financial Officer (Section 151 Officer) on 31 May 2018, 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 2017/2018 by the statutory deadline of 31 July 2018, subject to ongoing audit work not identifying any significant issues with the accounts. Should there be any "unadjusted audit errors" between now and the deadline, 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**

Year ended 31 March 2018

16 July 2018



Performance and Audit Scrutiny Committee  
St Edmundsbury Borough Council

16 July 2018

Dear Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Performance and Audit Scrutiny Committee. This report summarises our preliminary audit conclusion in relation to the audit of St Edmundsbury Borough Council for 2017/18. We will issue our final report after the St Edmundsbury Borough Council meeting scheduled for 25 July 2018.

We have substantially completed our audit of the St Edmundsbury Borough Council for the year ended 31 March 2018. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3, before the statutory deadline of 31 July 2018. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Performance and Audit Scrutiny Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Performance and Audit Scrutiny Committee meeting 25 July 2018.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

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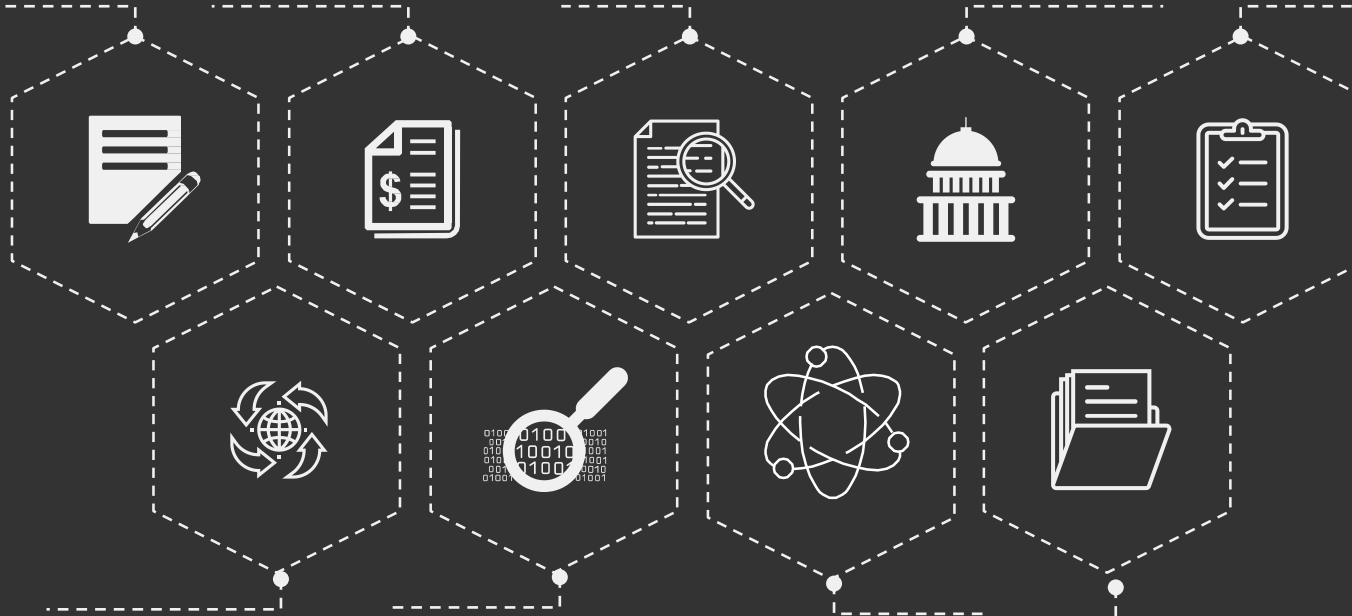
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Appendices

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://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 (updated February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Performance and Audit Scrutiny Committee and management of the St Edmundsbury Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Performance and Audit Scrutiny Committee, and management of the St Edmundsbury Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance and Audit Scrutiny Committee and management of the St Edmundsbury Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





01

# Executive Summary

# Executive Summary

## Scope update

In our audit planning report presented at the 31 January 2018 Performance and Audit Scrutiny Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

In our Audit Plan, we communicated that our audit procedures would be performed using a materiality of £0.983 million. We reassessed this using the actual year-end figures, which have increased this amount to £1.11 million. The threshold for reporting audit differences has increased from £65,000 to £74,000. The basis of our assessment has remained consistent with prior years at 2% of gross expenditure on provision of services.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- Related Party Transactions - The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality;
- Officer Remuneration - Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.

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## Status of the audit

We have substantially completed our audit of the St Edmundsbury Borough Council financial statements for the year ended 31 March 2018 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. The outstanding work at the date of this report is:

- Review of Annual Governance Statement;
- Disclosure notes including Financial instruments;
- Receipt of one third party confirmation over an investment balance;
- Cash flow Statement;
- review of the final version of the financial statements;
- completion of subsequent events review;
- receipt of the signed management representation letter; and
- Final Manager and Engagement Partner reviews.

We expect to issue the audit certificate at the same time as the audit opinion.



# Executive Summary

## Audit differences

There are no unadjusted audit differences arising from our audit.

We identified one material audit differences in our work, which has been adjusted by Management within the revised financial statements.

This related to the Authority's share of Pension Fund Assets. Updated information became available during our audit, which led to an increase in the Authority's share of Pension Fund assets by £1.98 million. There were a number of other pension fund disclosures impacted by this amendment. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

We also identified a limited number of audit disclosure differences in the draft financial statements, which have also been adjusted by management.

Further details are provided in Section 4.

## Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of the St Edmundsbury Borough Council's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues;
- ▶ You agree with the resolution of the issue; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Performance and Audit Scrutiny Committee.



# Executive Summary

## Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.

In our Audit Plan we identified one significant risk in regards to the formation of one Council for West Suffolk. We have completed our work against the identified risk, further details can be found in section 5 of this report.

We report by exception, where we have concerns about your arrangements to secure economy efficiency and effectiveness in your use of resources.

We have no such matters to report.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority.

We have no matters to report as a result of this work.

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 £500 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

## Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



# 02 Areas of Audit Focus





# Areas of Audit Focus

## Significant risk

### Risk of management override of control

#### What is the risk?

As identified in ISA 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 would otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

#### What judgements are we focused on?

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

We are also required to identify specific additional risks of management override. The specific additional risk identified is with regards to incorrect classification of revenue spend as capital expenditure.

#### What did we do?

We performed mandatory procedures, including:

- ▶ 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.
- ▶ Evaluated the business rationale for significant unusual transactions; and
- ▶ Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

#### What are our conclusions?

Our testing has not identified any material misstatements from management override.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





## Areas of Audit Focus

# Significant risk

### Risk of fraud in revenue and expenditure recognition

#### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.

#### What judgements are we focused on?

We are focussed on management judgements in relation to incorrectly capitalising revenue expenditure on Property, Plant and Equipment. This should ordinarily be classified as repairs and maintenance expenditure within the Comprehensive Income & Expenditure Statement.

#### What did we do?

Our approach will focus on:

- ▶ Reviewed and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- ▶ Performed substantive testing over material revenue and expenditure streams;
- ▶ Reviewed and test revenue cut-off at the period end date;
- ▶ Tested the appropriateness of journals entries moving expenditure items from revenue codes to Capital codes; and
- ▶ Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

#### What are our conclusions?

Our testing has not identified any material misstatements in the specific areas we tested as set out in 'what di we do'.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.





# Areas of Audit Focus

## Other areas of audit focus – Valuation of Land and Buildings

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Property, Plant and Equipment Valuation</b></p> <p>Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Council have engaged a new external expert for 2017/18 (Wilkes Head and Eve), to value the Councils asset base, who will apply a number of complex assumptions and assess the Councils assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>▶ Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>▶ Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); and agreeing this to what has been recorded in the GL.</li> <li>▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;</li> <li>▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;</li> <li>▶ Considered changes to useful economic lives as a result of the most recent valuation; and</li> <li>▶ Tested accounting entries have been correctly processed in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▶ We did not identify any material misstatements from the work undertaken.</li> <li>▶ The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing.</li> <li>▶ Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</li> <li>▶ Our audit work did not identify any issues with the accounting treatment for valuations.</li> </ul>



# Areas of Audit Focus

## Other areas of audit focus - Pension Fund Liability

What is the area of focus?	What did we do?	Our Conclusions
<p><b>Pensions Liability - IAS19</b></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 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 IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>▶ Liaised with the auditors of the administering authority (Suffolk County Council), to obtain assurances over the information supplied to the actuary in relation to St Edmundsbury Borough Council;</li> <li>▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC; and</li> <li>▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul>	<p>We have reviewed the assessment of the pension fund actuary by PwC and EY pensions and have undertaken the work required with no issues identified.</p> <p>Our audit procedures highlighted a difference between the estimated Fund Asset valuation at the 31 March 2018 and the actual valuation of £44 million. The Authority's share of this difference is £1.98 million. The Pension Fund Actuary has subsequently provided an updated IAS19 report, which incorporated this updated information, and Authority has used this latest report to correctly amend the revised financial statements.</p> <p>We have not identified any other issues with the accounting entries and disclosures made within the financial statements.</p>



# Areas of Audit Focus



## Other matters

### Assessment of new Accounting Standards

- IFRS 9 Financial Instruments: The 2018/19 Code introduces IFRS 9 on financial instruments. The Council will need to keep the impact of IFRS 9 under continued review during 2018/19 because:
  - The standard may impact balances with the Authority's subsidiaries
  - Statutory overrides may be introduced by Central Government
- IFRS 15 Revenue from Contracts with Customers: The 2018/19 Code of Practice on Local Authority Accounting for the United Kingdom determines how IFRS 15 Revenue from Customers with Contracts will be adopted by local government bodies. The 2018/19 Code adopts IFRS15 without adaptation. The scope of the standard includes:
  - all contracts with customers except leases, financial instruments and insurance contracts; and
  - excludes Council Tax and NDR income

The Council have assessed the impact to be immaterial, as disclosed in Note 1 to the accounts. It should keep this assessment under review, including for the Group Statements as it continues to develop the services provided through its subsidiaries and ensure that contract records and systems are maintained with accurate complete information to allow for ongoing assessment of what contracts the Council has and impact on IFRS 15.



# 03 Audit Report



# Audit Report

## Our proposed opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ST EDMUNDSBURY BOROUGH COUNCIL

#### Opinion

We have audited the financial statements of St Edmundsbury Borough Council for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 38 and the Expenditure and Funding Analysis to the Council Accounts, and the Collection Fund and the related notes C1 to C3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of St Edmundsbury Borough Council as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer (Section 151 Officer)' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer (Section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# Audit Report - continued

## Our proposed opinion on the financial statements

### Other information

The other information comprises the information included in the Narrative Report on pages 2 to 9, other than the financial statements and our auditor's report thereon. The Chief Financial Officer (Section 151 Officer) is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, St Edmundsbury Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.





# Audit Report - continued

## Our proposed opinion on the financial statements

### Responsibility of the Chief Financial Officer (Section 151 Officer)

As explained more fully in the Statement of responsibilities for the Statement of Accounts set out on page 11, the Chief Financial Officer (Section 151 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer (Section 151 Officer) is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether St Edmundsbury Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether St Edmundsbury Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.



# Audit Report - continued

## Our proposed opinion on the financial statements

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

### Certificate

We certify that we have completed the audit of the accounts of St Edmundsbury Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of St Edmundsbury Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We have included all known amounts greater than £1.110 million relating to St Edmundsbury Borough Council in our summary of misstatements. We highlight the following misstatements in the financial statements identified during the audit. These have been corrected by management:

### 1. Pension Adjustments

The Authority is an admitted body within the Suffolk Pension Fund. The Authority is reliant upon the Pension Fund’s Actuary to provide it with the relevant information in relation to the Authority’s share of assets and liabilities of the Pension Fund (through an IAS19 report) for inclusion within its financial statements.

The Actuary, within its IAS19 report (dated 13 April 2018) estimated the Pension Fund asset value as at the 31 March 2018 and the Authority used the estimated figure within its draft financial statements. Our audit procedures focus on securing appropriate assurances from the Suffolk Pension Fund auditor and reviewing estimates to obtain data where possible. These procedures, identified that the actual asset valuation at the 31 March 2018 was £44 million greater than the Actuary’s estimate. The Authority’s share of this increase is £1.98 million.

Given that the difference is greater than our materiality level (£1.48 million) we asked the Authority to liaise with the Pension Fund Actuary given the impact on the Authority’s financial statements. The Pension Fund Actuary has, in light of the significance of the identified difference in asset valuations at the scheduled body level, updated the IAS 19 report that it provided to the Authority taking into account the actual year end asset valuations. The Actuary also updated the IAS 19 report in relation to the impact of the asset valuation change on other figures reported by the Authority. The Authority has adjusted the revised financial statements using the revised figures from the updated IAS 19 report. This adjustment is a result of a timing difference between an estimate made by the Actuary, and information that has become available since the time of their initial report. The Authority correctly used the information provided within the original IAS 19 report within its draft financial statements.

### 2. Disclosure Adjustments

We have also identified a limited number of other minor text and disclosure adjustments during the audit that have been updated by management in the financial statements. We do not deem any of these to be so significant that they require reporting to you.

### Unadjusted differences

There are no unadjusted audit differences.





05

# Value for Money Risks





## Background

We are required to consider whether the Authority 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.

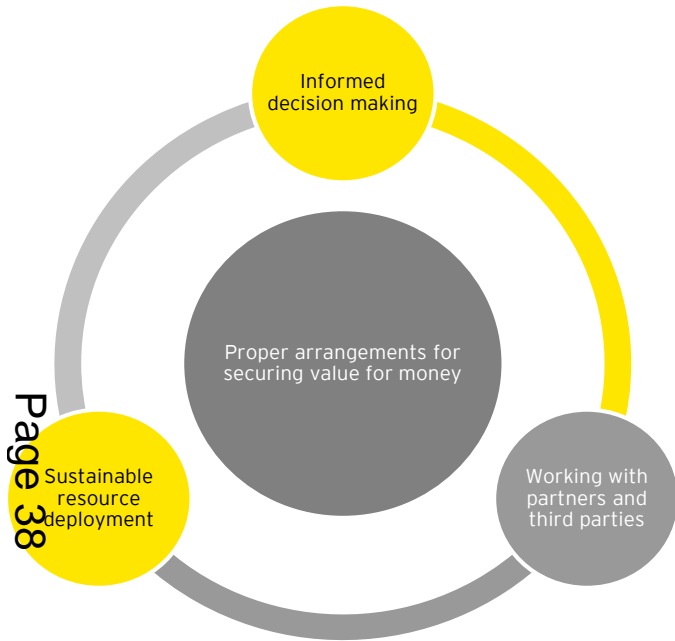
For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Financial Resilience and Assessment of the Authority's Reserve Position

As part of our assessment of your proper arrangements, we considered the Authority's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2018 and at the 31 March 2021.

Our assessment of this is set out on the next page.

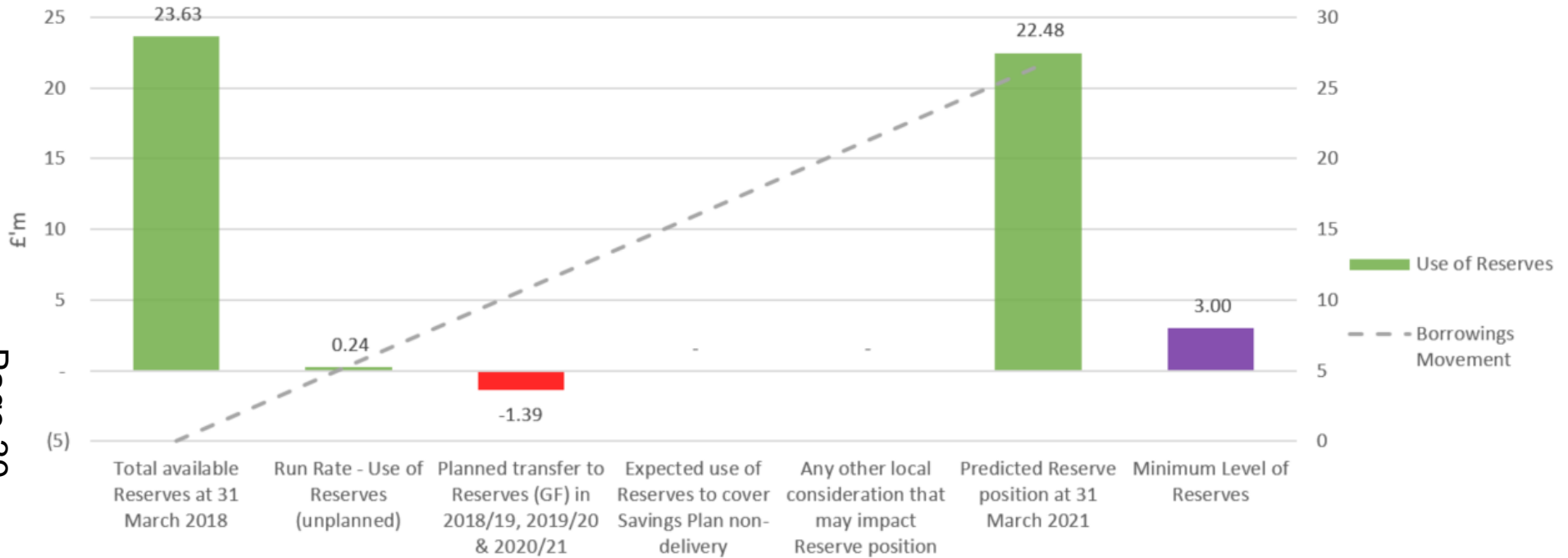
## Overall conclusion

We identified one significant risk around these arrangements. The table below presents our findings in response to the risk in our Audit Planning Report and any other issues we want to bring to your attention.

We therefore expect to have 'no matters to report' about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



### Assessment of Reserves Position to 2021



#### Our Assessment

In our assessment we considered:

- The Authority's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Authority's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Authority's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Authority's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- any other unusual future transactions or reliance upon the commercialisation agenda to derive future income streams, upon which the MTFS is reliant.

We have also looked at the Authority's planned use of borrowing over the same time frame to inform our assessment.

As a result of our assessment, we are satisfied that the Authority's General Fund reserve balance at the 31 March 2021 will remain above the Authority's approved minimum level.



## Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined 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”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risks areas in our Audit Planning Report.

### What is the significant value for money risk?

### What arrangements did the risk affect?

### What are our findings?

#### Single Council for West Suffolk

Plans to create a new ‘single council’ through the merger of Forest Heath District Council and St Edmundsbury Borough Council have been approved by the respective Full Council and Cabinet’s of both Councils.

Following a joint application to the Secretary of State, DCLG has announced they are minded to implement the plan which will see a parliamentary order being made to enable the change in 2019.

Take informed decisions.

We have undertaken the procedures set out in our strategy which have focused on:

- ▶ The approval process for creation of a single Council;
- ▶ How the Council assessed the business case to ensure best value on the future financial and non-financial returns;
- ▶ The governance arrangements over any conflicts of interest; and,
- ▶ The impact of the merger on the Medium Term Financial Strategy.

Our procedures have provided adequate assurance that the Council has followed the appropriate approval process based on adequate information.

We have no matters to report in relation to this risk.





# 06 Other reporting issues



## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2017/18 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2017/18 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement. We identified that the wording from the Head of Internal Audit Opinion had not been disclosed completely. Management have updated the Annual Governance Statement for this. We can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

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### 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, is specified by the National Audit Office.

As the Authority falls below the £500 million threshold for review as per the NAO's group instructions, we are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and

We have no matters to report.





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# Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the St Edmundsbury Borough 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 St Edmundsbury Borough Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



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# Independence



## Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 31 January 2018.

We complied with the FRC Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Performance and Audit Scrutiny Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Performance and Audit Scrutiny Committee on 25 July 2018.

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

# Independence



## Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed have been provided on a contingent fee basis. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2018.

We confirm that we have not undertaken non-audit work outside the PSAA / National Audit Office Code requirements.

	Final Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Audit Fee - Code work	43,767	43,767	43,767
Other non-audit services not covered above (Housing Benefits)	24,722 - Note 1	24,722	22,585
Total Fees	68,489	68,489	66,349

### Note 1 - Housing Benefit fee

We have not commenced our work in relation to the certification of the Council's Housing Benefit claim. We will report the outcome of this work and any fee implications within our Annual Certification Report.

We will confirm our final fees following the completion of our work and report this within our Annual Audit Letter.









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Appendices

## Appendix C

# Required communications with the Performance and Audit Scrutiny Committee

There are certain communications that we must provide to the Governance, Audit & Performance Committee. We have detailed these here together with a reference of when and where they were covered:

			 Our Reporting to you
Required communications	 What is reported?	  When and where	
Terms of engagement	Confirmation by the Performance and Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 31 January 2018	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 31 January 2018	
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 25 July 2018	

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about the St Edmundsbury Borough Council ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 25 July 2018
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the Performance and Audit Scrutiny Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Performance and Audit Scrutiny Committee - 25 July 2018
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Performance and Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Performance and Audit Scrutiny Committee responsibility.</li> </ul>	Audit Results Report - 25 July 2018

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Council’s related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit Results Report - 25 July 2018
Independence	<p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, 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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 31 January 2018</p> <p>Audit Results Report - 25 July 2018</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the Governance, Audit &amp; Performance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Audit &amp; Performance may be aware of</li> </ul>	Audit Results Report - 25 July 2018

## Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We are awaiting one outstanding investment confirmation.
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - 25 July 2018
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 25 July 2018
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 25 July 2018
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 25 July 2018
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 31 January 2018  Audit Results Report - 25 July 2018
Certification work	Summary of certification work undertaken	Annual Certification report - Due December 2018





# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter



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Rachael Mann  
Assistant Director (Resources & Performance)  
St Edmundsbury Borough Council  
College heath Road  
Mildenhall  
IP28 7EY

16 July 2018

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: M.Hodgson@uk.ey.com

Dear Rachael,

### St Edmundsbury Borough Council – 2017/18 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 Audit Committee, 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 31 March 2018.

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 2018 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 2017/18.

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 Moors London Place, London SE1 2NF, the firm's principal place of business and registered office.



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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, for the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the council's financial statements. We believe the council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and are free of material misstatements, including omissions. We have approved the council 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 2017/18, that are free from material misstatement, whether due to fraud or error.
6. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter



### B. Non-compliance with law and regulations, including fraud

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That 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.
4. That you have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. 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: 25 July 2018.



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.

### D. 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.

### E. Subsequent Events

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

### F. 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.



# Appendix E - Request for a Management representation letter

## Request for a Management Representation Letter



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- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### G. Expenditure Funding Analysis

1. You confirm that the financial statements reflect the operating segments reported internally to the Council.

### H. 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.

### I. Ownership of Assets

1. That except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet(s).

### J. Reserves

1. You have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

### K. Valuation of Property, Plant and Equipment Assets

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.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.



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6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.

7. You confirm that for assets carried at historic cost, that no impairment is required.

### L. 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. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017/2018.
2. You confirm that the content contained within the other information is consistent with the financial statements.

### N. Specific Representations

We do not require any specific representations in addition to those above.

