

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title:	Agenda		
Date:	Wednesday 25 July 2018		
Time:	6.00 pm		
Venue:	Conference Chamber West West Suffolk House Western Way Bury St Edmunds		
Full Members:	<div><div>Chairman Louis Busuttil</div><div>Vice Chairman Colin Noble</div><div><div><div><u>Conservative</u></div><div><u>Members (8)</u></div></div><div><div>Michael Anderson</div><div>Chris Barker</div><div>John Bloodworth</div><div>Rona Burt</div></div><div><div>Louis Busuttil</div><div>Simon Cole</div><div>Christine Mason</div><div>Colin Noble</div></div></div><div><div><u>UKIP (2)</u></div><div>Peter Ridgwell</div><div>Reg Silvester</div></div></div>		
Substitutes:	Named substitutes are not appointed		
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.		
Quorum:	Three Members		
Committee administrator:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk		

Public Information



Forest Heath

District Council

Venue:	West Suffolk House Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 757120 Email: democratic.services@westsuffolk.gov.uk Web: www.stedmundsbury.gov.uk
Access to agenda and reports before the meeting:	Copies of the agenda and reports are open for public inspection at the above address at least five clear days before the meeting. They are also available to view on our website.	
Attendance at meetings:	The Borough Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public.	
Public participation:	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. 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 time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.	
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Agenda

Procedural Matters

Part 1 - Public

- | | |
|---|------------------|
| 1. Substitutes | |
| 2. Apologies for Absence | |
| 3. Minutes | 1 - 12 |
| <p>To confirm the minutes of the meeting held on 31 May 2018 (copy attached).</p> | |
| 4. Public Participation | |
| <p>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.</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 limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.</p> | |
| 5. Ernst and Young - 2017-2018 ISA 260 Annual Results Report to those charged with Governance | 13 - 64 |
| <p>Report No: PAS/FH/18/025</p> | |
| 6. West Suffolk Annual Governance Statement 2017-2018 | 65 - 84 |
| <p>Report No: PAS/FH/18/026</p> | |
| 7. 2017-2018 Statement of Accounts | 85 - 210 |
| <p>Report No: PAS/FH/18/027</p> | |
| 8. Annual Treasury Management Report 2017-2018 and Investment Activity (April to June 2018) | 211 - 238 |
| <p>Report No: PAS/FH/18/028</p> | |

Part 2 – Exempt

NONE

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Informal Joint Performance and Audit Scrutiny Committee



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 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 (Resources 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 Capital 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 (Resources 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:

Audit Scale Fee	Planned Fee 2017-2018 £	Indicative Fee 2018-2019 £
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:

Audit Scale Fee	Fee 2017-2018 £	Indicative Fee 2018-2019 £
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 St Edmundsbury's Performance and Audit Scrutiny members, the Chairman then formally opened the Forest Heath District Council Performance and Audit Scrutiny Committee in the Council Chamber at 6.35pm.

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 31 May 2018** at **6.35pm** at the **Council Chamber, District Offices**, College Heath Road, Mildenhall IP28 7EY

Present: **Councillors**

Chairman Louis Busuttill
Vice Chairman Colin Noble

John Bloodworth
Christine Mason

Peter Ridgwell

By Invitation:

Stephen Edwards, Cabinet Member for Resources and Performance

205. Substitutes

There were no substitutions declared.

206. Apologies for Absence

Apologies for absence were received from Councillors Michael Anderson, Chris Barker, Rona Burt, Simon Cole and Reg Silvester.

207. Minutes

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

208. 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.

209. External Quality Assessment of Internal Audit Outcomes

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/011.

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.

210. Internal Audit Annual Report (2017-2018)

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/012.

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

Councillor Colin Noble moved the recommendation, this was duly seconded by Councillor Peter Ridgwell, 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/FH/18/012, be noted.
- (2) The conclusion drawn in respect of the annual review of the effectiveness of internal audit, be endorsed.

211. Outline Internal Audit Plan (2018-2019)

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/013.

Members had considered the report then Councillor Christine Mason moved the recommendation, this was duly seconded by Councillor Colin Noble, 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/FH/18/013, be approved.

212. Balanced Scorecards Quarter Four Performance (2017-2018)

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/014.

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.

213. 2018-2019 Draft Performance Indicators and Targets

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/015.

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.

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

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/016.

Members had 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.

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

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/017.

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 B and D to Report No: PAS/FH/18/017.

216. Ernst and Young - 2018-2019 Indicative Fees

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/018.

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 B to Report No: PAS/FH/18/018.

217. **Work Programme Update**

Further to the informal joint discussions held prior to the meeting with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/FH/18/019.

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 6.38 pm

Signed by:

Chairman

Performance and Audit Scrutiny Committee



Title of Report:	Ernst and Young presentation of 2017/18 Annual Results Report to those charged with Governance	
Report No:	PAS/FH/18/025	
Report to and date:	Performance and Audit Scrutiny Committee	25 July 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present the results of Ernst and Young's audit of the financial statements for 2017/2018.	

Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that: (1) 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 - Appendix A); (2) The Committee <u>notes</u> that the auditor expects to issue a VFM conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in our use of resources (Appendix A); (3) The Committee <u>approves</u> the Letter of Representation at Appendix B, on behalf of the Council, before the Audit Director issues his opinion and conclusion; and (4) The Chief Financial Officer, in consultation with the Chairman, be given delegated authority to conclude the signing of the accounts.	
Key Decision: <i>(Check the appropriate box and delete all those that <u>do not</u> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	<ul style="list-style-type: none"> • Not applicable 	
Alternative option(s):	<ul style="list-style-type: none"> • Not applicable 	
Implications:		
Are there any <i>financial</i> implications? <i>If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> • The work completed by external audit, as part of the statement of accounts audit, includes consideration by the 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. 	
Are there any <i>staffing</i> implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> • 	

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

1. Key issues and reasons for recommendation(s)

- 1.1 Ernst and Young (EY) is the Council's appointed external auditor. The attached report presents the results of their audit of the financial statements for 2017/18.
- 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 2017/18 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 do not affect the Council's overall financial position and are, in most cases, simply presentational changes.
- 1.5 The auditor intends to issue an unqualified opinion on the Financial Statements for 2017/18 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.

**Forest Heath District
Council
Audit Results report**

Year ended 31 March 2018

16 July 2018



Performance and Audit Scrutiny Committee
Forest Heath District 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 Forest Heath District Council for 2017/18. We will issue our final report after the Forest Heath District Council meeting scheduled for 25 July 2018.

We have substantially completed our audit of the Forest Heath District 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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