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 (currently 25 July 2018) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom



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ED None

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Mark Hodgson  
Executive Director  
Ernst & Young LLP  
One Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0DZ

**St Edmundsbury Borough Council - Audit for the year ended 31 March 2018**

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 2018.

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 2018 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 2017/18 ("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.

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and the CIPFA Code.
2. We acknowledge as members of management of the Council, 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.
3. 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.
4. We confirm 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 Code, that are free from material misstatement, whether due to fraud or error.
  6. We believe that the effects of any unadjusted audit differences, summarised in your Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**B. Non-compliance with law and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. 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.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or

in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. 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.
2. We have recorded all material transactions in the accounting records and reflected them in the financial statements.
3. 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: 25 July 2018.
4. 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.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. 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.

### **D. Liabilities and Contingencies**

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

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. 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.

#### **E. Subsequent Events**

1. 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.

#### **F. Accounting Estimates**

1. We confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.
2. 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.

#### **G. Expenditure Funding Analysis**

1. We confirm that the financial statements reflect the operating segments reported internally to the Council.

#### **H. Going Concern**

1. 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.

#### **I. Ownership of Assets**

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

**J. Reserves**

1. We have properly recorded or disclosed in the council financial statements the useable and unusable reserves.

**K. Valuation of Property, Plant and Equipment Assets**

1. 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 within the Council's 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.
2. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
3. We confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the council financial statements due to subsequent events.
6. We confirm that we have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. We confirm that for assets carried at historic cost, that no impairment is required.

**L. Retirement Benefits**

1. 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.



**M. Other Information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2017/2018.
2. We confirm that the content contained within the other information is consistent with the financial statements.

**N. Specific Representations**

1. There are no specific representations in addition to those above.

**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 25 July 2018.

Signed

.....  
Rachael Mann  
Chief Financial Officer

.....  
Cllr Sarah Broughton  
Chairman of the Performance  
and Audit Scrutiny  
Committee

Date.....

Date.....

# Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>West Suffolk Annual Governance Statement 2017/2018</b>	
<b>Report No:</b>	<b>PAS/SE/18/019</b>	
<b>Report to and date:</b>	Performance and Audit Scrutiny Committee	25 July 2018
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 07970 729435 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present for approval the draft Annual Governance Statement for 2017/18 which has been produced following completion of the annual review of the councils' governance arrangements.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that the Committee approves the draft Annual Governance Statement 2017/18 for signing by the Chief Executive and Leader.</b>	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> 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"/>	

<b>Consultation:</b>		<ul style="list-style-type: none"> <li>This report has been prepared in consultation with the Leadership Team.</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>N/A</li> </ul>	
<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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
<b>Ward(s) affected:</b>		All	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		N/A	
<b>Documents attached:</b>		<b>Appendix A</b> – Draft Annual Governance Statement 2017/18	

## **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 2017/18 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 2017/18**

**1. Scope of Responsibility**

- 1.1 St Edmundsbury Borough Council and Forest Heath District Council (working together and referred to hereafter as the Councils) are responsible for ensuring that their businesses are 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. The Councils also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 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 which includes arrangements for the management of risk.
- 1.3 The Councils have approved and adopted a Local 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 [Local Code](#) is available on the Councils' website. This statement explains how the Councils have complied with the Local Code and also met the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an Annual Governance Statement

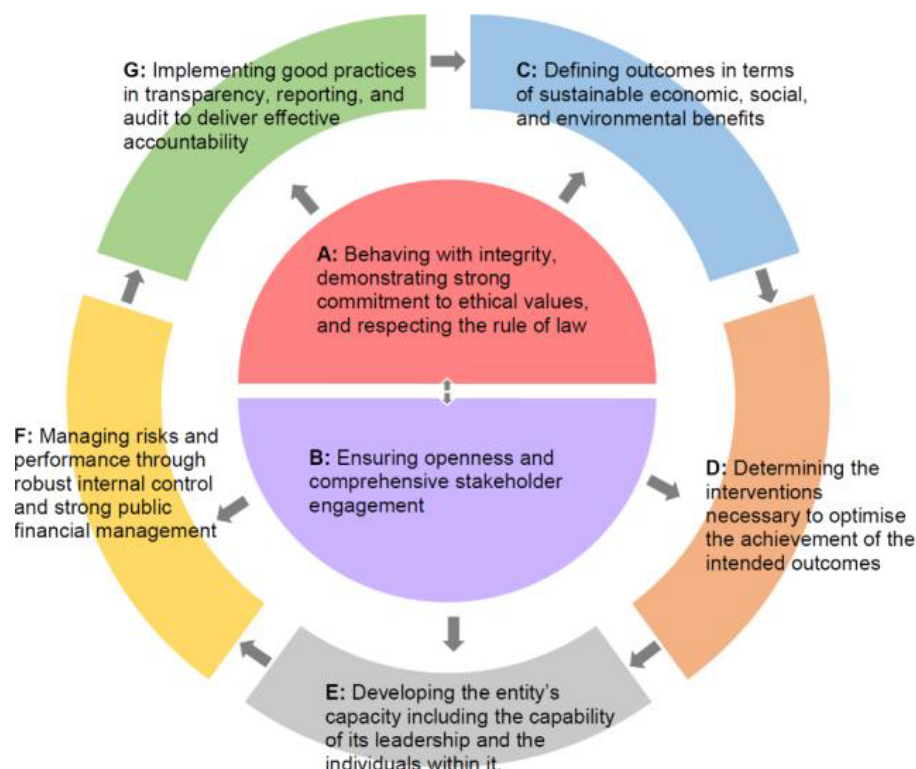
**2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Councils are directed and controlled and the activities through which they account to, engage with and lead the community. It enables the Councils to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Councils' aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Councils' aims and objectives.
- 2.3 The governance framework has been in place at the Councils for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

### 3. The Governance Framework

- 3.1 The Councils have adopted a Local Code of Corporate Governance in accordance with the core principles of good governance outlined within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
- 3.2 There are seven core principles of good governance identified in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as follows:



- 3.3 The Local Code of Corporate Governance sets out the principles of good governance and describes in full the arrangements the Councils have put in place to meet each of these.
- 3.4 During 2017-18, the Councils undertook a number of actions to continuously improve their corporate governance arrangements. A summary of the highlights

**Corporate Governance Activities in 2017-18 – highlights**

During 2017-18, the Councils:

- Made preparations for the new single West Suffolk Council (to be created on 1 April 2019) and its new governance arrangements
- Published a new Strategic Framework for 2018-2020
- Created new project and programme management arrangements
- Appointed staff on joint contracts with Suffolk County Council and the West Suffolk Clinical Commissioning Group
- Provided training for councillors on standards, social media and GDPR compliance

is shown in the box below:

- 3.5 A detailed description of the Councils’ recent activities and proposed activities for the coming year is set out in the table below, against a summary of each of the principles in their Local Code of Corporate Governance.

<b>Principle A</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<b>Behaving with integrity,</b>	<ul style="list-style-type: none"> <li>• Constitution</li> </ul>



<p><b>demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>• Employees Code of Conduct</li> <li>• Members Code of Conduct</li> <li>• Contract Procedure Rules</li> <li>• Anti-Fraud and Anti-Corruption Policy</li> <li>• Whistle Blowing Policy</li> <li>• Anti-Money Laundering Policy</li> <li>• Registers of Interest</li> <li>• ICT Security Policy</li> <li>• Monitoring Officer</li> </ul>
<p><b>Activity within Principle A in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• The Constitution document was updated in December 2017 and February 2018 in respect to changes in legislation and amending the delegations to implement the Growth Investment Strategy.</li> <li>• Work commenced in December 2017 to review the Codes and Protocols within the existing Constitutions documents with a view to adopting a new framework, to ultimately be adopted into the West Suffolk Council Constitution.</li> <li>• Periodic messages regarding fraud and ICT Security have been included on the councils' intranet.</li> <li>• Training for Councillors on Standards and Social Media, GDPR compliance training.</li> <li>• Appointed a new Independent Person and provided training for Suffolk and Norfolk Independent Persons.</li> <li>• Refocussed the Standards Committee to ensure regular reporting on the ethical governance standards across West Suffolk.</li> <li>• Review of reporting to the Suffolk Safeguarding Boards including developing a new self-assessment template to be rolled out in 2018/19.</li> </ul>	
<p><b>Proposed activity for the coming year / areas for improvement</b></p>	

- A review will be undertaken of existing working arrangements for Cabinet meetings with a view to combining into a joint Cabinet structure ahead of the creation of West Suffolk Council.
- Work over the next year will focus upon developing the necessary corporate governance structures for the shadow WS Council and WS Council itself. This will incorporate production of a shadow constitution and a new formal constitution for West Suffolk Council.

<b>Principle B</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p align="center"><b>Ensuring openness and comprehensive stakeholder engagement</b></p>	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Reports and Minutes available on Councils’ website</li> <li>• Consultation Statement</li> <li>• Undertakes Equality Statements</li> <li>• Uses Complaints and feedback to understand how it can learn for future service development.</li> </ul>

**Activity within Principle B in 2017/18**

- The annual report format was refreshed and is now simple, concise and accessible.
- On consultation we procured new survey software to ensure GDPR compliance and to improve functionality.
- Consultation was conducted on Single Council and Bury Town Master Plan, as well as smaller consultations.
- The complaints and feedback policy is under review to identify vexatious and persistent complainants.

<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>• Work to be undertaken on the Modern.gov system to enable public and stakeholders to access information in relation to the new Council, the Shadow Council, and both Forest Heath and St Edmundsbury Councils once they cease to exist.</li> </ul>	
<b>Principle C</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Growth Investment Strategy</li> <li>• Business Plans</li> <li>• Medium Term Financial Strategy</li> <li>• Local Plans</li> <li>• Risk Management Policy and Toolkit</li> <li>• Investment Framework</li> </ul>
<b>Activity within Principle C in 2017/18</b>	
<ul style="list-style-type: none"> <li>• A 2018-20 Strategic Framework was published in December 2017 to establish the vision and priorities for the remainder of the current administration and the new West Suffolk Council. It has a greater emphasis on partnership and integrated working with other bodies, and a focus on families and communities and inclusive growth.</li> <li>• The Single Issue Review and Site Allocations Local Plan has been through 3 stages of consultation and the documents have been independently examined by a Planning Inspector. The Councils are now at modifications stage. The Local Plans set out the long term policy framework for delivering the housing and employment need in the Districts together with the social, environmental</li> </ul>	

and economic infrastructure requirements to 2031.

**Proposed activity for the coming year / areas for improvement**

- The adoption of already aligned policies by the Shadow West Suffolk Council and the agreement of new policies where the Councils' policies are not aligned, or where they are due to expire.

<b>Principle D</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• Consultation Strategy</li> <li>• Families and Communities Strategy</li> <li>• Balanced Scorecards</li> <li>• Procurement Policy</li> <li>• Medium Term Financial Strategy</li> <li>• Business Partners Model</li> </ul>
<p><b>Activity within Principle D in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• The Councils have remodelled the MTFS to 2021/22 to reflect the new Strategic Framework and new changes in funding.</li> <li>• Balanced Scorecards have been reviewed and new key performance indicators identified.</li> <li>• The new Place/Transformation based project/programme management approach is now embedded in Bury, Haverhill and Newmarket Place programmes and the ICT and Commercial Transformation programmes. This approach will be extended to cover Mildenhall Place and Service Delivery Programmes in 2018/19 and will be further developed and enhanced as necessary. The overall programme approach has also been enhanced by the introduction of a quadrant approach which enables the authority to risk manage and prioritise the various projects, this quadrant approach is re-evaluated quarterly to ensure that the Leadership Team is focused on the key projects.</li> </ul>	
<p><b>Proposed activity for the coming year / areas for improvement</b></p>	
<ul style="list-style-type: none"> <li>• The Procurement Policy, Contract Procedure Rules to be revised alongside the Constitution, to include current practices.</li> </ul>	

<b>Principle E</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p><b>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</b></p>	<ul style="list-style-type: none"> <li>• Workforce Plan</li> <li>• Learning and Development Policy</li> <li>• Member Development Group</li> <li>• Constitution</li> <li>• Employees Performance Review Framework</li> <li>• Disciplinary Procedure</li> <li>• Job Descriptions</li> </ul>
<p><b>Activity within Principle E in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• Gender Pay Gap publication – the gender pay report for the Councils was published on the website and reported no gender pay gap between men and women.</li> <li>• The Councils were awarded the Wellbeing Charter in December 2017 achieving 4 achievement and 4 excellence against the 8 standards.</li> <li>• Apprentices / Graduate / Career pathways – work has continued to support apprentices/graduates and career pathways across the Councils.</li> <li>• Joint staff appointments between the West Suffolk Clinical Commissioning Group and the Councils, and Suffolk County Council and the Councils.</li> <li>• Staffing capacity was reviewed in the year and additional resources brought in to enable delivery of the Growth Investment Strategy, projects and statutory duties arising from the Homelessness Reduction Act.</li> </ul>	
<p><b>Proposed activity for the coming year / areas for improvement</b></p>	
<ul style="list-style-type: none"> <li>• Review of the payline for the Councils’ workforce.</li> <li>• Adoption and commencement of the work involved in the Workforce Strategy which links the Councils’ priorities of development in terms of skills and behaviours; recruitment and retention; pay, reward and recognition; health and wellbeing and workforce planning and data.</li> <li>• Development of the Induction Plan for Members elected in May 2019 to a new council.</li> </ul>	

<b>Principle F</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p><b>Managing risks and performance through robust internal control and strong public financial management</b></p>	<ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Contracts Procedure Rules</li> <li>• Treasury Management Strategy and Growth Investment Strategy</li> <li>• Budget Monitoring</li> <li>• Performance and Audit Scrutiny Committee</li> <li>• Strategic Risk Register</li> <li>• Investment framework</li> <li>• Risk Management Toolkit</li> <li>• Balanced Scorecards</li> <li>• Business Continuity Plan</li> <li>• Complaints</li> </ul>
<p align="center"><b>Activity within Principle F in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• Revised Treasury Management Strategy and Code of Practice.</li> <li>• Created new Capital Strategy 2018/19.</li> <li>• Budget monitoring reporting has been enhanced and improved with focus on income and expenditure.</li> <li>• Strategic Risk Register reviewed and updated.</li> <li>• Business Continuity Plan has been updated.</li> </ul>	
<p align="center"><b>Proposed activity for the coming year / areas for improvement</b></p>	
<ul style="list-style-type: none"> <li>• Alignment of treasury management strategy to ensure suitability for single council.</li> <li>• Capital Strategy will need to be revised to ensure full compliance with the Prudential Code.</li> </ul>	

<b>Principle G</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<p><b>Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Councils' Website</li> <li>• Statement of Accounts</li> <li>• Annual Governance Statement</li> <li>• Annual Report</li> <li>• Medium Term Financial Strategy</li> <li>• Anti-Fraud and Anti-Corruption Policy</li> <li>• Whistle Blowing Policy</li> <li>• Data Protection Policy</li> <li>• Officer Information Governance Group</li> <li>• Balanced Scorecards</li> <li>• Annual Internal Audit Report and Opinion</li> </ul>
<p><b>Activity within Principle G in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• In October 2017 both Cabinets agreed a report as to the necessary steps to achieve compliance with General Data Protection Regulation (GDPR)</li> <li>• Appointment of GDPR Project Co-ordinator to review practices and procedures at an organisational and service level</li> <li>• Development of necessary corporate practices and implementation of these</li> <li>• Liaising with and working with the Suffolk Information Governance Board</li> <li>• The Suffolk Observatory is a product of a partnership between Suffolk Constabulary and all Local Authority organisations across Suffolk and was launched in 2001. The website was re-designed and re-launched in September 2017 and now provides easier access to the most up-to-date third-party, published data and information about Suffolk and its residents, businesses and communities.</li> <li>• Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards. The standards require periodic self-assessments and an assessment by an external person every five years. In March 2018 the Internal Audit team were subject to their first external</li> </ul>	



assessment. This resulted in a favourable report from the assessor which concluded that no areas of non-compliance with the standards which would affect the overall scope or operation of the internal audit activity were identified.

**Proposed activity for the coming year / areas for improvement**

- GDPR and the Data Protection Act 2018 came into effect in May 2018
- We will continue to work towards compliance with data protection requirements over the next year.
- The Councils continue to recognise the importance of Information Security, and continue to regularly review and update access controls and systems in line with the recommendations of the National Cyber Security Centre and other National advisory bodies. Regular external penetration/vulnerability tests have also proved that our defences are adequate relating to the current threat environment. To ensure we remain secure further assurance activities will continue into 18/19 to further validate our internal controls and processes to provide an additional level of organisational reassurance.
- The recently issued Information Framework recognises the value of data to the Councils and the Framework represents a new approach for the Councils, and provides a 'Direction of Travel' – i.e. how we are aiming to use Data and Information more effectively.
- Although the external assessment of Internal Audit produced a favourable result a number of minor recommendations were raised to further improve Internal Audit operations and these will be implemented as appropriate during the year.

#### **4. Review of effectiveness**

- 4.1 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.
- 4.2 The Leadership Team reviews the draft Annual Governance Statement prior to submission to each Performance and Audit Scrutiny Committee, which approves this Statement.
- 4.3 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.
- 4.4 Based upon the audit work undertaken during the financial year 2017/18, as well as assurances made available to the Councils 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.
- 4.5 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.

4.6 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.

## **5. Significant governance issues**

5.1 In determining the significant issues to disclose, the Councils have considered whether issues have:

- seriously prejudiced or prevented achievement of the Councils' 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.

5.2 There are no significant governance issues to disclose for 2017/18.

## 6. Focus for 2018/19

- 6.1 In September 2017, the Councils resolved to support a business case to become a single Council for West Suffolk from April 2019. The business case has subsequently received support from the Secretary of State and the Houses of Parliament. The Houses of Parliament have agreed that Forest Heath and St Edmundsbury Councils will cease to exist on 1 April 2019; until that point, they will continue to be responsible for delivering effective public services to their residents.
- 6.2 A full implementation programme is being developed to support the work ongoing to harmonise policies, develop new governance arrangements, and a new constitution as outlined within this statement.



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

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

Signed:

Signed:

**James Waters**  
**Leader of the Council**

**John Griffiths**  
**Leader of the Council**

Date:

Date:

Signed:

**Ian Gallin**  
**Chief Executive**

Date:

# Performance and Audit Scrutiny Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>2017/18 Annual Statement of Accounts</b>	
<b>Report No:</b>	<b>PAS/SE/18/020</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	25 July 2018
<b>Portfolio holder:</b>	Councillor Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 07970 729435 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:Rachael.mann@westsuffolk.gov.uk">Rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present the 2017/18 Statement of Accounts to this committee for scrutiny and approval, in accordance with powers delegated to it under the Council's Constitution.	

<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that:</b>  <b>(1) The Committee <u>approves</u> the 2017/18 Statement of Accounts (attached at Appendix A) in accordance with powers delegated to it under the Council’s Constitution;</b>  <b>(2) The Chairman of the Committee <u>signs</u> the certification of the 2017/18 Statement of Accounts on behalf of the Committee; and</b>  <b>(3) The Chief Financial 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.</b>
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> 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"/>
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Implications:</b>	
<i>Are there any <b>financial</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>• This report presents the Council’s 2017/18 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2017/18 financial year.</li> </ul>
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>•</li> </ul>
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>•</li> </ul>



Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves.</li> <li>Local Government Act 1972 – requirement for the proper administration of financial affairs.</li> <li>Accounts and Audit Regulations 2015 – requirements for the reporting and approval of the Council’s annual financial statements.</li> </ul>	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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"> <li>Budgets reflect economic situation facing the Council</li> <li>Clear responsibilities for budget monitoring and control</li> <li>Annual saving programme used to deliver required budget savings</li> <li>Medium term financial planning to capture the longer term budget implications</li> </ul>	Medium
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Budget and Council Tax Setting:2017/18 (Council 21 February 2017 <a href="#">COU/SE/17/004</a> )  Financial Performance Report (Revenue and Capital) Outturn - 2017-18 (Performance and Audit Scrutiny Committee 31 May 2018 <a href="#">PAS/SE/18/015</a> )	
<b>Documents attached:</b>		<b>Appendix A</b> – Statement of Accounts 2017/2018	

## 1. Key issues and reasons for recommendation(s)

- 1.1 Statutory requirements for the reporting and approval of the Council's annual financial statements are set out in the Accounts and Audit Regulations 2015. The regulations require the Council to submit draft accounts to its external auditors (currently Ernst and Young) by 31 May each year, with member scrutiny and approval of the accounts required once the audit has been concluded (by 31 July each year).
- 1.2 This is the first year that these new deadlines have been in place. Previously the draft accounts had to be submitted to auditors a month later than the new requirements (by 30 June), with the audit conclusion and member scrutiny taking place by 30 September (i.e. 2 months later).
- 1.3 In order to meet the tighter timescales, Ernst and Young undertook early work prior to the completion of the accounts in February and March 2018, with the main audit commencing in June 2018. 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.
- 1.4 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.
- 1.5 The 2017/18 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.

## 2. Financial Highlights – 2017/18

- 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 9 of the Statement of Accounts, key aspects of which are highlighted below:
- 2.2 **Revenue Expenditure** - The revenue outturn position at 31 March 2018 was an underspend of £35.5k. This underspend was achieved against an annual total income of around £75m. Details of major variances can be seen in the report reference PAS/SE/18/015, entitled 'Financial Performance Report (Revenue and Capital) Outturn - 2017/18' considered by this committee on 31 May 2018. At the end of the year, the general fund reserve balance remained at £3m.
- 2.3 **Capital Expenditure** - Actual capital programme spend for the year was £14.7m which included investment in the council's commercial asset portfolio and Suffolk Business Park, expenditure on West Suffolk Operational Hub and purchase of vehicles and plant. Details of the major variances on the capital programme can also be seen in report PAS/SE/18/015.

- 2.4 **Usable Reserves** - The Council has a track record of sound financial management. An integral part of the Council's financial strategy is to ensure that usable reserves are maintained at a healthy level. Usable reserves are split into two main categories; revenue reserves (the General Fund and Earmarked reserves) and unallocated capital reserves (i.e. Capital Receipts Reserve and Capital Grants Unapplied Reserve). During 2017/18 the total value of the Council's usable revenue and capital reserves decreased from £36.5m (at 1 April 2017) to £33.7m (at 31 March 2018), a net decrease of £2.8m. Further details regarding the movement on reserves during the year are provided on page 14 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 2018, the Council's IAS19 pension valuation disclosed an overall fund deficit of £46.3m, compared to £46.8m at 31 March 2017. The decrease in deficit is primarily due to the financial assumptions at 31 March 2018 being more 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.
- 4.2 A more detailed analysis of these allowances, broken down by Members, is published online in accordance with the statutory responsibility to disclose this information as part of the local government transparency agenda. As agreed when the 2016/17 accounts were presented to this committee, a link to the website location is provided below in lieu of an additional appendix:

[Councillors allowances](#)

## **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 2017/18 was a positive result. Officers took action where possible to reduce expenditure during the year, in order to plan for future financial pressures. The challenge continues as service demand increases in many areas and projected Government funding levels continue to fall.

**2017/2018 Statement of Accounts**

**St Edmundsbury Borough Council**



Cathedral and Norman Tower, Bury St Edmunds



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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.

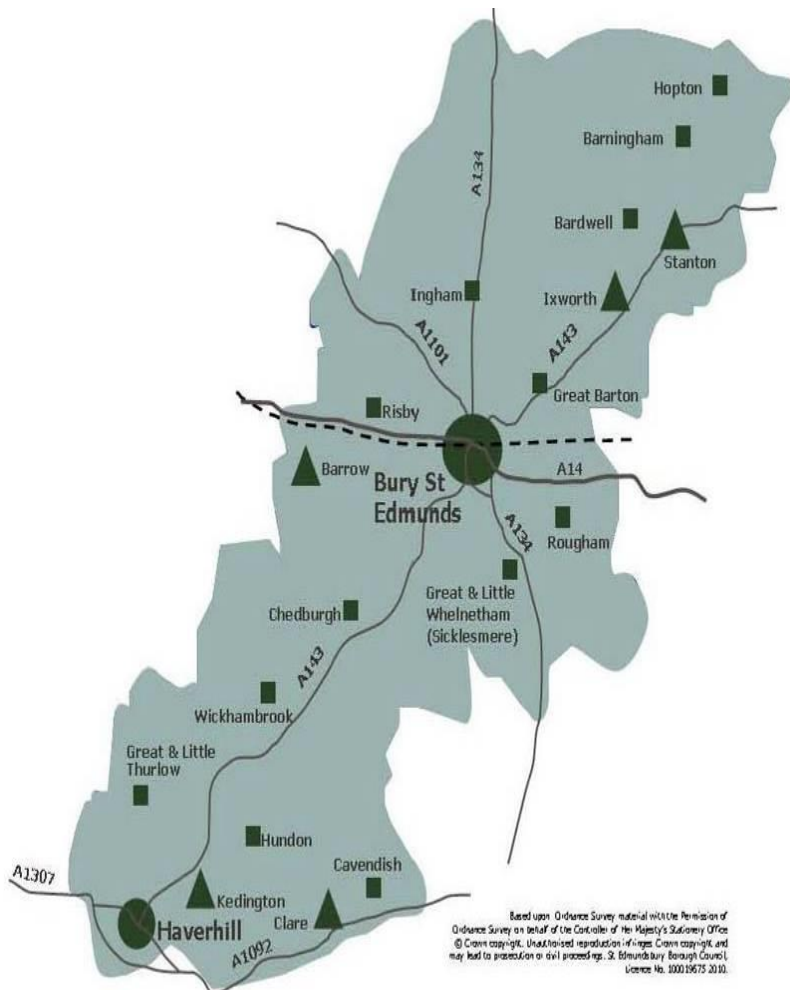
In all of St Edmundsbury's towns and our rural areas, many of our residents benefit from a good quality of life. However, some areas have suffered more than others from the impact of the economic downturn, and others are facing issues such as rural isolation; a lack of skills or qualifications amongst 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. From 1 April 2019, subject to Parliamentary approval, a new West Suffolk Council will be formed, entirely replacing St Edmundsbury and Forest Heath Councils, Further details are available here:

[www.westsuffolk.gov.uk/singlecouncil](http://www.westsuffolk.gov.uk/singlecouncil)

Further information can be found by following the links below:

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





## Narrative Report by the Chief Finance Officer

### Introduction

I am pleased to introduce the Council's Statement of Accounts for 2017/18. 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, economic development, planning and development control and many more which support our families, communities and businesses.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2017 to 31 March 2018 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:

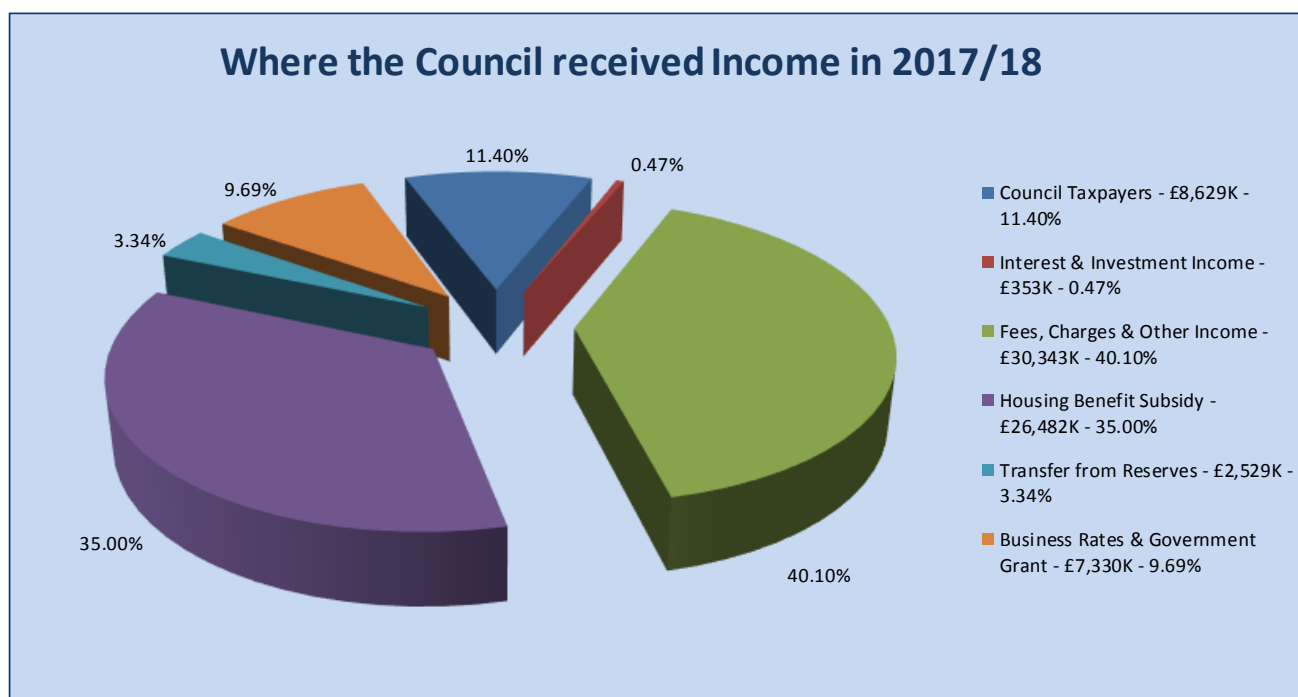
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

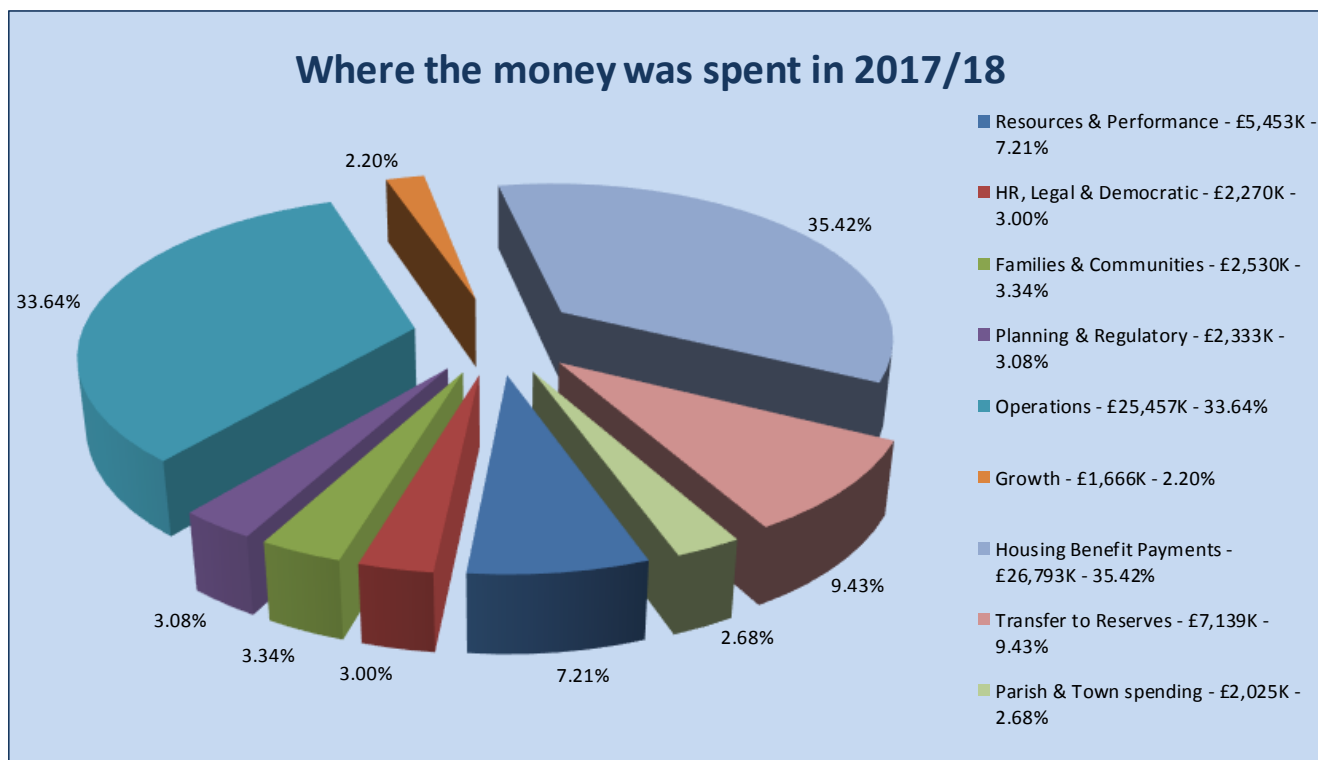
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to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

### Overview of the financial year 2017/18

For the 2017/18 financial year, the Council saw no change to its general fund reserve, which stands at £3,036k as at 31 March 2018, with an overall level of usable reserves (capital and revenue) of £33.7m.

The following charts show the sources of the Council's income for 2017/18, and how it was spent on services (excluding accounting adjustments required by International Financial Reporting Standards):





During 2017/18, the Council continued to face considerable financial challenges as a result of continued uncertainty in the wider economy and constraints on public sector spending. This included the reduction in central government grant funding and the changing landscape of local government financing. Additional challenges included declining interest rates and increased demand on front line services such as Housing Benefits and homelessness provision.

In order to respond to these pressures, the Council has focussed its resources on supporting its strategic priorities (Growth in the West Suffolk economy, supporting resilient families and communities and increasing provision of appropriate housing in West Suffolk). The council also invested in the West Suffolk Operational Hub, asset purchases including 20/21 Cornhill and in Olding Road in Bury St Edmunds.

Details of variances against budget in excess of £50k can be seen in the report reference PAS/SE/18/015, entitled 'Financial Outturn Report (Revenue and Capital) 2017/18' considered by the Performance and Audit Scrutiny Committee on 31 May 2018.

The Council's capital expenditure for 2017/18 totalled around £14.7m, which included investment in the Council's commercial asset portfolio (£5.9m) and Suffolk Business Park (£3.0m), expenditure on West Suffolk Operational Hub (£2.6m) and purchase of vehicles and plant (£1.5m). The Council spent approximately £0.5m on capital grants within the year. Around £5.3m of the total £14.7m spend for 2017/18 was funded from the Council's usable capital receipts, a further £3.2m from grants and contributions, with the remainder being funded from revenue reserves.

#### Material and Unusual charges or credits within the statements

The Council purchased significant land and buildings during 2017/18 for both statutory and growth purposes. Further details are given in Note 4 Material Items of Income and Expense.

#### Major variances within the Comprehensive Income and Expenditure Statement – between 2016/17 and 2017/18

The Council had a number of variances in its cost of services between 2016/17 and 2017/18, amounting to an overall increase of £9.5m, primarily as a result of net revaluation losses in council properties during both 2016/17 and 2017/18, and a £3m contribution to SCC during 2017/18 in respect of the Eastern Relief Road at Suffolk Business Park.

The Surplus on revaluation of property, plant and equipment fell by £13.5m as a result of upward revaluation of council assets charged to the revaluation reserve during 2017/18.

# Narrative Report by the Chief Finance Officer

Actuarial losses on pension assets/liabilities have also moved significantly from a loss of £2.3m in 2016/17 to a gain of £4.8m in 2017/18 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 a movement of £15.0m from a total income of £15.9m in 2016/17 to a total income of £0.9m in 2017/18.

## 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 Expenditure and Funding Analysis** is a note to the accounts and not a core statement. However, in accordance with the Code of Practice, it has been given due prominence in the accounts and sits ahead of the statements. It demonstrates to council tax payers how the funding available to the authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **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. From 2016/17 this changes from Service Code of Practice (SerCOP) format to one that reflects the organisations regular reporting to management.
- **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 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 2018 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 £46.3m compared to £46.8m at 31 March 2017. This net decrease in liabilities is represented by an increase in liabilities of £1.4m and an increase in assets

# Narrative Report by the Chief Finance Officer

of £1.9m. The overall decrease of £0.5m in the liability is primarily because the financial assumptions at March 2018 were more favourable than those at March 2017.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £46.3m 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 £0.1m during the year to £1.6m for the financial year ending 31 March 2018. These provisions are detailed in Note 21 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

During 2017/18 the St Edmundsbury Borough Council made a £3.0m contribution to Suffolk County Council towards the cost of constructing the Eastern Relief Road. St Edmundsbury also made investments in its commercial asset portfolio totalling £5.9m.

The council has committed to a joint project with Suffolk County Council and Forest Heath District Council to build the West Suffolk Operational Hub - a combined waste and street scene facility to service West Suffolk being constructed on the outskirts of Bury St Edmunds at Hollow Road Farm. The facility is due to be completed at the end of 2019.

The contract sum is currently £22,720,550. The split on this is:-

Suffolk County Council - £10,512,798  
St Edmundsbury Borough Council - £9,417,060  
Forest Heath District Council - £2,790,692

## 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 2018, West Suffolk councils employed 655 staff, with a voluntary staff turnover rate of 9.03% and an average sickness level of 5.85 days per full time equivalent (FTE) member of staff during 2017/18. This absence level was lower than the average of 8.7 days lost per FTE in district/borough councils in the East of England<sup>1</sup>.

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.

### Land and buildings

The value of land and buildings owned by St Edmundsbury Borough Council (not including plant and equipment) in 2017/18 was £113.9m (£109.5m in 2016/17).

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).

<sup>1</sup> Source – 2015-16 EELGA sickness absence benchmarking survey - latest available figures

# Narrative Report by the Chief Finance Officer

## Corporate reputation

St Edmundsbury Borough Council's positive reputation was significantly enhanced nationally and locally during 2017-18 due to the delivery of award winning services, nationally recognised initiatives and supportive coverage of its innovative work. This includes creating a new single West Suffolk Council as part of its ongoing transformational work with Forest Heath District Council to better deliver services and drive prosperity, jobs and the local economy. Forest Heath and St Edmundsbury were the subject of much positive coverage in the local and government press at the national level, being one of the first pairs of councils to make significant progress towards this goal (the Parliamentary Orders were agreed in May 2018). This coverage acknowledged the significant savings already made through shared services, as well as the innovative approach being taken, and the strength of partnership working. The business case and work of the Council was also supported and praised by the Minister of Housing, Communities and Local Government during the process.

St Edmundsbury Borough Council's ongoing work in service delivery has also gained recognition over the past year, in many cases when working in conjunction with Forest Heath District Council. Examples include:

- West Suffolk's car parks have been recognised for their high quality of management through a Park Mark award, following inspection by the police and parking specialists;
- The West Suffolk building control service won a national award with Seamans Builders as best local builder for Cupola House, Bury St Edmunds, for the work carried out to restore it following a fire. The Local Authority Building Control (LABC) Building Excellence Awards highlighted how this demonstrated what positive working relationships with local council building control teams can deliver;
- The councils achieved triple successes at the Suffolk Museum of the Year Awards ceremony in October 2017 where awards were won by three of West Suffolk's museums: the National Heritage Centre for Horseracing and Sporting Art (Suffolk Museum of the Year), Moyse's Hall Museum (Family Friendly Award) and West Stow Anglo Saxon Village (Learning and Access Award).
- East Town Park, the Abbey Gardens, Nowton Park and West Stow Country Park, all of which are maintained by the West Suffolk Councils' parks team, retained Green Flag awards in 2017.
- West Suffolk Councils' #OurDay campaign, celebrating the work of local government and involving a local youth choir, received national praise, after it was promoted on social media.
- A community arts project between St Edmundsbury market traders and students from St Benedict's Catholic School won a national award for Best Market Event in the Great British Market Awards held by the National Association of British Market Authorities. The project aimed to show the importance of the market to communities and businesses and was funded by Arts Council England and further supported by locality budget funding.
- West Suffolk Councils also successfully bid for £108,000 from the Arts Council Resilience Funding Grant, aimed at ensuring museums continue to be sustainable.
- The transfer of the Newbury Community Centre was awarded £670,000 in Government funding from the One Public Estate programme's Land Release Fund.
- St Edmundsbury Borough Council received a £40,000 grant from Historic England for the production of a conservation plan for the Abbey of St Edmund in Bury St Edmunds.
- West Suffolk asked to speak at the District Council Network conference on transforming Local Government and the creation of a single council.

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 council's profile in the region.

In the year 2017/18, the councils together received 34 formal complaints and 89 compliments. Figures are for West Suffolk as not all compliments can be attributed to an individual council, given service delivery is shared.

## Wider strengths

### Collaborative working

Forest Heath and St Edmundsbury have continued to make significant savings, through both transforming the way our services are delivered and the way our teams operate. Suffolk is seen nationally as a place that works beyond geographic and organisational boundaries to get the best outcomes for our residents and businesses. This is shown by the success we have had in not only operating the Business Rates Pool which brings £0.579m to West Suffolk but the new place-based 100% Business Rates Retention pilot which brings our area an extra £2.657m. This is the only scheme of its kind in the UK and sees councils and partners working collectively to target issues in an area, recognising that one size does not fit all and the need to work with communities.



# Narrative Report by the Chief Finance Officer

West Suffolk also shares posts with the Clinical Commissioning Group and Suffolk County Council, recognising that improving health and care outcomes is not only crucial for our residents but has an impact on a range of services, including housing, as well as public funding. This closer working aims to help bring seamless delivery and a better understanding of the challenges faced by organisations and the communities, leading to more innovative solutions.

Other collaborative working that will support West Suffolk's vision and priorities, as set out in the West Suffolk Strategic Framework, include the creation of a Suffolk Design Guide. This will work with partners and community to help shape the built environment. Work is also underway to create a Suffolk Office of Data and Analytics, jointly funded by organisations across the Suffolk system, to improve the way data and insight are used to inform policy decisions.

## **Innovation**

West Suffolk is seen nationally as innovative in transforming local government to get better outcomes and drive the local economy, while managing growth. Within a year of both councils announcing the creation of a new single council, the Orders to create West Suffolk Council have been signed. This not only protects the £4 million a year savings that the councils had made through shared services but continues the journey to create a council that is in a better position to meet future financial challenges while at the same time delivering its strategic aims. The new council will make additional savings and efficiencies of around £800,000 per year but will be in a better position to manage growth and invest in the local economy while protecting high quality services. It also means West Suffolk has a greater voice to champion the local area while still being the right size to work with communities in supporting targeted local initiatives.

As part of West Suffolk's aim to support the economy and help deliver the right kind of housing, both authorities have brought in new policies and initiatives. This includes strengthening building control and charging for pre-application advice that creates an income but also helps developers through the planning process. Both Councils also supported the West Suffolk Growth Investment Strategy which sets out how the Council will invest to create a mixed blend of both financial and social benefits.

Examples of this include the investment in the DHL building and former Post Office in Bury St Edmunds as well as housing and related businesses in Newmarket and Haverhill. These investments bring financial returns as well as helping provide much needed housing or opportunities to support local business.

The councils continue to work with partners as part of the One Public Estate project. This includes planning agreement being given to the West Suffolk Operational Hub and the Mildenhall Hub. These projects bring together a range of partners to better deliver services for our residents. This includes education, health, County Council and emergency services.

## **Prevention**

Our Families and Communities approach also continues to support the councils in managing demand for services and helps to prevent issues from reaching crisis point. The social prescribing pilot in Haverhill for instance is an example of how we can work to reduce reliance on statutory services by resolving issues such as low mood, anxiety and debt management in the community. This continues to receive positive feedback and has been used nationally as an example of good practice.

The challenge of delivering quality health and social care services to a rapidly ageing population is one that the UK shares with many countries across Europe. That is why a coalition of partners in West Suffolk are looking at how a highly successful Dutch model could transform the English system. Buurtzorg grew from a need to tackle ongoing concerns in the provision of care, such as: the fragmentation of prevention, treatment, and care; the impact of demographic change; a shortage of care providers; lowering quality and increasing costs of care; and, a lack information about the quality of outcomes in relation to the cost of care per client. All challenges similar to those facing the health and social care system in the UK. Buurtzorg has shown that a single visit by a highly-trained, generalist nurse given sufficient time to care is more effective than care divided into separate processes, delivered by individuals paid at a relative rate to the task. "It empowers nurses to take a holistic, person centred approach." The benefit to the client is that the team identifies solutions quicker, are able to improve independence and streamline care more effectively. The personalised attention and team approach allows individuals to stay in their homes and communities for as long as possible and avoid unnecessary hospital admission. Working at a neighbourhood level is also key in allowing the nurses to work closely with GPs and other professionals, and draw on local support from friends, families and volunteers.

## **Investing in our people**

A key strength of West Suffolk councils is the positive and empowering approach that is taken to our staff. By investing in our future workforce and future leadership through apprenticeships, internships and the Suffolk Graduate programme, we

# Narrative Report by the Chief Finance Officer

are working to ensure local, talented individuals can be brought into the public sector and supported in their development. 2017-18 has also seen an increased focus on the mental health and wellbeing of existing staff, through a range of activities, to ensure our workforce remains healthy and motivated to continue making a difference for local communities.

## Performance Indicators

For 2017/18 Balanced Scorecards (one per Assistant Director service area) continue to be the medium for Performance Indicators. They 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 aid Assistant Directors and Service Managers in operating their areas. These reports are discussed monthly at Leadership Team meetings.

## 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

Like all authorities nationally the Council continues to face public expenditure cuts and significant reductions in Government funding, with the Government's revenue support grant to be phased out completely by 2019/20. To meet this challenge both councils have made a decision to invest in and manage growth to boost the local economy which brings income for the authorities but also crucially wider benefits for the communities and businesses we serve. We continue to accelerate 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 with local income generation to support local services or through investing in initiatives to support much needed housing or employment growth

The Council continues to deliver cost saving efficiencies, the key driver over the last five 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.

At the same time our Families and Communities work and place-based initiatives are making sure we use finances and resources locally in a more targeted way or are supporting groups and individuals to be more resilient. Working across organisational or geographic boundaries to deliver better outcomes for our communities not only brings a whole-system focus on issues to produce better outcomes but also reduces the cost to the public purse as a whole. Government has recognised our work in this area by agreeing Suffolk to be the first of its kind, with a place-based 100% business rates pilot.

The move to a Single Council on 1st April 2019 will provide an opportunity to realise further savings and efficiencies through the alignment and renegotiation of shared contracts and increased efficiencies resulting from reduced duplication of activities. It also gives us a better opportunity to seize and encourage investment opportunities as well as managing growth which ultimately brings financial and social returns for our communities while protecting high quality services.

We have now set out a Medium Term Financial Strategy (MTFS), which takes us to 2021/22, but are also looking beyond that date so that we are ready for what may come. The Ministry of Housing, Communities and Local Government is currently carrying out a Fair Funding Review which will re-base funding levels for local authorities. This is planned to be implemented in 2020/21 and the changes resulting from it will have to be managed within the context of our investment strategy. The relationship between residents, businesses and their local government services will continue to evolve as we work together to invest in the future.

This MTFS 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 Framework, 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 Framework have shaped and informed real choices about the allocation of resources within our MTFS.

## Narrative Report by the Chief Finance Officer

Some of the new ways of working will involve decisions about how this Council invests resources as we pursue our strategic priority of growth in the West Suffolk economy through investment to aid economic growth. Many of these key strategic projects are in underway and a key part of delivery of our MTFS for 2018/19 and onwards.

The Council is also keeping a close eye on the national picture. In particular we are actively engaging with our Suffolk colleagues, both in local government and the wider public sector, including health, and working collaboratively through the One Public Estate initiative. This was crucial in Government agreeing Suffolk's participation in a pilot for 100% Business Rates Retention in 2018/19 which will shape how funding is allocated to local authorities in the future.



Waste Collection



# Certificate of approval for the Statement of Accounts

## Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2017 to 31 March 2018 has been prepared and I confirm that these accounts were approved by St Edmundsbury Borough Council at the meeting held on 25 July 2018.

Signed:

**Chairman of the Performance and Audit Scrutiny Committee**

Date: 25 July 2018

# 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 Assistant Director (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 2018 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**  
**and Performance**

Date:

Date:

## Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The status of the EFA is that it is a note to the financial statements and is not a core financial statement. However, in accordance with the requirements of the Code of Practice, it has been given due prominence ahead of the main statements in order to assist users' understanding.

	2017/18			2016/17		
	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement
	£000	£000	£000	£000	£000	£000
Resources & Performance	3,807	199	<b>4,006</b>	3,439	(87)	<b>3,352</b>
HR, Legal and Democratic	1,853	64	<b>1,917</b>	1,729	(13)	<b>1,716</b>
Families & Communities	1,919	211	<b>2,130</b>	1,748	499	<b>2,247</b>
Planning and Regulatory	653	528	<b>1,181</b>	727	329	<b>1,056</b>
Operations	1,425	6,958	<b>8,383</b>	2,052	1,276	<b>3,328</b>
Growth	1,265	1,429	<b>2,694</b>	1,138	55	<b>1,193</b>
<b>Net Cost of Services</b>	<b>10,922</b>	<b>9,389</b>	<b>20,311</b>	<b>10,833</b>	<b>2,059</b>	<b>12,892</b>
Other income and expenditure	(10,958)	(1,840)	<b>(12,798)</b>	(10,993)	(2,900)	<b>(13,893)</b>
<b>(Surplus) / Deficit</b>	<b>(36)</b>	<b>7,549</b>	<b>7,513</b>	<b>(160)</b>	<b>(841)</b>	<b>(1,001)</b>
<b>Opening General Fund Balance at 31/03/2017</b>	<b>(3,036)</b>			<b>(3,260)</b>		
Add Surplus on General Fund in the year	<b>(36)</b>			<b>(160)</b>		
Less Surplus Transferred to Earmarked Reserves	<b>36</b>			<b>160</b>		
Less Budgeted use of General Fund included in Surplus	<b>0</b>			<b>224</b>		
<b>Closing General Fund Balance at 31/03/2018</b>	<b>(3,036)</b>			<b>(3,036)</b>		

# 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Note	2017/18			2016/17		
		Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Resources and Performance		32,118	28,112	4,006	33,340	29,988	3,352
Human Resources, Legal and Democratic		2,393	476	1,917	2,145	429	1,716
Families and Communities		2,901	771	2,130	2,452	205	2,247
Planning and Regulatory		3,072	1,891	1,181	3,159	2,103	1,056
Operations		25,162	16,779	8,383	19,057	15,729	3,328
Growth		4,802	2,108	2,694	1,564	371	1,193
<b>Cost of Services</b>		<b>70,448</b>	<b>50,137</b>	<b>20,311</b>	<b>61,717</b>	<b>48,825</b>	<b>12,892</b>
Other Operating Expenditure	10	1,266	0	1,266	406	0	406
Financing and Investment Income and Expenditure	11	1,184	353	831	1,506	460	1,046
Taxation and Non-Specific Grant Income	12	0	14,895	(14,895)	0	15,345	(15,345)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>72,898</b>	<b>65,385</b>	<b>7,513</b>	<b>63,629</b>	<b>64,630</b>	<b>(1,001)</b>
Surplus on revaluation of Property, Plant and Equipment assets	22			(3,663)			(17,144)
Surplus on revaluation of available for sales financial assets	22			(16)			(111)
Actuarial (gains)/losses on pension assets & liabilities	33			(4,777)			2,327
<b>Other Comprehensive Income</b>				<b>(8,456)</b>			<b>(14,928)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(943)</b>			<b>(15,929)</b>

# 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 'unusable' reserves.

The Statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

Prior Year Movements - 2016/17	Note	General Fund & Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2016</b>		<b>18,690</b>	<b>15,396</b>	<b>922</b>	<b>35,008</b>	<b>67,352</b>	<b>102,360</b>
<b>Movements in Reserves during 2016/17</b>							
Total Comprehensive Income and Expenditure		1,001	0	0	<b>1,001</b>	14,928	<b>15,929</b>
Adjustments between accounting basis and funding basis under regulations	8	1,346	(888)	51	<b>509</b>	(509)	<b>0</b>
<b>Increase / (Decrease) in 2016/17</b>		<b>2,347</b>	<b>(888)</b>	<b>51</b>	<b>1,510</b>	<b>14,419</b>	<b>15,929</b>
<b>Balance as at 31 March 2017 carried forward</b>		<b>21,037</b>	<b>14,508</b>	<b>973</b>	<b>36,518</b>	<b>81,771</b>	<b>118,289</b>

Current Year Movements - 2017/18	Note	General Fund & Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2017</b>		<b>21,037</b>	<b>14,508</b>	<b>973</b>	<b>36,518</b>	<b>81,771</b>	<b>118,289</b>
<b>Movements in Reserves during 2017/18</b>							
Total Comprehensive Income and Expenditure		(7,513)	0	0	<b>(7,513)</b>	8,456	<b>943</b>
Adjustments between accounting basis and funding basis under regulations	8	10,107	(4,503)	(879)	<b>4,725</b>	(4,725)	<b>0</b>
<b>Increase / (Decrease) in 2017/18</b>		<b>2,594</b>	<b>(4,503)</b>	<b>(879)</b>	<b>(2,788)</b>	<b>3,731</b>	<b>943</b>
<b>Balance as at 31 March 2018 carried forward</b>		<b>23,631</b>	<b>10,005</b>	<b>94</b>	<b>33,730</b>	<b>85,502</b>	<b>119,232</b>

# 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 2018 £000	31 March 2017 £000
Property, Plant and Equipment	13	125,608	118,847
Heritage Assets	14	6,636	6,608
Investment Property	15	80	110
Intangible Assets	16	277	359
Long-term Investments	19	591	575
Long-Term Debtors	17	552	558
<b>Long-Term Assets</b>		<b>133,744</b>	<b>127,057</b>
Short-term Investments	19	21,035	34,643
Assets Held for Sale		140	140
Inventories		103	156
Short-term Debtors	17	6,626	5,945
Cash and Cash Equivalents	18	16,791	13,799
<b>Current Assets</b>		<b>44,695</b>	<b>54,683</b>
Short-Term Creditors	20	(9,123)	(10,582)
Provisions	21	(1,393)	(1,308)
<b>Current Liabilities</b>		<b>(10,516)</b>	<b>(11,890)</b>
Provisions	21	(200)	(200)
Other Long-term Liabilities	33	(44,279)	(46,818)
Grants Receipts in Advance	29	(4,212)	(4,543)
<b>Long-Term Liabilities</b>		<b>(48,691)</b>	<b>(51,561)</b>
<b>NET ASSETS</b>		<b>119,232</b>	<b>118,289</b>
Usable Reserves		(33,730)	(36,518)
Unusable Reserves	22	(85,502)	(81,771)
<b>TOTAL RESERVES</b>		<b>(119,232)</b>	<b>(118,289)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018. These financial statements replace the unaudited financial statements certified by the S151 Officer on 31 May 2018.

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	2017/18 £000	2016/17 £000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		7,513	(1,001)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(8,445)	(1,743)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(1,326)	(659)
<b>Net cash flows from Operating Activities</b>		<b>(2,258)</b>	<b>(3,403)</b>
Investing Activities	24	(2,029)	(6,273)
Financing Activities	25	1,295	(776)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(2,992)</b>	<b>(10,452)</b>
Cash and cash equivalents at the beginning of the reporting period	18	(13,799)	(3,347)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	18	<b>(16,791)</b>	<b>(13,799)</b>

## Notes to the Core Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2018/19 Code.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

### **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 1<sup>st</sup> 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 25<sup>th</sup> 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 1<sup>st</sup> April 2011 the Council joined Forest Heath, Breckland and East Cambridge District Councils within the Anglia Revenues Partnership (ARP). The partnership was subsequently extended to include Fenland, Suffolk Coastal and Waveney District Councils with effect from 1<sup>st</sup> April 2015. 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 both 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 2018 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 £0.400m 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 pension liability of changes in individual assumptions can be measured.</p> <p>The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 9% increase in the employer's liability. In monetary terms this equates to around £15.345m.</p> <p>A 0.5% increase in the Salary increase rate would result in an additional 1% employer liability totalling approximately £1.933m.</p> <p>A 0.5% increase in the Pension increase rate would result in an additional 8% employer liability totalling approximately £13.225m.</p>
Arrears	At 31 March 2018, the Council had a sundry debt balance of £8.130m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2017/18 of £1.504m 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 £1.504m to be set aside as an allowance.

## 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

The Council purchased significant land and buildings during 2017/18 for both statutory and growth purposes.

Land at Hollow Road, Bury St Edmunds was purchased as part of the West Suffolk Operational Hub project as the new location of the West Suffolk depot in conjunction with Forest Heath District Council and Suffolk County Council. The cost of St Edmundsbury's investment in this site (land purchase) was £2.15m.

The Council also purchased 17-18 Cornhill, Bury St Edmunds (£1.69m) and a warehouse on Olding Road, Bury St Edmunds (£4.26m). These properties were purchased as part of the Council's commercial asset portfolio with a view to encouraging growth in the local area while providing additional revenues for the Council.

### Vehicles

During 2017/18 a fleet renewal programme was completed resulting in £1.5m of capital expenditure on various refuse vehicles, road sweepers and lawn mowers to enable the council to continue to deliver an effective service.

## Note 5 Events after the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Chief Financial Officer on 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



Haverhill Leisure Centre

# Notes to the Core Financial Statements

## Note 6 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Current Year - 2017/18	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustment (Note b)	Other differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Resources & Performance	4	(132)	327	<b>199</b>
Human Resources, Legal and Democratic	2	122	(60)	<b>64</b>
Families & Communities	142	142	(73)	<b>211</b>
Planning and Regulatory	346	174	8	<b>528</b>
Operations	7,793	663	(1,498)	<b>6,958</b>
Growth	1,291	88	50	<b>1,429</b>
<b>Net Cost of Services</b>	<b>9,578</b>	<b>1,057</b>	<b>(1,246)</b>	<b>9,389</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,054)	1,182	(1,968)	<b>(1,840)</b>
<b>Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services</b>	<b>8,524</b>	<b>2,239</b>	<b>(3,214)</b>	<b>7,549</b>

Previous Year - 2016/17	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustment (Note b)	Other differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Resources & Performance	40	(133)	6	<b>(87)</b>
Human Resources, Legal and Democratic	0	10	(23)	<b>(13)</b>
Families & Communities	338	12	149	<b>499</b>
Planning and Regulatory	342	17	(30)	<b>329</b>
Operations	2,699	66	(1,489)	<b>1,276</b>
Growth	78	8	(31)	<b>55</b>
<b>Net Cost of Services</b>	<b>3,497</b>	<b>(20)</b>	<b>(1,418)</b>	<b>2,059</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,692)	1,503	(2,711)	<b>(2,900)</b>
<b>Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services</b>	<b>1,805</b>	<b>1,483</b>	<b>(4,129)</b>	<b>(841)</b>

# Notes to the Core Financial Statements

## Note a - Adjustments for Capital Purposes

This column adds in depreciation and impairment, and revaluation gains and losses, in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing, ie Minimum Revenue Provision and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Note b – Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **Services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

## Note c – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

# Notes to the Core Financial Statements

## Note 7 Expenditure and Income Analysed by Nature

The council's expenditure and income incurred in the Provision of Services as shown in the Comprehensive Income and Expenditure Statement is analysed as follows:

	Note	2017/18 £000	2016/17 £000
<b>Expenditure</b>			
Employee benefits expenses		19,839	17,203
Other services expenses		11,295	11,397
Parish precept payments	10	2,025	1,865
Other third party payments *		5,684	3,492
Housing benefit payments		26,793	28,528
Depreciation, amortisation and revaluation	8	8,021	2,603
(Gain)/Loss on the disposal of assets	10	(759)	(1,459)
<b>Total Expenditure</b>		<b>72,898</b>	<b>63,629</b>
<b>Income</b>			
Fees, charges and other service income		(20,669)	(19,386)
Interest and investment income	11	(349)	(456)
Income from council tax	12	(8,726)	(8,380)
Income from business rates	29	(3,686)	(3,635)
Grants and contributions	29	(31,955)	(32,773)
<b>Total Income</b>		<b>(65,385)</b>	<b>(64,630)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>		<b>7,513</b>	<b>(1,001)</b>

\* Payments made to external bodies (including Suffolk County Council and Abbeycroft Leisure), in return for the provision of a service.

# Notes to the Core Financial Statements

## Note 8 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 2018 are as follows:

Current Year - 2017/18	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for Depreciation and Impairment of non-current assets	4,597	0	0	(4,597)
Revaluation gains/losses on Property, Plant and Equipment	3,308	0	0	(3,308)
Movements in the Market Value of Investment Properties	30	0	0	(30)
Amortisation of Intangible Assets	86	0	0	(86)
Capital Grants and Contributions applied	(2,294)	0	0	2,294
Revenue Expenditure funded from Capital under Statute	3,620	0	0	(3,620)
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	(759)	764	0	(5)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of Capital Investment	(65)	0	0	65
Capital Expenditure charged against the General Fund Balance	(1,949)	0	0	1,949
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(879)	879

Continued on the following page.

# Notes to the Core Financial Statements

Current Year - 2017/18 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(5,276)	0	5,276
Use of the Capital Receipts Reserve to finance new Capital Loans	0	(54)	0	54
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	39	0	(39)
Transfer to Capital Receipts Reserve upon receipt of capital loan repayments	0	24	0	(24)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	5,893	0	0	(5,893)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(3,655)	0	0	3,655
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	1,295	0	0	(1,295)
<b>Total Adjustments</b>	<b>10,107</b>	<b>(4,503)</b>	<b>(879)</b>	<b>(4,725)</b>



# Notes to the Core Financial Statements

The transactions for the year ended 31 March 2017 are as follows:

Prior Year - 2016/17	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for Depreciation and Impairment of non-current assets	3,950	0	0	(3,950)
Revaluation losses on Property, Plant and Equipment	(1,418)	0	0	1,418
Amortisation of Intangible Assets	71	0	0	(71)
Capital Grants and Contributions applied	(594)	0	136	458
Revenue Expenditure funded from Capital under Statute	1,254	0	0	(1,254)
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	(1,459)	1,466	0	(7)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Use of Revenue Reserves to finance new capital loans	(10)	0	0	10
Capital Expenditure charged against the General Fund Balance	(1,155)	0	0	1,155
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(85)	85

Continued on the following page.



# Notes to the Core Financial Statements

Prior Year - 2016/17 (continued)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(2,105)	0	2,105
Use of the Capital Receipts Reserve to finance new Capital Loans	0	(325)	0	325
Transfer from Deferred Capital Receipts Reserve upon receipt of Cash	0	45	0	(45)
Transfer to Capital Receipts Reserve upon receipt of capital loan repayments	0	31	0	(31)
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	4,363	0	0	(4,363)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(2,880)	0	0	2,880
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
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	(776)	0	0	776
<b>Total Adjustments</b>	<b>1,346</b>	<b>(888)</b>	<b>51</b>	<b>(509)</b>

# Notes to the Core Financial Statements

## Note 9 Transfers to / (from) Earmarked Reserves

General Fund Reserves	Balance at 1 April 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000
Strategic Priorities & MTFS	2,851	(602)	1,953	4,202	(1,672)	2,002	4,532
Invest to Save Reserve	1,060	(448)	904	1,516	(186)	1,367	2,697
Risk/Recession Reserve	103	0	365	468	0	0	468
BRR Equalisation Reserve	766	(177)	37	626	0	1,513	2,139
Self Insured Fund	232	(50)	50	232	(50)	50	232
Computer Equipment	297	0	73	370	(221)	105	254
Office Equipment	419	0	40	459	(75)	39	423
Section 106 - Public Service Village	44	0	21	65	(7)	21	79
HB Equalisation Reserve	1,729	(329)	16	1,416	(801)	0	615
Special Pension Reserve	317	(317)	0	0	0	0	0
Interest Equalisation Reserve	353	0	6	359	0	0	359
Professional Fees Reserve	65	(14)	120	171	(24)	70	217
ARP Reserve	74	(51)	405	428	0	63	491
Vehicle & Plant Renewal Fund	2,346	(427)	600	2,519	(1,511)	600	1,608
Wheeled Bins	261	0	80	341	(21)	80	400
Building Repairs Reserve	1,807	(1,337)	1,846	2,316	(1,157)	1,458	2,617
Industrial Rent Reserve	975	(110)	0	865	(110)	0	755
Commuted Maintenance	579	(100)	28	507	(96)	29	440
Museums - Gershom Parkington Bequest	539	(5)	18	552	(8)	16	560
Museums - Other	65	0	0	65	(65)	0	0
The Apex Reserve	18	(19)	20	19	(39)	20	0
Abbey Gardens Donation	40	(1)	0	39	0	0	39
Rural Areas Action Plan	64	(64)	0	0	0	0	0
Planning Reserve	68	(49)	90	109	(11)	90	188
Local Land Charges Reserve	101	(14)	7	94	(94)	0	0
EI-Historic Building Grants	1	(1)	0	0	0	0	0
S106 Monitoring Officer	3	(14)	20	9	1	38	48
Economic Development Reserve (LABGI)	46	(31)	9	24	(5)	0	19
Homelessness Legislation Reserve	123	(117)	97	103	(245)	322	180
S106 Revenue Reserve	8	0	28	36	(2)	0	34
Election Reserve	77	(15)	30	92	(25)	48	115
Investing in our Growth Agenda	0	0	0	0	(30)	1,000	970
Capital Project Financing Reserve	0	0	0	0	0	117	117
<b>Total</b>	<b>15,431</b>	<b>(4,292)</b>	<b>6,863</b>	<b>18,002</b>	<b>(6,454)</b>	<b>9,048</b>	<b>20,596</b>
<b>Net Movement in the year</b>				<b>2,571</b>			<b>2,594</b>

# Notes to the Core Financial Statements

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

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

*Invest to Save reserve* – 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 renewal fund* – is for the purchase of replacement vehicles and plant.

*Waste Management reserve* – is money set aside for the purchase of replacement bins and equipment 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.

*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.

# Notes to the Core Financial Statements

*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.

*Invest in our Growth Agenda reserve* – to support the delivery of the Council’s growth agenda.

*Capital Project Financing reserve* – to facilitate the capital financing requirements of the Council and to account for fluctuations and timing differences in the expected spend profile and project financing costs.

## **Note 10 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.

	2017/18 £000	2016/17 £000
Parish Council precepts	2,025	1,865
(Gains) / losses on the disposal of non-current assets	(759)	(1,459)
	<b>1,266</b>	<b>406</b>

# Notes to the Core Financial Statements

## Note 11 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”.

	2017/18 £000	2016/17 £000
Interest receivable and similar income	(349)	(456)
Interest transferred to other funds	2	3
Net interest on the net defined benefit liability asset	1,182	1,503
Income and expenditure in relation to investment properties and changes in their fair value	(4)	(4)
	<b>831</b>	<b>1,046</b>

## Note 12 Taxation and Non-Specific Grant Income

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

This includes the element of Council Tax collected attributable to the council, the amount of Non-Domestic Rates received from the national distribution under the 50% Business Rate Retention scheme, the amount of Revenue Support Grant received, other non-service related Government Grants and New Homes Bonus.

	2017/18 £000	2016/17 £000
Council tax Income	(8,726)	(8,380)
Non-domestic rates income and expenditure	(3,686)	(3,635)
Revenue Support Grant	(571)	(1,187)
Non-service related government grants	(121)	(150)
New Homes Bonus	(1,560)	(1,760)
Capital Grants and contributions	(231)	(233)
	<b>(14,895)</b>	<b>(15,345)</b>

# Notes to the Core Financial Statements

## Note 13 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 2017.

2016/17 - 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
<b><u>Cost or Valuation</u></b>								
<b>At 1 April 2016</b>	<b>1,499</b>	<b>97,116</b>	<b>10,313</b>	<b>2,235</b>	<b>267</b>	<b>1,195</b>	<b>798</b>	<b>113,423</b>
Additions	0	601	747	1,122	0	0	5	<b>2,475</b>
Revaluation increases recognised in the Revaluation Reserve	0	15,947	0	0	0	214	0	<b>16,161</b>
Revaluation (decreases) recognised in the Revaluation Reserve	0	(769)	0	0	0	0	0	<b>(769)</b>
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	1,461	0	0	0	0	0	<b>1,461</b>
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(646)	0	0	0	0	0	<b>(646)</b>
Derecognition - disposals	0	(8)	(1,033)	0	0	0	0	<b>(1,041)</b>
Assets reclassified (to) / from Assets Under Construction	0	543	240	0	0	0	(783)	<b>0</b>
<b>At 31 March 2017</b>	<b>1,499</b>	<b>114,245</b>	<b>10,267</b>	<b>3,357</b>	<b>267</b>	<b>1,409</b>	<b>20</b>	<b>131,064</b>

Continued on the following page.

# Notes to the Core Financial Statements

2016/17 - 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
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2016</b>	<b>(13)</b>	<b>(5,388)</b>	<b>(5,731)</b>	<b>(524)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,656)</b>
Depreciation Charge	(27)	(3,177)	(659)	(87)	0	0	0	<b>(3,950)</b>
Revaluation gains - depreciation written out to the Revaluation Reserve	0	1,697	0	0	0	0	0	<b>1,697</b>
Revaluation losses - depreciation written out to the Revaluation Reserve	0	55	0	0	0	0	0	<b>55</b>
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	547	0	0	0	0	0	<b>547</b>
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	57	0	0	0	0	0	<b>57</b>
Derecognition - disposals	0	0	1,033	0	0	0	0	<b>1,033</b>
<b>At 31 March 2017</b>	<b>(40)</b>	<b>(6,209)</b>	<b>(5,357)</b>	<b>(611)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12,217)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2017</b>	<b>1,459</b>	<b>108,036</b>	<b>4,910</b>	<b>2,746</b>	<b>267</b>	<b>1,409</b>	<b>20</b>	<b>118,847</b>
<b>At 31 March 2016</b>	<b>1,486</b>	<b>91,728</b>	<b>4,582</b>	<b>1,711</b>	<b>267</b>	<b>1,195</b>	<b>798</b>	<b>101,767</b>

# Notes to the Core Financial Statements

The note below details the movements on balances in the current financial year ended 31 March 2018.

2017/18 - 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
<b><u>Cost or Valuation</u></b>								
<b>At 1 April 2017</b>	<b>1,499</b>	<b>114,245</b>	<b>10,267</b>	<b>3,357</b>	<b>267</b>	<b>1,409</b>	<b>20</b>	<b>131,064</b>
Additions	0	8,354	1,805	277	0	0	572	<b>11,008</b>
Revaluation increases recognised in the Revaluation Reserve	0	3,449	0	0	146	634	0	<b>4,229</b>
Revaluation (decreases) recognised in the Revaluation Reserve	0	(1,176)	0	0	0	(189)	0	<b>(1,365)</b>
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	(16)	0	0	39	40	0	<b>63</b>
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(4,813)	0	0	0	0	0	<b>(4,813)</b>
Derecognition - disposals	0	0	(643)	0	0	0	0	<b>(643)</b>
Assets reclassified (to) / from Assets Under Construction	0	0	114	0	0	0	(114)	<b>0</b>
<b>At 31 March 2018</b>	<b>1,499</b>	<b>120,043</b>	<b>11,543</b>	<b>3,634</b>	<b>452</b>	<b>1,894</b>	<b>478</b>	<b>139,543</b>

Continued on the following page.

## **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 significant impairment losses in 2016/17 or 2017/18.



# Notes to the Core Financial Statements

2017/18 - 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
<b><u>Accumulated Depreciation and Impairment</u></b>								
At 1 April 2017	(40)	(6,209)	(5,357)	(611)	0	0	0	(12,217)
Depreciation Charge	(27)	(3,638)	(728)	(198)	0	(5)	0	(4,596)
Revaluation gains - depreciation written out to the Revaluation Reserve	0	507	0	0	0	0	0	507
Revaluation losses - depreciation written out to the Revaluation Reserve	0	286	0	0	0	5	0	291
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	211	0	0	0	0	0	211
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	1,231	0	0	0	0	0	1,231
Derecognition - disposals	0	0	638	0	0	0	0	638
<b>At 31 March 2018</b>	<b>(67)</b>	<b>(7,612)</b>	<b>(5,447)</b>	<b>(809)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(13,935)</b>
<b><u>Net Book Value</u></b>								
At 31 March 2018	1,432	112,431	6,096	2,825	452	1,894	478	125,608
At 31 March 2017	1,459	108,036	4,910	2,746	267	1,409	20	118,847

## Capital Commitments

At 31 March 2018, the Council had the following capital commitments:

### West Suffolk Operational Hub (WSOH) - £2.79m

The WSOH is a combined waste and street scene facility to service West Suffolk being constructed on the outskirts of Bury St Edmunds at Hollow Road Farm. It will comprise a depot facility including offices, workshops and vehicle stabling, a waste transfer station and a household waste recycling centre. The project is a joint project between Suffolk County Council, St Edmundsbury Borough Council and Forest Heath District Council and the facility is due to be completed at the end of 2019.

A letter of intent was issued to Morgan Sindall for the design and construction of the WSOH on 9 March 2018.

# Notes to the Core Financial Statements

The contract is between Suffolk County Council and Morgan Sindall, but Forest Heath District Council and St Edmundsbury Borough Council have a nexus to the contract via a Procurement Agreement between the three councils. The contract sum is currently £22,720,550. The split on this is:-

Suffolk County Council - £10,512,798  
 St Edmundsbury Borough Council - £9,417,060  
 Forest Heath District Council - £2,790,692

## 20 The High Street, Haverhill

As at 31st March 2018 the Council had committed to the purchase of 20 The High Street, Haverhill for £1.87m plus stamp duty land tax. The sale completed in April 2018.

### 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 for 2017/18 were prepared by Wilks, Head & Eve 3<sup>rd</sup> Floor, 55 New Oxford Street, London WC1A 1BS.

Valuations from 2014 to 2017 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	2,314	6,096	2,825	267	0	478	11,980
<b>Valued at fair value as at:</b>								
31 January 2018*	0	18,835	0	0	185	1,894	0	20,914
31 March 2017	0	31,861	0	0	0	0	0	31,861
31 March 2016	772	22,606	0	0	0	0	0	23,378
31 March 2015	660	35,801	0	0	0	0	0	36,461
31 March 2014	0	1,014	0	0	0	0	0	1,014
<b>Total Net Book Value</b>	<b>1,432</b>	<b>112,431</b>	<b>6,096</b>	<b>2,825</b>	<b>452</b>	<b>1,894</b>	<b>478</b>	<b>125,608</b>

\*From the 2017/18 Statement of Accounts onwards the Council is required to produce the statements 1 month earlier, by 31 May. In order to facilitate this the Council has brought forward its asset valuations from 31 March to 31 January. A 'Letter of Comfort' is then provided by the Valuer confirming if the value of those assets is materially different as at 31 March.

# 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 2018 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 2018 £000
Development Land	0	1,894	0	1,894
Unoccupied Commercial Property	0	0	0	0
<b>Total</b>	<b>0</b>	<b>1,894</b>	<b>0</b>	<b>1,894</b>

## 2016/17 Comparative Figures

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 2017 £000
Development Land	0	1,260	0	1,260
Unoccupied Commercial Property	0	149	0	149
<b>Total</b>	<b>0</b>	<b>1,409</b>	<b>0</b>	<b>1,409</b>

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 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 £000	Horology £000	Civic Insignia £000	Total Assets £000
<b>Cost or Valuation</b>				
At 1 April 2016	3,393	2,682	533	<b>6,608</b>
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Depreciation	0	0	0	<b>0</b>
Revaluations - depreciation adjustment	0	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>3,393</b>	<b>2,682</b>	<b>533</b>	<b>6,608</b>
At 1 April 2017	3,393	2,682	533	<b>6,608</b>
Acquisitions	28	0	0	<b>28</b>
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Depreciation	0	0	0	<b>0</b>
Revaluations - depreciation adjustment	0	0	0	<b>0</b>
<b>At 31 March 2018</b>	<b>3,421</b>	<b>2,682</b>	<b>533</b>	<b>6,636</b>

**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

St Edmundsbury Borough Council added the "Drinkstone Aestal" to its collection of Heritage assets during 2017/18 at a cost of £27,500. This was entirely funded from third party grants.

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.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
<b>Valuations for illustrative purposes</b>					
Fine and Decorative Art	3,393	3,393	3,393	3,393	3,421
Horology	2,682	2,682	2,682	2,682	2,682
Civic Insignia	533	533	533	533	533
<b>Total Heritage Assets</b>	<b>6,608</b>	<b>6,608</b>	<b>6,608</b>	<b>6,608</b>	<b>6,636</b>

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 15 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'.

	2017/18	2016/17
	£000	£000
Income from Investment Properties (including net gain / loss from fair value adjustments)	(4)	(4)
<b>Net (gain) / loss</b>	<b>(4)</b>	<b>(4)</b>

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:

	2017/18	2016/17
	£000	£000
<b>Balance at 1 April</b>	<b>110</b>	<b>110</b>
Net gains / (Losses) from fair value adjustments	(30)	0
<b>Balance at 31 March</b>	<b>80</b>	<b>110</b>

# 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 31 March 2018 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 2018 £000
Development Land	0	80	0	80
<b>Total</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>80</b>

## 2016/17 Comparative Figures

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 2017 £000
Development Land	0	110	0	110
<b>Total</b>	<b>0</b>	<b>110</b>	<b>0</b>	<b>110</b>

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 16 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 £0.085m charged to revenue in 2017/18 was charged to the owner service in the Net Expenditure of Services.

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

	2017/18 Purchased Assets £000	2016/17 Purchased Assets £000
<b>Balance at 1 April</b>		
- Gross carrying amounts	632	559
- Accumulated amortisation	(273)	(202)
<b>Net carrying amount at start of year</b>	<b>359</b>	<b>357</b>
Additions:		
- Purchases	3	73
- Assets written on during the year	0	0
Other disposals	(32)	0
Revaluation increases or decreases	0	0
Impairment losses recognised/reversed directly in the Revaluation Reserve	0	0
Amortisation for the period	(85)	(71)
Amortisation written out on disposal	32	0
<b>Net carrying amount at 31 March</b>	<b>277</b>	<b>359</b>
<b>Comprising:</b>		
- Gross carrying amounts	604	632
- Accumulated amortisation	(327)	(273)
	<b>277</b>	<b>359</b>

# Notes to the Core Financial Statements

## Note 17 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 2018	31 March 2017
	£000	£000
Central Government Bodies	621	764
Other Local Authorities	2,640	1,271
Housing Associations	663	1,466
Council Tax / Business Rate Payers and Housing Benefit Debtors	1,654	2,167
Trade Debtors and Other Entities and Individuals	1,048	277
<b>Total Short-term Debtors</b>	<b>6,626</b>	<b>5,945</b>

### Long Term Debtors

	31 March 2018	31 March 2017
	£000	£000
Car leasing scheme	33	30
Deferred sale of surplus properties	7	19
Mortgages and long term loans	512	509
<b>Total Long-term Debtors</b>	<b>552</b>	<b>558</b>

## Note 18 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 2018	31 March 2017
	£000	£000
Cash Held by the Council	4	6
Bank Current Accounts	10,283	5,792
Short Term Deposits with Clearing Banks & Building Societies	6,504	8,001
<b>Total Cash and Cash Equivalents</b>	<b>16,791</b>	<b>13,799</b>



# Notes to the Core Financial Statements

## Note 19 Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables				
- Money market loans (Long-term & Short-term Investments)	591	575	21,035	34,643
- Cash & Cash Equivalents	0	0	16,791	13,799
<b>Total investments</b>	<b>591</b>	<b>575</b>	<b>37,826</b>	<b>48,442</b>
<b>Debtors</b>				
Loans and receivables	519	528	0	0
Financial assets carried at contract amounts	0	0	1,292	1,642
<b>Total debtors</b>	<b>519</b>	<b>528</b>	<b>1,292</b>	<b>1,642</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	3,021	2,777
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>3,021</b>	<b>2,777</b>

### 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%.

This loan was repaid in full in 2017/18

#### *Loan to Haverhill Community Sports Association for the provision of a third generation artificial pitch*

The loan to Haverhill Community Sports Association granted in 2016/17 towards the cost of building a 3G artificial pitch in Haverhill is deemed to be a soft loan – the loan is at a rate of 2.5% above base rate or 8% whichever is lower.

# Notes to the Core Financial Statements

	Abbeycroft Leisure	Haverhill Community Sports Association	Total
	£000	£000	£000
<b>Balance of outstanding loans granted as at 1 April 2017</b>	<b>24</b>	<b>300</b>	<b>324</b>
Loans advanced in 2017/18	0		0
Loans repaid in 2017/18	(24)	0	(24)
<b>Balance at 31 March 2018</b>	<b>0</b>	<b>300</b>	<b>300</b>

## 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 1.20% and 1.53% for Abbeycroft Leisure and Haverhill Community Sports Association respectively. The additional allowance for the risk of default is 2.5% for both loans.

## 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.

	2017/18				2016/17			
	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	(347)	0	(347)	0	(453)	0	(453)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(453)</b>
Gains on revaluation	0	0	0	0	0	0	0	0
Losses on revaluation	0	0	0	0	0	0	0	0
<b>(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (gains) / loss for the year</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(453)</b>

# 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 2018		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	3,021	3,021	2,777	2,777
<b>Total liabilities</b>	<b>3,021</b>	<b>3,021</b>	<b>2,777</b>	<b>2,777</b>
Money market loans:				
- Short-term investments	21,035	21,036	34,643	34,689
- Long-term investments	591	591	575	575
Cash & Cash Equivalents	16,791	16,792	13,799	13,799
Financial assets (debtors)	1,292	1,292	1,642	1,642
Loans and Receivables	519	519	528	528
<b>Total assets</b>	<b>40,228</b>	<b>40,230</b>	<b>51,187</b>	<b>51,233</b>

In overall terms, the fair value of the investments is £0.002m more than the book value at 31 March 2018.

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 2018) 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 17 and Note 20.

# Notes to the Core Financial Statements

## Note 20 Creditors

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

	31 March 2018	31 March 2017
	£000	£000
Central Government Bodies	963	2,167
Other Local Authorities	3,703	4,484
Trade Creditors	2,188	1,596
Receipts in Advance	1,436	1,348
Other Entities and Individuals	833	987
<b>Total Short-term Creditors</b>	<b>9,123</b>	<b>10,582</b>

## Note 21 Provisions

The table below shows the movements in the Council's provisions during the 2017/18 financial year:

	Long Term Provision	Short Term Provision
	£000	£000
<b>Balance as at 1 April 2017</b>	<b>(200)</b>	<b>(1,308)</b>
Additional Provisions made in 2017/18	0	(1,124)
Amounts used in 2017/18	0	1,039
<b>Balance as at 31st March 2018</b>	<b>(200)</b>	<b>(1,393)</b>

### Long term provisions

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

### Short term provisions

The provision of £1,393k is composed of:

- £199k relating to a structural defect claim in respect of a previously owned asset
- £1,194k 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 2018. St Edmundsbury has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

# Notes to the Core Financial Statements

## Note 22 Unusable Reserves

The balances on the Council's unusable reserves as at 31 March 2018 are as follows:

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	47,849	45,811
Available for Sale Financial Instruments Reserve	540	524
Capital Adjustment Account	81,918	81,446
Pensions Reserve	(44,279)	(46,818)
Deferred Capital Receipts Reserve	131	170
Collection Fund Adjustment Account	(457)	838
Accumulated Absences Account	(200)	(200)
<b>Total Unusable Reserves</b>	<b>85,502</b>	<b>81,771</b>

### 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>45,811</b>	<b>29,749</b>
Upward revaluation of Assets	4,737	17,858
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,074)	(714)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service</b>	<b>3,663</b>	<b>17,144</b>
Difference between fair value depreciation and historical cost depreciation	(1,625)	(1,074)
Accumulated gains on assets sold or scrapped	0	(8)
<b>Balance at 31 March</b>	<b>47,849</b>	<b>45,811</b>

# 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>524</b>	<b>413</b>
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	16	111
<b>Balance at 31 March</b>	<b>540</b>	<b>524</b>

## [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 2018 £000	31 March 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>		<b>81,446</b>	<b>80,121</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>			
- Charges for depreciation and impairment of non-current assets	(4,597)		(3,950)
- Revaluation gains/(losses) on Property, Plant and Equipment	(3,308)		1,418
- Amortisation of Intangible Assets	(86)		(71)
- Revenue expenditure funded from capital under statute	(3,620)		(1,254)
- 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	(5)		(7)
		<b>(11,616)</b>	<b>(3,864)</b>
Adjusting amounts written out of the Revaluation Reserve		1,625	1,082
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(9,991)</b>	<b>(2,782)</b>
<b>Capital Financing applied in the year:</b>			
- Use of the Capital Receipts Reserve to finance new capital expenditure	5,276		2,105
- Use of the Capital Receipts Reserve to finance new capital loans	54		325
- Use of Revenue Reserves to finance new capital loans	0		10
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	2,294		458
- Application of grants to capital financing from the Capital Grants Unapplied Account	879		85
Capital Expenditure charged against the General Fund Balance	1,949		1,155
		<b>10,452</b>	<b>4,138</b>
Minimum Revenue Provision		65	0
Loan Principal Repayments		(24)	(31)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(30)	0
<b>Balance at 31 March</b>		<b>81,918</b>	<b>81,446</b>

# 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>(46,818)</b>	<b>(43,008)</b>
Remeasurements of the net defined benefit liability / (asset)	4,777	(2,327)
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	(5,893)	(4,363)
Employer's pensions contributions and direct payments to pensioners payable in the year	3,655	2,880
<b>Balance at 31 March</b>	<b>(44,279)</b>	<b>(46,818)</b>

## 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>170</b>	<b>215</b>
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Loan Principal Repayments	(39)	(45)
<b>Balance at 31 March</b>	<b>131</b>	<b>170</b>



# 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>838</b>	<b>62</b>
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	(142)	(57)
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	(1,153)	833
<b>Balance at 31 March</b>	<b>(457)</b>	<b>838</b>

## 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 2018 £000	31 March 2017 £000
<b>Balance at 1 April</b>	<b>(200)</b>	<b>(200)</b>
<b>Balance at 31 March</b>	<b>(200)</b>	<b>(200)</b>

# Notes to the Core Financial Statements

## Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2017/18	2016/17
	£000	£000
Interest received	(349)	(456)
	<b>(349)</b>	<b>(456)</b>

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

	2017/18	2016/17
	£000	£000
Depreciation	(4,597)	(3,950)
Amortisation	(86)	(71)
Impairment and upward / (downward) valuations	(3,308)	1,418
(Increase) / decrease in Revenue Creditors	926	(782)
(Increase) / decrease in Provisions	(84)	267
Increase / (decrease) in Revenue Debtors and Payments in Advance	1,560	614
Increase / (decrease) in Inventories	(52)	9
Movement in Pensions Liability	(2,238)	(1,483)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	759	1,459
Movement in investment property values	(30)	0
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,295)	776
	<b>(8,445)</b>	<b>(1,743)</b>

# 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:

	2017/18	2016/17
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	2,294	594
Any other items for which the cash effects are investing or financing cash flows	(3,620)	(1,253)
	<b>(1,326)</b>	<b>(659)</b>

## Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2017/18	2016/17
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	11,571	1,711
Purchase of short-term and long-term investments	(13,259)	(7,053)
Other payments for investing activities	3,620	1,405
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,649)	(1,205)
Proceeds from short-term and long-term investments	(349)	(456)
Other receipts from investing activities	(1,963)	(675)
<b>Net cash flows from investing activities</b>	<b>(2,029)</b>	<b>(6,273)</b>

## Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2017/18	2016/17
	£000	£000
Billing authorities - council tax and national non-domestic rates adjustments	1,295	(776)
<b>Net cash flows from Financing activities</b>	<b>1,295</b>	<b>(776)</b>

# Notes to the Core Financial Statements

## Note 26 Trading Operations

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

		2017/18	2017/18	2016/17	2016/17
		£000	£000	£000	£000
<b><u>Industrial, Business Units &amp; Shops</u></b>	Turnover	(2,919)		(2,760)	
	Expenditure	1,597		1,442	
	<b>(Surplus) / Deficit</b>		<b>(1,322)</b>		<b>(1,318)</b>
<b><u>Trade Refuse</u></b>	Turnover	(1,851)		(1,562)	
	Expenditure	1,558		1,336	
	<b>(Surplus) / Deficit</b>		<b>(293)</b>		<b>(226)</b>
<b><u>Markets</u></b>	Turnover	(389)		(392)	
	Expenditure	338		344	
	<b>(Surplus) / Deficit</b>		<b>(51)</b>		<b>(48)</b>
<b>Net Surplus on Trading Operations</b>			<b>(1,666)</b>		<b>(1,592)</b>

### Industrial and Business Sites

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

### Trade Refuse

The Council operates a Trade Refuse service on a commercial basis. The objective of this service is to break even as a minimum, and to generate a trading surplus where possible to reinvest into supporting the delivery of council services.

### Markets

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

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The income and expenditure of these operations are allocated to headings in the Cost of Services.

# Notes to the Core Financial Statements

## Note 27 Members Allowances

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

	2017/18 £000	2016/17 £000
Allowances	309	308
Expenses	24	24
<b>Total Members Allowances and Expenses</b>	<b>333</b>	<b>332</b>

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](http://www.westsuffolk.gov.uk)



Stanton Windmill

# 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 £	Compens- ation for Loss of Office £	Total £
<b>Chief Executive</b>	<b>2017/18</b>	<b>121,091</b>	<b>0</b>	<b>5,362</b>	<b>33,203</b>	<b>0</b>	<b>159,656</b>
	2016/17	129,066	0	5,317	32,824	0	167,207
<b>Director</b>	<b>2017/18</b>	<b>84,688</b>	<b>0</b>	<b>3,380</b>	<b>23,221</b>	<b>0</b>	<b>111,289</b>
	2016/17	83,804	0	2,677	21,452	0	107,933
<b>Director</b>	<b>2017/18</b>	<b>82,922</b>	<b>0</b>	<b>1,487</b>	<b>22,737</b>	<b>0</b>	<b>107,146</b>
	2016/17	79,494	0	1,742	20,348	0	101,584
<b>Assistant Director HR, Legal &amp; Democratic (from 01/02/2017)</b>	<b>2017/18</b>	<b>76,137</b>	<b>0</b>	<b>4,412</b>	<b>20,467</b>	<b>0</b>	<b>101,016</b>
	2016/17	12,163	0	554	2,977	0	15,694
	Head of HR, Legal & Democratic Services (to 31/01/2017)	2016/17	56,871	0	2,771	14,557	0
<b>Assistant Director Families and Communities (form 01/02/2017)</b>	<b>2017/18</b>	<b>74,383</b>	<b>963</b>	<b>0</b>	<b>20,529</b>	<b>0</b>	<b>95,875</b>
	2016/17	12,163	207	0	2,977	0	15,347
	Head of Families and Communities (to 31/01/2017)	2016/17	56,871	1,033	0	14,557	0
<b>Assistant Director Operations (from 01/02/2017)</b>	<b>2017/18</b>	<b>74,158</b>	<b>0</b>	<b>4,711</b>	<b>20,334</b>	<b>0</b>	<b>99,203</b>
	2016/17	12,163	0	725	3,113	0	16,001
	Head of Operations (to 31/01/2017)	2016/17	61,215	0	3,627	15,669	0
<b>Assistant Director Growth (new post from 01/02/2017)</b>	<b>2017/18</b>	<b>66,732</b>	<b>579</b>	<b>2,162</b>	<b>18,298</b>	<b>0</b>	<b>87,771</b>
	2016/17	0	0	0	0	0	0

#### Note – S151 Officer:

Under the council's shared service arrangement with Forest Heath District Council, some senior officers are employed directly by that council, including the statutory post of S151 Officer. Details of their remuneration are not included in the table above but have been disclosed in the accounts of Forest Heath District Council. Further information regarding the shared management arrangement is also given later in this note, in the section entitled "Shared Service Leadership Team (LT)".

#### 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



# Notes to the Core Financial Statements

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	2017/18 Number of Employees	2016/17 Number of Employees
£50,000 to £54,999	7	8
£55,000 to £59,999	7	4

## 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 2014/15, 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.

In 2016/17, a review of the Councils' Leadership Team took place to ensure the alignment of capacity with the changing and emerging projects and challenges facing the Councils. The new Leadership Team remained the same size in terms of posts but the capacity and skills base for the leadership of Growth and of Planning was increased whilst Housing was reviewed to reflect the changes in the delivery of the service. The new structure of 2 Directors and 6 Assistant Directors shared across the two councils was implemented fully following a recruitment process in June 2017. There are no longer any Heads of Service roles.

All payments made to enable these changes were in line with the Council's HR policies and procedures, and the Local Government Pension Scheme regulations.

The post-holders continue to be employed by the authority which employed them prior to the introduction of the shared LT and the remuneration details above relate only to those staff employed by St Edmundsbury Borough Council. The remuneration details of the staff employed by Forest Heath District Council are disclosed in that Council's Statement of Accounts.

Details of the total cost of the LT (inclusive of salary, national insurance and pension contributions) are set out in the table below. The table shows how the council was reimbursed by FHDC for its share of relevant employee costs.

# Notes to the Core Financial Statements

Shared Leadership Team (LT)	Note	2017/18	2017/18	2016/17	2016/17
		SEBC Cost £	FHDC Cost £	SEBC Cost £	FHDC Cost £
<b>Chief Executive</b>		<b>169,878</b>		178,582	
<b>Director</b>		<b>118,470</b>		115,701	
<b>Director</b>		<b>115,975</b>		109,693	
Head of Resources and Performance (S151 Officer)	1		<b>0</b>		80,890
<b>Assistant Director Resources and Performance (S151 Officer)</b>	2		<b>107,620</b>		17,140
Head of HR, Legal & Democratic Service	1	<b>0</b>		78,344	
<b>Assistant Director HR, Legal &amp; Democratic Service</b>	2	<b>103,946</b>		16,632	
Head of Families and Communities	1	<b>0</b>		78,486	
<b>Assistant Director Families and Communities</b>	2	<b>104,123</b>		16,660	
Head of Operations	1	<b>0</b>		84,399	
<b>Assistant Director Operations</b>	2	<b>103,599</b>		16,768	
Head of Planning and Growth	3		<b>0</b>		59,143
Temporary Head of Planning	4		<b>0</b>		15,197
<b>Assistant Director Planning and Regulatory</b>	3		<b>86,631</b>		0
<b>Assistant Director Growth</b>	3	<b>93,194</b>		0	
Head of Housing	5		<b>0</b>		65,233
<b>Total expenditure included in Officers' Remuneration disclosure</b>		<b>809,185</b>	<b>194,251</b>	695,265	237,603
<b>Net adjustment between the councils</b>		<b>-307,467</b>	<b>307,467</b>	-228,831	228,831
<b>Expenditure included in the Comprehensive Income and Expenditure Statement</b>		<b>501,718</b>	<b>501,718</b>	466,434	466,434

## Notes on the Shared Leadership Team:

- 1 The posts of Head of Resources and Performance (S151 Officer), Head of HR, Legal & Democratic Services, Head of Families and Communities, and Head of Operations were disestablished with effect from 31 January 2017.
- 2 The posts of Assistant Director Resources and Performance (S151 Officer), Assistant Director HR, Legal & Democratic Services, Assistant Director Families and Communities, and Assistant Director Operations were created with effect from 1 February 2017.
- 3 The post of Head of Planning and Growth was disestablished with effect from 31 January 2017 and replaced with the posts of Assistant Director Planning & Regulatory, and Assistant Director Growth from 1 February 2017. The 2 Assistant Director posts were not filled during 2016/17.



# Notes to the Core Financial Statements

- 4 The Temporary Head of Planning post replaced the Head of Planning & Growth post with effect from 7 November 2016 and was disestablished with effect from 31 January 2017.
- 5 The post of Head of Housing was disestablished with effect from 31 December 2016.

## 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	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	Nos	Nos	Nos	Nos	Nos	Nos	£	£
£0 - £20,000	0	3	0	2	0	5	0	26,111
£20,001 - £40,000	1	1	0	0	1	1	30,153	20,356
<b>Total</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>30,153</b>	<b>46,467</b>

## Termination Benefits

The Council terminated the contracts of 1 employee in 2017/18 with termination payments of £30k in total (2016/17 £46k).

The total cost of £30k in the table above is the gross amount of exit packages paid by the Authority to its employees. This total cost includes £30k for exit packages that have been committed to as part of the Council's Shared Services agenda with Forest Heath DC, of which £11k was recharged to Forest Heath DC on an agreed cost sharing basis. 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 £19k.

# 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 2017/18:

	2017/18 £000	2016/17 £000
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
<b>Non-ringfenced Government Grants</b>		
Revenue Support Grant	571	1,187
National Non-domestic Rates	3,686	3,635
New Homes Bonus	1,560	1,760
Non-service related government grants	121	150
<b>Capital Grants and Contributions</b>		
Other Grants and contributions	231	233
<b>Total credited to Taxation and Non-specific Grant Income and Expenditure</b>	<b>6,169</b>	<b>6,965</b>
<b>Credited to Services</b>		
<b>Revenue Grants and Contributions</b>		
Housing Benefits Subsidy	26,468	28,328
Housing Benefits and Council Tax Administration Subsidy	444	431
National Non-domestic Rates Administration Grant	158	162
Other Grants and Contributions	339	161
<b>Capital Grants and Contributions</b>		
Growth Area Grant	1,757	0
S106 Grants	87	0
Disabled Facilities Grant	219	361
<b>Total credited to services</b>	<b>29,472</b>	<b>29,443</b>

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:

	2017/18 £000	2016/17 £000
<b>Capital Grants and Contributions Received in Advance</b>		
Growth Area Initiative Grant (DCLG)	993	2,751
Other Grants	1,780	734
Developer Contribution - ASDA	502	535
Developer Contribution - Centros Miller	63	66
Developer Contributions - Other	874	457
<b>Total</b>	<b>4,212</b>	<b>4,543</b>

# 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 12 - Taxation and Non Specific Grant Income and Note 29 - Grant Income.

### **Forest Heath District Council**

St Edmundsbury Borough Council and Forest Heath District Council 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 2014/15, resulting in a further reduction in the number of Heads of Service and a strengthening in the service management level below LT. In 2016/17 the Heads of Service were replaced with Assistant Directors. Further information relating to the shared Leadership Team is available in Note 28 - Officers Remuneration.

During 2017/18, the councils made representations to central government to form a new West Suffolk council to replace the existing Forest Heath District and St Edmundsbury Borough. This has received support from the Secretary of State for the Ministry of Housing, Communities and Local Government, and both councils will now be working towards implementing the change by the May 2019 elections. The proposal, which will drive prosperity, jobs and meet future challenges, is expected to generate around £800,000 in savings and efficiencies, and help protect the additional £4 million of annual savings already produced by sharing services

### **Members and Senior Staff**

Members of the Council have direct control over its financial and operating policies. The total of members' allowances paid in 2017/18 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' declarations 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
- Breaking New Ground Board (previously Brecks Partnership)
- Bury St Edmunds Volunteer Centre – Management Committee
- Dedham Vale and Stour Valley
- District Councils' Network
- Destination Management Organisation (DMO) Bury St Edmunds
- 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 General Assembly
- 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)

# Notes to the Core Financial Statements

- 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
- 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
- Western Suffolk Community Safety Partnership
- Verse Facilities Management Ltd

During 2017/18 the Council made grant payments totalling £262k (2016/17 - £268k) to organisations on which members served. Transactions with Barley Homes (Group) and Verse Facilities are disclosed separately below.

During 2017/18 there were transactions of a material nature, to either the Council or related third parties involving members of the Council serving in a personal capacity, amounting to £15k (2016/17 – Nil).

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 Trading Limited

ARP Trading Limited (ARPT) was set up in 2006 as a joint venture company by Forest Heath District Council and Breckland District Council. The main business of the entity being the provision of revenue and benefits services.

With effect from 1 April 2015, Forest Heath and Breckland along with 5 other councils have been part of a joint committee who have together formed the Anglia Revenues Partnership. It was decided to extend the shareholding of ARPT to these 5 councils: St Edmundsbury, Fenland, East Cambridgeshire, Suffolk Coastal and Waveney.

The shareholding agreement was signed off on 25 January 2017 with issued share capital of £1,750 (ie £250 per council). There are a maximum of 7 directors (one per council), each with equal voting rights. The remaining profit in the company at that date was distributed to Forest Heath and Breckland.

The company will be financed initially by the proceeds of the share subscriptions and by loans made to it on 25 January 2017 by each of the shareholders (£10,000 each). There have been no further financial transactions during 2016/17 or 2017/18 and, as at 31 March 2018, the company has not yet commenced trading.

The results of the company are shown in the table below:

	2017/18	2016/17
	£000	£000
<b>ARP Trading Ltd - Results Statement</b>		
Turnover	8	0
(Profit) / Loss on Ordinary Activities before Taxation	(2)	1
(Profit) / Loss on Ordinary Activities after Taxation	(2)	1
Net Assets	2	(1)

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

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

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

# Notes to the Core Financial Statements

## 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:

	2017/18	2016/17
	£000	£000
<b>Income and expenditure in respect of related party transactions during the year</b>		
Expenses	1,396	1,514
Income	(111)	(134)
	<b>1,285</b>	<b>1,380</b>

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

[www.angliarevenues.gov.uk](http://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 £172,000 was paid to the trust in 2017/18 compared to £212,000 in 2016/17.

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 2018 was £nil.

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.

Going forward, the council and Abbeycroft Leisure are currently in the process of determining a new 15 year management agreement.

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.

# Notes to the Core Financial Statements

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

[www.acleisure.com](http://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 £49,322k in 2017/18 (£47,261k in 2016/17) on their behalf. At 31 March 2018 the Council held council tax creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £467k (£1,358k in 2016/17).

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 2017/18 was £334k (2016/17 £453k).

## 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:

	2017/18	2016/17
	£000	£000
<b>Verse Facilities Management Ltd - Results Statement</b>		
Turnover	1,279	1,107
Profit on Ordinary Activities before Taxation	110	80
Profit on Ordinary Activities after Taxation	89	80
Net Assets	89	80

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



# Notes to the Core Financial Statements

## 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, which was incorporated on 15 March 2016, will act commercially, building homes for sale and private rent (including delivering housing schemes 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.

On 27 January 2017, St Edmundsbury advanced a loan of £25,000 to the company. During 2017/18 a further £53,750 was advanced giving a total loan of £78,750. This loan is reflected in the council's accounts. There were no other financial transactions during 2017/18.



Haverhill Football Project

# 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.

	2017/18 Purchased Assets £000	2016/17 Purchased Assets £000
<b>Opening Capital Financing Requirement</b>	<b>(833)</b>	<b>(833)</b>
<b>Capital investment</b>		
Property, Plant and Equipment	11,008	2,475
Heritage Assets	28	0
Investment Properties	0	0
Intangible Assets	3	74
Revenue expenditure funded from capital under statute	3,620	1,254
Long Term Investments - Purchase of Shares	0	0
Loans and advances treated as capital expenditure	54	335
Loans repaid to capital	(24)	(31)
<b>Sources of Finance</b>		
Capital receipts	(5,306)	(2,399)
Government grants and other contributions	(3,173)	(543)
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(1,949)	(1,165)
Minimum Revenue Provision	(65)	0
<b>Closing Capital Financing Requirement</b>	<b>3,363</b>	<b>(833)</b>
<b>Explanation of movements in year</b>		
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)	4,196	0
	<b>4,196</b>	<b>0</b>



# 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:

	2017/18	2016/17
	£000	£000
Not later than one year	3,037	2,423
Later than one year and not later than five years	9,530	7,528
Later than five years	85,504	89,697
<b>Balance as at 31 March carried forward</b>	<b>98,071</b>	<b>99,648</b>



Abbey Gardens, Bury St. Edmunds

# 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	2017/18		2016/17	
	Percentage Contribution	Salary Range	Percentage Contribution	Salary Range
1	5.5%	Up to £13,700	5.5%	Up to £13,600
2	5.8%	£13,701 to £21,400	5.8%	£13,601 to £21,200
3	6.5%	£21,401 to £34,700	6.5%	£21,201 to £34,400
4	6.8%	£34,701 to £43,900	6.8%	£34,401 to £43,500
5	8.5%	£43,901 to £61,300	8.5%	£43,501 to £60,700
6	9.9%	£61,301 to £86,800	9.9%	£60,701 to £86,000
7	10.5%	£86,801 to £102,200	10.5%	£86,001 to £101,200
8	11.4%	£102,201 to £153,300	11.4%	£101,201 to £151,800
9	12.5%	Over £153,300	12.5%	Over £151,800

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](http://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](http://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:

	2017/18	2016/17
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
<b>Service Cost Comprising:</b>		
- current service cost	4,701	2,849
- past service costs (including curtailments)	10	11
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	1,182	1,503
<b>Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>5,893</b>	<b>4,363</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(1,745)	(14,853)
- Actuarial gains and losses arising on changes in demographic assumptions	0	(1,429)
- Actuarial gains and losses arising on changes in financial assumptions	(2,952)	24,543
- Other (if applicable)	(80)	(5,934)
Sub-total: Actuarial gains and losses	(4,777)	2,327
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,116</b>	<b>6,690</b>
<b>Movement in Reserves Statement</b>		
- 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	(5,893)	(4,363)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>(4,777)</b>	<b>2,327</b>
Employers' contributions payable to scheme	3,655	2,880

# 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:

	2017/18	2016/17
	£000	£000
Present value of the defined benefit obligation	(169,258)	(167,853)
Fair value of plan assets	124,979	121,035
<b>Net liability arising from defined benefit obligation</b>	<b>(44,279)</b>	<b>(46,818)</b>

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

	2017/18	2016/17
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>121,035</b>	<b>104,170</b>
Interest income	3,014	3,616
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	1,745	14,853
Contributions from employer	3,546	2,760
Contributions from employees into the scheme	768	723
Contributions in respect of unfunded benefits	109	120
Benefits paid	(5,129)	(5,087)
Unfunded benefits paid	(109)	(120)
<b>Closing fair value of scheme assets</b>	<b>124,979</b>	<b>121,035</b>



# Notes to the Core Financial Statements

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

	2017/18	2016/17
	£000	£000
<b>Opening balance at 1 April</b>	<b>167,853</b>	<b>147,178</b>
Current service cost	4,701	2,849
Interest cost	4,196	5,119
Contributions from scheme participants	768	723
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	0	(1,429)
- Actuarial gains / losses arising from changes in financial assumptions	(2,952)	24,543
- Other (if applicable)	(80)	(5,934)
Past service cost	10	11
Benefits paid	(5,129)	(5,087)
Unfunded benefits paid	(109)	(120)
<b>Closing fair value of scheme liabilities</b>	<b>169,258</b>	<b>167,853</b>



East Town Park, Haverhill

# Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

Asset Category	2017/18	2017/18	2017/18	2017/18	2016/17	2016/17	2016/17	2016/17
	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 %
<b><u>Equity Securities:</u></b>								
- Consumer	9,054	0	9,054	7%	10,579	0	10,579	9%
- Manufacturing	3,210	0	3,210	3%	3,286	0	3,286	3%
- Energy and Utilities	1,892	0	1,892	2%	2,206	0	2,206	2%
- Financial Instruments	4,169	0	4,169	3%	4,122	0	4,122	3%
- Health and Care	1,937	0	1,937	2%	3,448	0	3,448	3%
- Information Technology	3,653	0	3,653	3%	4,321	0	4,321	4%
- Other	1,306	0	1,306	1%	1,506	0	1,506	1%
	<b>25,221</b>	<b>0</b>	<b>25,221</b>	<b>21%</b>	<b>29,468</b>	<b>0</b>	<b>29,468</b>	<b>25%</b>
<b><u>Debt Securities:</u></b>								
- Corporate Bonds (Investment Grade)	30,297	0	30,297	23%	17,680	0	17,680	15%
- UK Government	4,751	0	4,751	4%	0	0	0	0%
- Other	0	0	0	0%	5,112	0	5,112	4%
	<b>35,048</b>	<b>0</b>	<b>35,048</b>	<b>27%</b>	<b>22,792</b>	<b>0</b>	<b>22,792</b>	<b>19%</b>
<b><u>Private Equity:</u></b>								
All	0	4,504	4,504	4%	0	3,904	3,904	3%
<b><u>Real Estate:</u></b>								
UK Property	12,116	0	12,116	10%	11,274	0	11,274	9%
<b><u>Investment Funds and Unit Trusts:</u></b>								
Equities	28,978	0	28,978	22%	36,241	0	36,241	30%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	5,096	0	5,096	4%	3,693	0	3,693	3%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	0	3,259	3,259	3%	0	2,760	2,760	2%
Other	6,959	2,504	9,463	8%	6,560	1,813	8,373	7%
	<b>41,033</b>	<b>5,763</b>	<b>46,796</b>	<b>37%</b>	<b>46,494</b>	<b>4,573</b>	<b>51,067</b>	<b>42%</b>
<b><u>Derivatives:</u></b>								
Foreign Exchange	-5	0	-5	0%	36	0	36	0%
<b><u>Cash and Cash Equivalents:</u></b>								
All	1,299	0	1,299	1%	2,494	0	2,494	2%
<b>Totals</b>	<b>114,712</b>	<b>10,267</b>	<b>124,979</b>	<b>100%</b>	<b>112,558</b>	<b>8,477</b>	<b>121,035</b>	<b>100%</b>

# 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 2018.

The significant assumptions used by the actuary have been:

	2017/18	2016/17
<b>Mortality assumptions:</b>		
<b>Longevity at age 65 for current pensioners:</b>		
- Men	<b>21.9 years</b>	21.9 years
- Women	<b>24.4 years</b>	24.4 years
<b>Longevity at age 65 for future pensioners:</b>		
- Men	<b>23.9 years</b>	23.9 years
- Women	<b>26.4 years</b>	26.4 years
<b>Financial assumptions:</b>		
Rate of increase in pensions	<b>2.4%</b>	2.4%
Rate of increase in salaries	<b>2.7%</b>	2.7%
Rate for discounting scheme liabilities	<b>2.6%</b>	2.5%

## Sensitivity Analysis

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	9%	15,345
Rate of increase in salaries (increase or decrease by 0.5%)	1%	1,933
Rate of increase in pensions (increase or decrease by 0.5%)	8%	13,225

## 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 £3,339k expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16.6 years for 2017/18 (16.6 years 2016/17).

## 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.

## 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/clarified rulings on the treatment of VAT based on the outcome of appeals and changes/clarifications in legislation. This sometimes results in opportunities for organisations to reclaim past overpaid VAT.

There are a number of cases currently going through the court / tribunal system which the council has an interest in. Should the courts find in favour of the tax payer there may be further opportunities for the council to pursue claims for overpayment of VAT. The quantity and strength of the claims remains under review.



# 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 2017/18 was set out in the Annual Treasury Management and Investment Strategy 2017/18, which was approved by the Council in February 2017. The following table shows the credit criteria applicable as at 31 March 2018.

Sector Colour Code Key	Maximum Duration / Investment Values*
<b>Lending Criteria - Rated Banks and Investment Scheme</b>	
<b>Sector Colour Code Key</b>	<b>Credit Criteria</b>
Purple	Max £13m for max of 2 years (subject to max 50% of portfolio)
Orange	£12m for max of 2 years (subject to max 40% of portfolio)
Red	£11m for max of 1 year (subject to max 50% of portfolio)
Green	£9m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government )	£18m for max of 2 years
<b>Lending Criteria – Rated Building Societies</b>	
<b>Sector Colour Code Key</b>	<b>Credit Criteria</b>
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£7m for max of 1 year (subject to max 30% of portfolio)
<b>Lending Criteria – Non-Rated Building Societies **</b>	
<b>Asset Base</b>	<b>Credit Criteria</b>
Asset base > £2,500m	£6m for maximum of 6 months
Asset base > £1,000m	£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 coding's which reflect the relative strengths of individual banking institutions. Details of these colour coding's 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 2017/18 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 2018 £000s A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2018 % C	Estimated maximum exposure to default and uncollectability at 31 March 2018 £000s A x C	Estimated maximum exposure at 31 March 2017 £000s
Deposit with banks and other financial institutions	37,826	0.900	0.470	17,778	24,076

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 £1.292m total sundry debt outstanding at 31 March 2018, £0.352m has exceeded its due date for payment, and is analysed by age as follows:

	2017/18 £000	2016/17 £000
Less than three months	96	152
Three to six months	35	38
Six months to one year	25	41
More than one year	196	209
	<b>352</b>	<b>440</b>

# 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 2018, 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 2017/18, 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 £0.591m. 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 £0.030m 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 2017 £	Income £	Expenditure £	Balance at 31 March 2018 £
West Stow Anglo-Saxon Village Trust	(2,171)	(202)	0	(2,373)
Gershom Parkington Memorial Trust	(11,769)	(67)	0	(11,836)
94th Bomb Group Memorial Association	(16,205)	(92)	139	(16,158)
<b>Totals</b>	<b>(30,145)</b>	<b>(361)</b>	<b>139</b>	<b>(30,367)</b>

There are no formal investments for the trust funds, but notional interest is credited from the General Fund, based on the budgeted average rate of interest earned on the Council's own investments of 0.57%. This amounted to:

	Interest Income 2017/18 £	Interest Income 2016/17 £
West Stow Anglo-Saxon Village Trust	(12)	(21)
Gershom Parkington Memorial Trust	(67)	(89)
94th Bomb Group Memorial Association	(92)	(124)
<b>Total</b>	<b>(171)</b>	<b>(234)</b>

### 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 Operations costs.

	2017/18	2017/18	2016/17	2016/17
	£000	£000	£000	£000
<b>Work undertaken on behalf of Suffolk County Council</b>				
<b>On-Street Car Parking</b>				
Income from parking fees		(765)		(817)
Expenditure:				
Running Expenses	9		15	
Administration	226		228	
		235		243
<b>Net Surplus paid to Suffolk County Council</b>		<b>(530)</b>		<b>(574)</b>

## 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.

	2017-18			2016/17		
	Council			Council		
	Tax	NNDR	Total	Tax	NNDR	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
<b>Income Receivable</b>						
Council Tax receivable	(58,868)	0	<b>(58,868)</b>	(56,871)	0	<b>(56,871)</b>
National Non-Domestic Rates receivable	0	(45,500)	<b>(45,500)</b>	0	(48,547)	<b>(48,547)</b>
Transitional Protection receivable	0	1,155	<b>1,155</b>	0	38	<b>38</b>
<b>Repayment of previous years deficit</b>						
St Edmundsbury Borough Council	0	0	<b>0</b>	0	(331)	<b>(331)</b>
Suffolk County Council	0	0	<b>0</b>	0	(83)	<b>(83)</b>
Central Government	0	0	<b>0</b>	0	(414)	<b>(414)</b>
<b>Total Income</b>	<b>(58,868)</b>	<b>(44,345)</b>	<b>(103,213)</b>	<b>(56,871)</b>	<b>(49,337)</b>	<b>(106,208)</b>
<b>Expenditure</b>						
<b>Repayment of previous years surplus</b>						
St Edmundsbury Borough Council	239	755	<b>994</b>	188	0	<b>188</b>
Suffolk County Council	1,189	189	<b>1,378</b>	949	0	<b>949</b>
Suffolk Police Authority	179	0	<b>179</b>	143	0	<b>143</b>
Central Government	0	944	<b>944</b>	0	0	<b>0</b>
	<b>1,607</b>	<b>1,888</b>	<b>3,495</b>	<b>1,280</b>	<b>0</b>	<b>1,280</b>
<b>Precepts</b>						
St Edmundsbury Borough Council	8,630	17,759	<b>26,389</b>	8,249	18,907	<b>27,156</b>
Central Government	0	22,199	<b>22,199</b>	0	23,633	<b>23,633</b>
Suffolk County Council	42,910	4,440	<b>47,350</b>	41,063	4,727	<b>45,790</b>
Suffolk Police Authority	6,412	0	<b>6,412</b>	6,198	0	<b>6,198</b>
	<b>57,952</b>	<b>44,398</b>	<b>102,350</b>	<b>55,510</b>	<b>47,267</b>	<b>102,777</b>
<b>Charges to the Collection Fund</b>						
Write-off of uncollectable amounts	84	417	<b>501</b>	60	86	<b>146</b>
Increase/(Decrease) in Bad Debts Provision	172	(62)	<b>110</b>	422	147	<b>569</b>
Increase/(Decrease) in Appeals Provision	0	211	<b>211</b>	0	(668)	<b>(668)</b>
Cost of Collection	0	158	<b>158</b>	0	162	<b>162</b>
Renewal Energy Income retained by Council	0	253	<b>253</b>	0	262	<b>262</b>
	<b>256</b>	<b>977</b>	<b>1,233</b>	<b>482</b>	<b>(11)</b>	<b>471</b>
<b>(Surplus) / Deficit for the year</b>	<b>947</b>	<b>2,918</b>	<b>3,865</b>	<b>401</b>	<b>(2,081)</b>	<b>(1,680)</b>
<b>Fund balance as at 1 April</b>	<b>(1,412)</b>	<b>(1,570)</b>	<b>(2,982)</b>	<b>(1,813)</b>	<b>511</b>	<b>(1,302)</b>
<b>(Surplus) / Deficit carried forward</b>	<b>(465)</b>	<b>1,348</b>	<b>883</b>	<b>(1,412)</b>	<b>(1,570)</b>	<b>(2,982)</b>

# 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	4,370	2,006
Band B	between £40,001 and £52,000	15,689	10,429
Band C	between £52,001 and £68,000	8,631	7,200
Band D	between £68,001 and £88,000	6,685	6,449
Band E	between £88,001 and £120,000	4,153	4,962
Band F	between £120,001 and £160,000	1,855	2,639
Band G	between £160,001 and £320,000	1,436	2,359
Band H	over £320,000	108	213
<b>Council Tax Base</b>		<b>42,927</b>	<b>36,257</b>

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 £1,598.36 (2016/17 £1,553.30).

### Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 47.9p in 2017/18 (49.7p in 2016/17) and 46.6p for small businesses in 2017/18 (48.4p in 2016/17) 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 2018 was £111,636,994 (31st March 2017: £111,903,609).



# Collection Fund and Notes

## Note C3 Precepts and Demands

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

	2017/18 Precept/Demand £000	Share of balance 31 March 2018 £000	2017/18 Total £000	2016/17 Total £000
<b>Council Tax</b>				
Suffolk County Council	42,910	(345)	<b>42,565</b>	40,019
Suffolk Police Authority	6,412	(52)	<b>6,360</b>	6,040
St Edmundsbury Borough Council	8,630	(68)	<b>8,562</b>	8,039
	<b>57,952</b>	<b>(465)</b>	<b>57,487</b>	<b>54,098</b>
<b>NNDR</b>				
Suffolk County Council	4,440	135	<b>4,575</b>	4,570
Central Government	22,199	674	<b>22,873</b>	22,848
St Edmundsbury Borough Council	17,759	539	<b>18,298</b>	18,279
	<b>44,398</b>	<b>1,348</b>	<b>45,746</b>	<b>45,697</b>



West Stow Country Park – Anglo Saxon Village

## Accounting Policies

### I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, 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 2017/18, 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 due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. The Council's annual leave policy is that a maximum of 3 days is permissible to be carried forward into the following year. An annual exercise is carried out to quantify any potential accrual for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. This accrual is calculated taking the budgeted average salary rates applicable in the following accounting year, being the period which the employee takes the benefit. Where the value of this accrual is material in total, the accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### 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. The rate employed for the 2017/18 accounts is the yield available on long dated, high quality corporate bonds, as measured by the "Hymans Robertson" corporate bond yield curve, which is constructed based on the constituents of the iBoxx AA corporate bond index.
- 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 2017/18 the Council retained its debt free status.

## XII. Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

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

## Available-for-Sale Assets

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

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

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

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

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

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

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

## **XIII. Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied 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](http://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.

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

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

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

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

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

## XVI. Interests in Companies and Other Entities

The Council has interests in ARP Trading Limited, Verse Facilities Management Limited and Barley Homes (Group) Limited that have the nature of Joint Ventures and Associates and requires the Council to prepare group accounts. As the amounts involved are not material, however, group accounts have not been prepared. Within the Council's own single entity accounts, the interest in these companies is recorded as a Long Term Investment at market value.

## 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.

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

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

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

## 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 service segments in accordance with the Council's arrangements for accountability and financial performance.

## 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.

### 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)

# Accounting Policies

- 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.

## 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.



# Accounting Policies

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

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

## Minimum Revenue Provision

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

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

## **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.



Abbotts Bridge, Abbey Gardens, Bury St Edmunds



## West Suffolk Annual Governance Statement 2017/18

### 1. Scope of Responsibility

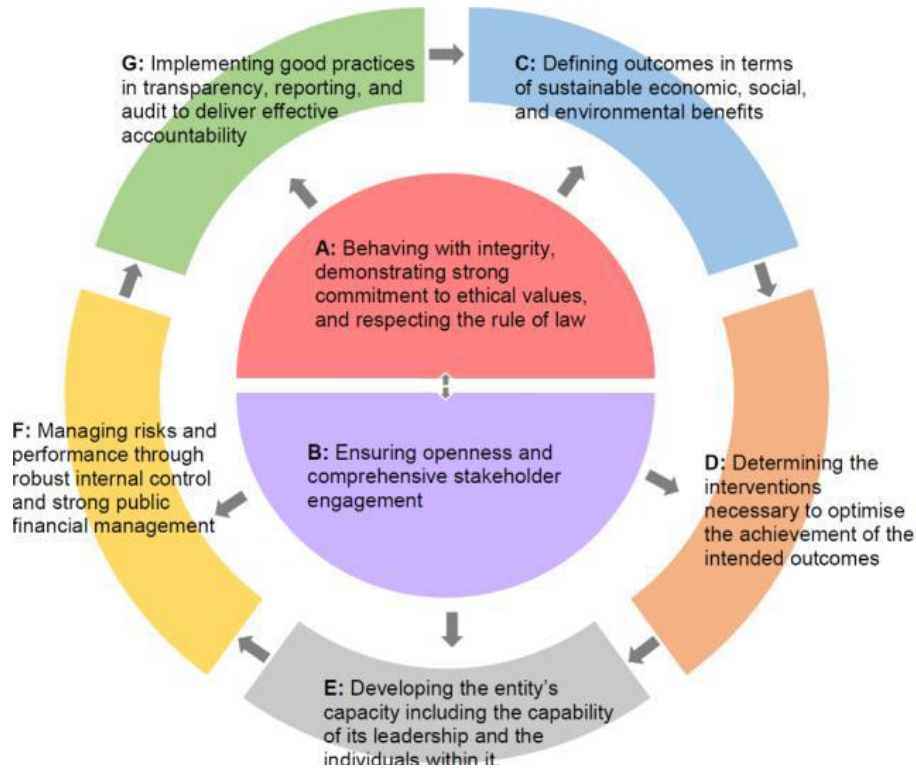
- 1.1 St Edmundsbury Borough Council and Forest Heath District Council (working together and referred to hereafter as the Councils) are responsible for ensuring that their businesses are conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Councils also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 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 which includes arrangements for the management of risk.
- 1.3 The Councils have approved and adopted a Local 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 [Local Code](#) is available on the Councils' website. This statement explains how the Councils have complied with the Local Code and also met the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an Annual Governance Statement

### 2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Councils are directed and controlled and the activities through which they account to, engage with and lead the community. It enables the Councils to monitor the achievement of their strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Councils' aims and objectives, but it seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Councils' aims and objectives.
- 2.3 The governance framework has been in place at the Councils for the year ended 31 March 2018 and up to the date of approval of the annual statement of accounts.

### 3. The Governance Framework

- 3.1 The Councils have adopted a Local Code of Corporate Governance in accordance with the core principles of good governance outlined within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.
- 3.2 There are seven core principles of good governance identified in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as follows:



- 3.3 The Local Code of Corporate Governance sets out the principles of good governance and describes in full the arrangements the Councils have put in place to meet each of these.
- 3.4 During 2017-18, the Councils undertook a number of actions to continuously improve their corporate governance arrangements. A summary of the highlights is shown in the box below:

### Corporate Governance Activities in 2017-18 – highlights

During 2017-18, the Councils:

- Made preparations for the new single West Suffolk Council (to be created on 1 April 2019) and its new governance arrangements
- Published a new Strategic Framework for 2018-2020
- Created new project and programme management arrangements
- Appointed staff on joint contracts with Suffolk County Council and the West Suffolk Clinical Commissioning Group
- Provided training for councillors on standards, social media and GDPR compliance

# Annual Governance Statement

3.5 A detailed description of the Councils' recent activities and proposed activities for the coming year is set out in the table below, against a summary of each of the principles in their Local Code of Corporate Governance.

Principle A	Key Elements of West Suffolk Governance Framework
<p><b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Employees Code of Conduct</li> <li>• Members Code of Conduct</li> <li>• Contract Procedure Rules</li> <li>• Anti-Fraud and Anti-Corruption Policy</li> <li>• Whistle Blowing Policy</li> <li>• Anti-Money Laundering Policy</li> <li>• Registers of Interest</li> <li>• ICT Security Policy</li> <li>• Monitoring Officer</li> </ul>
<p><b>Activity within Principle A in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• The Constitution document was updated in December 2017 and February 2018 in respect to changes in legislation and amending the delegations to implement the Growth Investment Strategy.</li> <li>• Work commenced in December 2017 to review the Codes and Protocols within the existing Constitutions documents with a view to adopting a new framework, to ultimately be adopted into the West Suffolk Council Constitution.</li> <li>• Periodic messages regarding fraud and ICT Security have been included on the councils' intranet.</li> <li>• Training for Councillors on Standards and Social Media, GDPR compliance training.</li> <li>• Appointed a new Independent Person and provided training for Suffolk and Norfolk Independent Persons.</li> <li>• Refocussed the Standards Committee to ensure regular reporting on the ethical governance standards across West Suffolk.</li> <li>• Review of reporting to the Suffolk Safeguarding Boards including developing a new self-assessment template to be rolled out in 2018/19.</li> </ul>	

<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>• A review will be undertaken of existing working arrangements for Cabinet meetings with a view to combining into a joint Cabinet structure ahead of the creation of West Suffolk Council.</li> <li>• Work over the next year will focus upon developing the necessary corporate governance structures for the shadow WS Council and WS Council itself. This will incorporate production of a shadow constitution and a new formal constitution for WS Council.</li> </ul>	
<b>Principle B</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<b>Ensuring openness and comprehensive stakeholder engagement</b>	<ul style="list-style-type: none"> <li>• Annual Report</li> <li>• Reports and Minutes available on Councils' website</li> <li>• Consultation Statement</li> <li>• Undertakes Equality Statements</li> <li>• Uses Complaints and feedback to understand how it can learn for future service development.</li> </ul>
<b>Activity within Principle B in 2017/18</b>	
<ul style="list-style-type: none"> <li>• The annual report format was refreshed and is now simple, concise and accessible.</li> <li>• On consultation we procured a new survey software to ensure GDPR compliance and to improve functionality.</li> <li>• Consultation was conducted on Single Council and Bury Town Master Plan, as well as smaller consultations.</li> <li>• The complaints and feedback policy is under review to identify vexatious and persistent complainants.</li> </ul>	
<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>• Work to be undertaken on the Modern.gov system to enable public and stakeholders to access information in relation to the new Council, the Shadow Council and both Forest Heath and St Edmundsbury Borough Councils; once they cease to exist.</li> </ul>	

Principle C	Key Elements of West Suffolk Governance Framework
<p><b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Growth Investment Strategy</li> <li>• Business Plans</li> <li>• Medium Term Financial Strategy</li> <li>• Local Plans</li> <li>• Risk Management Policy and Toolkit</li> <li>• Investment Framework</li> </ul>
<p><b>Activity within Principle C in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• A 2018-20 Strategic Framework was published in December 2017 to establish the vision and priorities for the remainder of the current administration and the new West Suffolk Council. It has a greater emphasis on partnership and integrated working with other bodies, and a focus on families and communities and inclusive growth.</li> <li>• The Single Issue Review and Site Allocations Local Plan has been through 3 stages of consultation and the documents have been independently examined by a Planning Inspector. The Councils are now at modifications stage. The Local Plans set out the long term policy framework for delivering the housing and employment need in the Districts together with the social, environmental and economic infrastructure requirements to 2031.</li> </ul>	
<p><b>Proposed activity for the coming year / areas for improvement</b></p>	
<ul style="list-style-type: none"> <li>• The adoption of already aligned policies by Shadow West Suffolk Council and the agreement of new policies where the Councils' policies are not aligned, or where they are due to expire.</li> </ul>	
Principle D	Key Elements of West Suffolk Governance Framework
<p><b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• Consultation Strategy</li> <li>• Families and Communities Strategy</li> <li>• Balanced Scorecards</li> <li>• Procurement Policy</li> <li>• Medium Term Financial Strategy</li> <li>• Business Partners Model</li> </ul>
<p><b>Activity within Principle D in 2017/18</b></p>	
<ul style="list-style-type: none"> <li>• The Councils have remodelled the MTFS to 2021/22 to reflect the new Strategic Framework and new changes in funding.</li> <li>• Balanced Scorecards have been reviewed and new key performance indicators identified.</li> </ul>	

<ul style="list-style-type: none"> <li>The new Place/Transformation based project/programme management approach is now embedded in Bury, Haverhill and Newmarket Place programmes and the ICT and Commercial Transformation programmes. This approach will be extended to cover Mildenhall Place and Service Delivery Programmes in 2018/19 and will be further developed and enhanced as necessary. The overall programme approach has also been enhanced by the introduction of a quadrant approach which enables the authority to risk manage and prioritise the various projects, this quadrant approach is re-evaluated quarterly to ensure that the Leadership Team is focused on the key projects.</li> </ul>	
<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>The Procurement Policy, Contract Procedure Rules to be revised alongside the Constitution, to include current practices.</li> </ul>	
<b>Principle E</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<ul style="list-style-type: none"> <li>Workforce Plan</li> <li>Learning and Development Policy</li> <li>Member Development Group</li> <li>Constitution</li> <li>Employees Performance Review Framework</li> <li>Disciplinary Procedure</li> <li>Job Descriptions</li> </ul>
<b>Activity within Principle E in 2017/18</b>	
<ul style="list-style-type: none"> <li>Gender Pay Gap publication – the gender pay report for the Councils was published on the website and reported no gender pay gap between men and women.</li> <li>The Councils were awarded the Wellbeing Charter in December 2017 achieving 4 achievement and 4 excellence against the 8 standards.</li> <li>Apprentices / Graduate / Career pathways – work has continued to support apprentices/graduates and career pathways across the Councils.</li> <li>Joint staff appointments between the West Suffolk Clinical Commissioning Group and the Councils, and Suffolk County Council and the Councils.</li> <li>Staffing capacity was reviewed in the year and additional resources brought in to enable delivery of the Growth Investment Strategy, projects and statutory duties arising from the Homelessness Reduction Act.</li> </ul>	
<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>Review of the payline for the Councils' workforce.</li> <li>Adoption and commencement of the work involved in the Workforce Strategy which links the Councils' priorities of development in terms of skills and behaviours; recruitment and retention;</li> </ul>	

# Annual Governance Statement

<p>pay, reward and recognition; health and wellbeing and workforce planning and data.</p> <ul style="list-style-type: none"> <li>• Development of the Induction Plan for Members elected in May 2019 to a new council.</li> </ul>	
<b>Principle F</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<b>Managing risks and performance through robust internal control and strong public financial management</b>	<ul style="list-style-type: none"> <li>• Financial Procedure Rules</li> <li>• Contracts Procedure Rules</li> <li>• Treasury Management Strategy and Growth Investment Strategy</li> <li>• Budget Monitoring</li> <li>• Performance and Audit Scrutiny Committee</li> <li>• Strategic Risk Register</li> <li>• Investment framework</li> <li>• Risk Management Toolkit</li> <li>• Balanced Scorecards</li> <li>• Business Continuity Plan</li> <li>• Complaints</li> </ul>
<b>Activity within Principle F in 2017/18</b>	
<ul style="list-style-type: none"> <li>• Revised Treasury Management Strategy and Code of Practice.</li> <li>• Created new Capital Strategy 2018/19.</li> <li>• Budget monitoring reporting has been enhanced and improved with focus on income and expenditure.</li> <li>• Strategic Risk Register reviewed and updated.</li> <li>• Business Continuity Plan has been updated.</li> </ul>	
<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>• Alignment of treasury management strategy to ensure suitability for single council.</li> <li>• Capital Strategy will need to be revised to ensure full compliance with Prudential Code.</li> </ul>	
<b>Principle G</b>	<b>Key Elements of West Suffolk Governance Framework</b>
<b>Implementing good practices in transparency, reporting and audit to deliver effective accountability</b>	<ul style="list-style-type: none"> <li>• Councils' Website</li> <li>• Statement of Accounts</li> <li>• Annual Governance Statement</li> <li>• Annual Report</li> <li>• Medium Term Financial Strategy</li> <li>• Anti-Fraud and Anti-Corruption Policy</li> <li>• Whistle Blowing Policy</li> </ul>



	<ul style="list-style-type: none"> <li>• Data Protection Policy</li> <li>• Officer Information Governance Group</li> <li>• Balanced Scorecards</li> <li>• Annual Internal Audit Report and Opinion</li> </ul>
<b>Activity within Principle G in 2017/18</b>	
<ul style="list-style-type: none"> <li>• In October 2017 both Cabinets agreed a report as to the necessary steps to achieve compliance with General Data Protection Regulation (GDPR)</li> <li>• Appointment of GDPR Project Co-ordinator to review practices and procedures at an organisational and service level</li> <li>• Development of necessary corporate practices and implementation of these</li> <li>• Liaising with and working with the Suffolk Information Governance Board</li> <li>• The Suffolk Observatory is a product of a partnership between Suffolk Constabulary and all Local Authority organisations across Suffolk and was launched in 2001. The website was re-designed and re-launched in September 2017 and now provides easier access to the most up-to-date third-party, published data and information about Suffolk and its residents, businesses and communities.</li> <li>• Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards. The standards require periodic self-assessments and an assessment by an external person every five years. In March 2018 the Internal Audit team were subject to their first external assessment. This resulted in a favourable report from the assessor which concluded that no areas of non-compliance with the standards which would affect the overall scope or operation of the internal audit activity were identified.</li> </ul>	
<b>Proposed activity for the coming year / areas for improvement</b>	
<ul style="list-style-type: none"> <li>• GDPR and the Data Protection Act 2018 will come into effect in May 2018.</li> <li>• We will continue to work towards compliance with data protection requirements over the next year.</li> <li>• The Councils continue to recognise the importance of Information Security, and continue to regularly review and update access controls and systems in line with the recommendations of the National Cyber Security Centre and other National advisory bodies. Regular external penetration/vulnerability tests have also proved that our defences are adequate relating to the current threat environment. To ensure we remain secure further assurance activities will continue into 18/19 to further validate our internal controls and processes to provide an additional level of organisational reassurance.</li> <li>• The recently issued Information Framework recognises the value of data to the Councils and the Framework represents a new approach for the Councils, and provides a 'Direction of Travel' – i.e. how we are aiming to use Data and Information more effectively.</li> <li>• Although the external assessment of Internal Audit produced a favourable result a number of minor recommendations were raised to further improve Internal Audit operations and these will be implemented as appropriate during the year.</li> </ul>	

## 4. Review of effectiveness

4.1 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.

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

4.3 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.

4.4 Based upon the audit work undertaken during the financial year 2017/18, as well as assurances made available to the Councils 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.

4.5 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.

4.6 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.

## 5. Significant governance issues

5.1 In determining the significant issues to disclose, the Councils have considered whether issues have:

- seriously prejudiced or prevented achievement of the Councils' 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.

5.2 There are no significant governance issues to disclose for 2017/18.

## 6. Focus for 2018/19

6.1 In September 2017, the Councils resolved to support a business case to become a single Council for West Suffolk from April 2019. The business case has subsequently received support from the Secretary of State and the Houses of Parliament. The Houses of Parliament have agreed that Forest Heath and St Edmundsbury Councils will cease to exist on 1 April 2019; until that point, they will continue to be responsible for delivering effective public services to their residents.

A full implementation programme is being developed to support the work ongoing to harmonise policies, develop new governance arrangements, and a new constitution as outlined within this statement.



# Annual Governance Statement

## 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:

## Auditors Report

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

To be inserted at the conclusion of the audit.

## 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 (e.g. 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 scheme introduced in April 2013 for allocating business rates collected locally between the collecting authority (borough 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 St Edmundsbury 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](http://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.

## **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 Public Sector Audit Appointments Limited (PSAA) to provide an independent audit of the accounts. For the year of account the Council's external auditors were EY.

## 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 Baseline Funding (redistributed income from Business Rates Retention to reflect need but excluding any locally generated growth). 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.



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## 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](http://www.westsuffolk.gov.uk)

Email: [customer.services@westsuffolk.gov.uk](mailto:customer.services@westsuffolk.gov.uk)

### Haverhill Office

Haverhill House  
Lower Downs Slade  
Haverhill  
Suffolk  
CB9 9EE



Moyses Hall Clock – Bury St Edmunds

# Treasury Management Sub-Committee



*St Edmundsbury*  
BOROUGH COUNCIL

<b>Title of Report:</b>	<b>Annual Treasury Management Report 2017/18 and Investment Activity 1 April to 30 June 2018</b>	
<b>Report No:</b>	<b>TMS/SE/18/003</b>	
<b>Report to and dates:</b>	<b>Treasury Management Sub-Committee</b>	16 July 2018
	<b>Performance and Audit Scrutiny Committee</b>	25 July 2018
	<b>Joint Executive (Cabinet) Committee</b>	4 September 2018
	<b>Council</b>	25 September 2018
<b>Portfolio holder:</b>	Ian Houlder Portfolio Holder for Resources and Performance <b>Tel:</b> 01284 810074 <b>Email:</b> <a href="mailto:ian.houlder@stedsbc.gov.uk">ian.houlder@stedsbc.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director Resources and Performance <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To: <ul style="list-style-type: none"> <li>a) Present the Council's Annual Treasury Management Report summarising the investment activities for the year 2017/18</li> <li>b) Provide a summary of investment activities for the first three months of 2018/19 financial year.</li> </ul>	

<p><b>Recommendation:</b></p>	<p><b>It is <u>RECOMMENDED</u> that, the Treasury Management Sub-Committee:</b></p> <p><b>(1) Scrutinise the content of this report, including details of the treasury management performance for 2017/18 and the first three months of the 2018/19 financial year; and</b></p> <p><b>(2) Make recommendations as appropriate via the Performance and Audit Scrutiny Committee to the Joint Executive (Cabinet) Committee and Council regarding the approval of the attached Annual Treasury Management Report for 2017/18 (Appendix 1 refers).</b></p>	
<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>	
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>Treasury management activities are undertaken in consultation with Sector/Capita (the Council’s appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. This committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by the Joint Executive (Cabinet) and Council.</li> </ul>	
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>Options for the management of Council investments are formally considered within the annual treasury management and investment strategy. This includes key strategies in respect of the maintenance of the Council’s debt free status, the continuation of in-house management of funds, and the approach to be adopted in establishing the credit worthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject to on-going review.</li> </ul>	
<p><b>Implications:</b></p>		
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Please refer to main report</li> </ul>	
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>	



<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).</li> </ul>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports. Use of interest equalisation reserve to smooth out year-on-year fluctuations	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Sector advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b>		Annual Treasury Management and Investment Strategy – 2017/18 ( <a href="#">COU/SE/17/002</a> )  Annual Treasury Management and Investment Strategy Statements (report <a href="#">COU/SE/17/002</a> approved 21 February 2017)	

**Documents attached:**

**Appendix 1** – Annual Report for 2017/18

**Appendix 2** – Statement of Compliance with the Treasury Management Code of Practice

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## 1. Key issues and reasons for recommendation(s)

### 1.1 Annual Report 2017/18

### 1.2 Interest Earned from Treasury Investments during the year

1.2.1 The table below summarises the interest earned during 2017/18 on the various Treasury investments held by the Council.

1.2.2

<b>TREASURY MANAGEMENT – INTEREST EARNED SUMMARY</b>	
	<b>2017/18 £</b>
Bank of Scotland Investments – Term Deposits	51,196.58
Barclays Bank – Term Deposits	4,790.14
Coventry B/Society – Term Deposits	11,817.53
National Counties B/Society – Term Deposits	22,482.60
Nationwide B/Society – Term Deposits	12,663.01
Newcastle B/Society – Term Deposits	31,063.56
Nottingham B/Society – Term Deposits	16,887.40
Principality B/Society – Term Deposits	15,607.70
Skipton B/Society – Term Deposits	37,132.88
Yorkshire B/Society – Term Deposits	8,491.23
Bank of Scotland Current Account	1,609.50
Barclays Reserve Account	1,469.26
NatWest Call Account	276.65
Clydesdale 30 Day Account	0.20
Bank of Scotland Base Plus Account	0.45
Santander 365 Day Account	77,336.99
<b>TOTAL INTEREST EARNED/ACCRUED</b>	<b>£292,825.68</b>

1.2.3 The budgeted income from investments in 2017/18 was £253,000 (average rate of return of 0.55%). Interest actually earned during the year totalled £292,825 (average rate of return of 0.571%); an overachievement in interest of £39,825, and an over achievement of 0.021% on average rate of return.

1.2.4 The over achievement of interest earned was primarily due to higher cash balances being held during the year than originally budgeted for. This was mainly as a result of timing differences in the receipts and payments of NNDR and an under spend on the Council's original capital programme.

1.2.5 On 2 November 2017, the Bank of England increased its base rate to 0.50%, where it remained for the rest of 2017/18. As a result on the increase in base rate we have seen only a marginal increase in the rates being offered by the banks and building societies.

1.2.6 The Council, in February 2005, agreed to establish the Interest Equalisation Earmarked Reserve to help smooth out these fluctuations in returns. The balance in this reserve, as at 31 March 2018, was £359,630.

### 1.3 Investment Activity during the year

1.3.1 The table below summarises the investment activities during 2017/18:

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2017/18</b>
<b>Opening Balance 01 April 2017</b>	<b>46,350,000</b>
Investments made during the year (including transfers to business reserve accounts)	115,850,000
<b>Sub Total</b>	<b>162,200,000</b>
Investments realised during the year (including withdrawals from business reserve accounts)	125,850,000
<b>Closing Balance 31 March 2017</b>	<b>36,350,000</b>

## **1.4 Investments held as at 31 March 2018**

1.4.1 The table below shows the investments held as at 31 March 2018:

<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Skipton B/Society	3,000,000	0.77%	05/06/17	05/06/18
Principality B/Society	1,000,000	0.52%	07/12/17	03/04/18
National Counties B/Soc	2,500,000	0.71%	02/01/18	02/07/18
Principality B/Society	1,500,000	0.53%	15/01/18	21/05/18
Coventry B/Society	1,500,000	0.45%	01/02/18	21/05/18
Coventry B/Society	2,500,000	0.39%	12/02/18	23/04/18
Yorkshire B/Society	3,000,000	0.47%	12/02/18	15/05/18
Yorkshire b/Society	1,000,000	0.40%	26/02/18	16/04/18
National Counties B/Soc	1,000,000	0.78%	01/03/18	21/09/18
Newcastle B/Society	1,000,000	0.98%	19/03/18	19/03/19
Nottingham B/Society	1,500,000	0.75%	26/03/18	26/09/18
Bank of Scotland	3,100,000	0.40%	Call	
Barclays Bank	5,600,000	0.50%	Call	
NatWest Bank	150,000	0.05%	Call	
Santander 365 Day Acct	8,000,000	1.30%	365 day	
<b>TOTAL</b>	<b>36,350,000</b>			

## **2. First Quarter Report 2018/19**

### **Investment Activity: 1 April to 30 June 2018**

- 2.1.1 The total amount invested at 1 April 2018 was £36.35m and at 30 June 2018 £40.15m. The increase in balances over this period was due primarily to timing differences in respect of the collection of local taxes (Council Tax and Non Domestic Rates) and the payment of precepts (i.e. to Suffolk County Council, Suffolk Police and central government).
- 2.1.2 The 2018/19 Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 is £308,000 which is based on a 0.70% target average rate of return on investments.
- 2.1.3 As at the end of June 2018 interest actually earned during the first quarter of the financial year amounted to £68,693 (average rate of return of 0.636%) against a profiled budget for the period of £77,000 (average rate of return of

0.70%); a budgetary deficit of £8,306. This deficit relates to lower than anticipated interest rates offered by lenders.

- 2.1.4 The table below summaries the interest earned and the average rate of return achieved.

<b>INTEREST EARNED &amp; AVERAGE RATE OF RETURN SUMMARY</b>			
<b>Investment Category</b>	<b>Total Average Investment</b>	<b>Average Rate of Return (%)</b>	<b>Interest Earned in Q1</b>
Temporary Investments (Term Deposits)	1,932,989	0.657%	47,264
Bank of Scotland Current Account	1,201,157	0.400%	1,197
Barclays Reserve Account	5,134,321	0.100%	1,280
NatWest Call Account	108,538	0.010%	2
Clydesdale 30 Day Account	81	0.250%	0
Bank of Scotland Base Plus Account	324	0.250%	0
Santander 365 Day Account	8,000,000	0.950%	18,947
<b>Total Overall Average Return on Investments %</b>			<b>0.636%</b>
<b>Total Interest Earned - 1 April 2018 to 30 June 2018</b>			<b>68,693</b>

- 2.1.5 The table below summarises the investment activities during the period:

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2018/19</b>
<b>Opening Balance 01 April 2018</b>	<b>36,350,000</b>
Investments made during the year (including transfers to business reserve accounts)	31,200,000
<b>Sub Total</b>	<b>67,550,000</b>
Investments realised during the year (including withdrawals from business reserve accounts)	27,400,000
<b>Closing Balance 30 June 2018</b>	<b>40,150,000</b>

- 2.1.6 The table below shows the list of investments held as at 30 June 2018:

<b>LIST OF INVESTMENTS HELD AS AT 30 JUNE 2018</b>				
<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
National Counties B/Soc	2,500,000	0.71%	02/01/18	02/07/18
National Counties B/Soc	1,000,000	0.78%	01/03/18	21/09/18
Newcastle B/Society	1,000,000	0.98%	19/03/18	19/03/19
Nottingham B/Society	1,500,000	0.75%	26/03/18	26/09/18
Nottingham B/Society	3,000,000	0.65%	03/04/18	16/07/18
Newcastle B/Society	2,000,000	0.82%	03/04/18	03/10/18
Newcastle B/Society	2,000,000	0.85%	05/04/18	15/10/18
Newcastle B/Society	1,000,000	0.82%	09/05/18	12/11/18
National Counties B/Soc	1,500,000	0.80%	15/05/18	15/11/18
Nottingham B/Society	1,500,000	0.77%	15/05/18	19/11/18
Coventry B/Society	3,000,000	0.45%	01/06/18	19/07/18
Coventry B/Society	1,000,000	0.48%	01/06/18	30/07/18

Coventry B/Society	2,000,000	0.50%	01/06/18	15/08/18
Coventry B/Society	3,500,000	0.69%	05/06/18	19/12/18
Santander 365 Account	8,000,000	0.95%	01/04/18	No notice given
NatWest Call Account	50,000	0.05%	Call	
Barclays Reserve Account	4,400,000	0.50%	Call	
Bank of Scotland	1,200,000	0.40%	Call	
<b>TOTAL</b>	<b>40,150,000</b>			

- 2.1.7 The table below shows a summary of the funds held as at 30 June 2018, the Budget and Council Tax 2018/19 (report COU/SE/18/004 approved 20 February 2018) report shows the planned spending profile for these reserves/balances across the medium term financial period:

<b>SUMMARY OF FUNDS HELD*</b>	
<b>Fund</b>	<b>£</b>
Earmarked Revenue Reserves	22,447,357
Capital Receipts Reserves	14,642,135
General Funds Reserve	3,035,725
Cashflow Balances	24,783
<b>Total Value of Investments</b>	<b>40,150,000</b>

\*Further details of funds held by the Council can be found in the Quarterly Budget Outturn Reports presented to Performance and Audit Scrutiny Committee.

## 2.2 Borrowing and Capital Costs

- 2.2.1 The 2018/19 Budget has, for the first time, assumptions on borrowing for capital projects included within it. This borrowing was based around four specific projects:
- West Suffolk Operational Hub
  - Suffolk Business Park Loan
  - Investing in our Growth Fund
  - Olding Road (DHL Depot)

The detail on these Budgets is laid out below:

<b>SUMMARY OF CAPITAL BORROWING BUDGET 2018/19</b>			
<b>Project</b>	<b>External Borrowing</b>	<b>Minimum Revenue Provision (MRP)</b>	<b>Interest Payable</b>
West Suffolk Operational Hub	£5,550,000	£0	£0
Suffolk Business Park Loan	£3,000,000	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Olding Road DHL Depot	£0	£197,750	£128,250
<b>Total Value of Investments</b>	<b>£28,550,000</b>	<b>£797,750</b>	<b>£540,750</b>

The position on each of these projects for the full year of 2018/19 is forecast as below:

<b>SUMMARY OF CAPITAL BORROWING Q1 FORECAST 2018/19</b>			
<b>Project</b>	<b>External Borrowing</b>	<b>Minimum Revenue Provision (MRP)</b>	<b>Interest Payable</b>
West Suffolk Operational Hub	£5,550,000	£0	£0
Suffolk Business Park Loan	£0	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£358,300
Olding Road DHL Depot	£0	£197,750	£0
<b>Total Value of Investments</b>	<b>£25,550,000</b>	<b>£797,750</b>	<b>£358,300</b>

2.2.2 This forecast position has moved due to the following reasons:

- Suffolk Business Park Loan facility no longer being required.
- £1.9m of the Growth Fund being invested in 20 High Street Haverhill which did not require external borrowing
- The purchase of Olding Road DHL Depot did not require external borrowing.

The impact of these changes is a reduction in forecast Interest Payable of £182,450 in 2018/19.

2.2.3 The remainder of MRP and Interest Payable relating to the Growth Fund is dependent on the £20m being invested within 2018/19. This situation is somewhat market dependant and is closely monitored.

2.2.4 As at the end of Quarter 1 there has been no requirement to borrow externally. Therefore there is no interest payable for Quarter 1.

## **2.3 Other Market Considerations**

2.3.1 The Bank of England base rate continues to remain at 0.50%. Link Asset Services (the Council's treasury management advisers) have recently revised their prediction on base rate, and are now forecasting no movement in the base rate until quarter 1 of the 2019/20 financial year. This continued low base rate and the uncertainty caused regarding the UK's exit from the European Union is likely to have a knock on effect on the investment market throughout the remainder of the year. Consequently this is likely to have an adverse effect on the Council's average rate of return. The treasury team will continue to closely monitor the situation and provide updated information and further quarterly performance reports to this sub-committee for scrutiny.



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# Annual Treasury Management Report 2017/2018

## 1. Introduction

- 1.1 St Edmundsbury Borough Council's Treasury Management Code of Practice is based on the 2011 Fully Revised Code recommended nationally by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code also incorporates revisions introduced by CIPFA in its document "Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes.
- 1.2 The primary requirements of the Code are as follows:
  - a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - c. Receipt by Council of an Annual Treasury Management Strategy Report for the year ahead, a mid-year review report (as a minimum) and an annual review report of the previous year.
  - d. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - e. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Treasury Management Sub-Committee.
- 1.3 Treasury management in this context is defined as:

'The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.4 The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2017/18.

## 2. The Council's Debt Free Status

- 2.1 As at 31 March 2018 the Council had no external debt.

## 3. Investment Strategy for 2017/18

- 3.1 The Council's 2017/18 Annual Treasury Management and Investment Strategy Statements was approved by full Council on 21 February 2017 (report COU/SE/17/002 refers). The investment strategy for 2017/18 was to give priority to the security and liquidity of investments whilst at the same time seeking to optimise the return on investments.

## Investment Rates in 2017/18

- 3.2 The Bank of England Base Rate increased the base rate from 0.25% to 0.50% on 2 November 2017 where it remained throughout the remainder of 2017/18. Investment rates continued to fluctuate during the year with investment returns being typically one or two basis points either side of the base rate. The Bank of England's Funding for Lending Scheme also remained open until 31 January 2018. This meant that the reliance of financial institutions on the borrowing of wholesale funds (such as local authority investments) remained unchanged, resulting in a continued dampening of investment rates.
- 3.3 The Council's predicted average rate of return, included in the Annual Treasury Management and Investment Strategy Statements 2017/18, are detailed in the table below.

<b>Average Rate of Return Predictions</b>	
	Annual Treasury Management & Investment Strategy Statements 2017/18
2017/18	0.55%
2018/19	0.60%
2019/20	0.70%
2020/21	0.75%

## The Council's Lending Criteria 2017/18

- 3.4 The Council's Annual Treasury Management and Investment Strategy requires that deposits are only placed with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers (Link Asset Services) or, for non-rated building societies, subject to their meeting minimum financial criteria (based on asset base size).
- 3.5 The continuing unpredictability and volatility of the economy as a whole and the banking sector in particular has forced local authorities to keep their lending criteria under constant review to ensure that the balance between security of capital, liquidity of investments and yield on investment income is adequately maintained.
- 3.6 The below tables shows the credit criteria applicable as at 31 March 2018:

### Credit Criteria: Rated Banks and Institutions

Sector Colour Code Key*	Credit Criteria
Purple	Max £13m for max of 2 years (subject to max 50% of portfolio)
Orange	£12m for max of 2 years (subject to max 40% of portfolio)
Red	£11m for max of 1 year (subject to max 50% of portfolio)
Green	£9m for max of 6 months (subject to max 30% of portfolio)

Blue (nationalised / substantially owned by the UK government)	£18m for max 2 years
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### Credit Criteria: Rated Building Societies

Sector Colour Code Key*	Credit Criteria
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£7m for max of 1 year (subject to max 30% of portfolio)

### Credit Criteria: Non- Rated Building Societies

Asset Base**	Credit Criteria
Asset base > £2,500m	£6m for max 6 months
Asset base > £1,000m	£5m for max 6 months

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

\*\* Further restrictions on non-rated building societies include a requirement for societies to be covered by a Dun and Bradstreet credit rating.

## 4 Compliance with Treasury Limits and the Code of Practice

- 4.1 During the financial year the Council operated within the approved Treasury limits, Code of Practice requirements and Prudential Indicators (as set out in the Council's Annual Treasury Management & Investment Strategy Statements and Treasury Management Code of Practice, including the above approved changes to lending limits). No institutions in which investments were made had any difficulty in repaying investments and interest in full during the year.
- 4.2 A Statement of Compliance with the Treasury Management Code of Practice, issued by Internal Audit is attached in Appendix 2.

## 5 Investment Performance 2017/18

- 5.1 Investments were made with counterparties that met the agreed lending criteria and investment periods. Investment periods range from overnight to two years (one year for new investments), dependent on the Council's cash flows, the view on interest rates and the actual interest rates on offer.
- 5.2 Market investments in the year are summarised as follows:

	<u>Value (£m)</u>
<b>Opening balance 1st April 2017</b>	<b>46.35</b>
Add: Investments made during the year	115.85
<b>Sub Total</b>	<b>162.20</b>
Investments realised during the year	125.85
<b>Closing balance at 31st March 2018</b>	<b>36.35</b>

- 5.3 Where possible, investments were made in fixed term investments in order to lock into interest rates as close to the Council's budgeted rate as possible and to provide some certainty of return for a proportion of the Council's investments.
- 5.4 The Council's instant access and notice business reserve accounts with Barclays, Bank of Scotland and NatWest were also used during the year for cash flow purposes or because the rate offered was the same or greater than a fixed term investment. At 31st March 2018 £4.45m was held in these accounts at an interest rate of between 0.10% and 0.40%. This level had been maintained to enable investment in the council's Investing in our Growth Agenda programme.
- 5.5 The target rate of return for investments for 2017/18 was 0.55%. This target rate was based upon investment rate projections for the year provided by Link Asset Services (the Council's treasury management advisors), together with consideration of the profile of the Council's portfolio of investments (i.e. mixture of liquid and fixed term investments). Based upon the anticipated funds available for investment in the year (taking into account planned capital expenditure and receipts from asset disposals) this gave a target investment income of £253,000. This figure was used in the preparation of the Council's budget for 2017/18.
- 5.6 The average rate of return achieved during 2017/18 was 0.571%, an over achievement of 0.021%, and interest earned during the year totalled £292,825; an overachievement of £39,825. This overachievement was mainly due to an increase in cash balances and the prudent use of longer term investments.
- 5.7 The tables below summarise the interest earned during 2017/18, the list of investments held as at 31 March 2018 and comparison of average rates of return for 2017/18.

<b>TREASURY MANAGEMENT – INTEREST EARNED SUMMARY</b>	
	<b>2017/18</b>
	<b>£</b>
Bank of Scotland Investments – Term Deposits	51,196.58
Barclays Bank – Term Deposits	4,790.14
Coventry B/Society– Term Deposits	11,817.53
National Counties B/Society – Term Deposits	22,482.60
Nationwide B/Society – Term Deposits	12,663.01
Newcastle B/Society – Term Deposits	31,063.56
Nottingham B/Society – Term Deposits	16,887.40
Principality B/Society – Term Deposits	15,607.70
Skipton B/Society – Term Deposits	37,132.88
Yorkshire B/Society – Term Deposits	8,491.23
Bank of Scotland Current Account	1,609.50
Barclays Reserve Account	1,469.26
NatWest Call Account	276.65
Clydesdale 30 Day Account	0.20
Bank of Scotland Base Plus Account	0.45
Santander 365 Day Account	77,336.99
<b>TOTAL INTEREST EARNED/ACCRUED</b>	<b>£292,825.68</b>

<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Skipton B/Society	3,000,000	0.77%	05/06/17	05/06/18
Principality B/Society	1,000,000	0.52%	07/12/17	03/04/18
National Counties B/Soc	2,500,000	0.71%	02/01/18	02/07/18
Principality B/Society	1,500,000	0.53%	15/01/18	21/05/18
Coventry B/Society	1,500,000	0.45%	01/02/18	21/05/18
Coventry B/Society	2,500,000	0.39%	12/02/18	23/04/18
Yorkshire B/Society	3,000,000	0.47%	12/02/18	15/05/18
Yorkshire b/Society	1,000,000	0.40%	26/02/18	16/04/18
National Counties B/Soc	1,000,000	0.78%	01/03/18	21/09/18
Newcastle B/Society	1,000,000	0.98%	19/03/18	19/03/19
Nottingham B/Society	1,500,000	0.75%	26/03/18	26/09/18
Bank of Scotland	3,100,000	0.15%	Call	
Barclays Bank	5,600,000	0.50%	Call	
NatWest Bank	150,000	0.05%	Call	
Santander 365 Day Acct	8,000,000	1.30%	365 day	
<b>TOTAL</b>	<b>36,350,000</b>			

<b>COMPARISON OF AVERAGE RATE OF RETURN 2017-18</b>				
	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>
Temporary Investments	0.57%	0.55%	0.54%	0.54%
Bank of Scotland Current Account	0.15%	0.15%	0.15%	0.15%
Barclays Reserve Account	0.04%	0.03%	0.02%	0.33%
NatWest Call Account	0.01%	0.01%	0.01%	0.01%
Clydesdale 30 Day Account	0.25%	0.15%	0.25%	0.25%
Bank of Scotland Base Plus Account	0.25%	0.15%	0.25%	0.52%
Santander 365 Day Account	1.02%	0.98%	0.97%	0.97%
7 Day Average	0.475%	0.240%	0.240%	0.48%
3 year – 7 Day Average	0.484%	0.370%	0.370%	1.00%
<b>Overall Average return on Investments</b>	<b>0.585%</b>	<b>0.575%</b>	<b>0.562%</b>	<b>0.571%</b>

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<p style="text-align: center;"><b>Forest Heath District Council</b> <b>St Edmundsbury Borough Council</b></p>
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**Statement of Compliance with the Treasury Management Code of Practice**

In accordance with the approved Treasury Management Code of Practice Internal Audit has:

- Reviewed compliance with approved policy and procedures.
- Reviewed the division of duties and operational practice.
- Assessed value for money from treasury activities.
- Undertaken probity audit of the treasury function.

As a consequence Internal Audit is satisfied that, for the financial year ending 31 March 2018, the Treasury Management Code of Practice has been substantially complied with.

Signed J. K. Jones

Post Service Manager Internal Audit

Date 20/4/18

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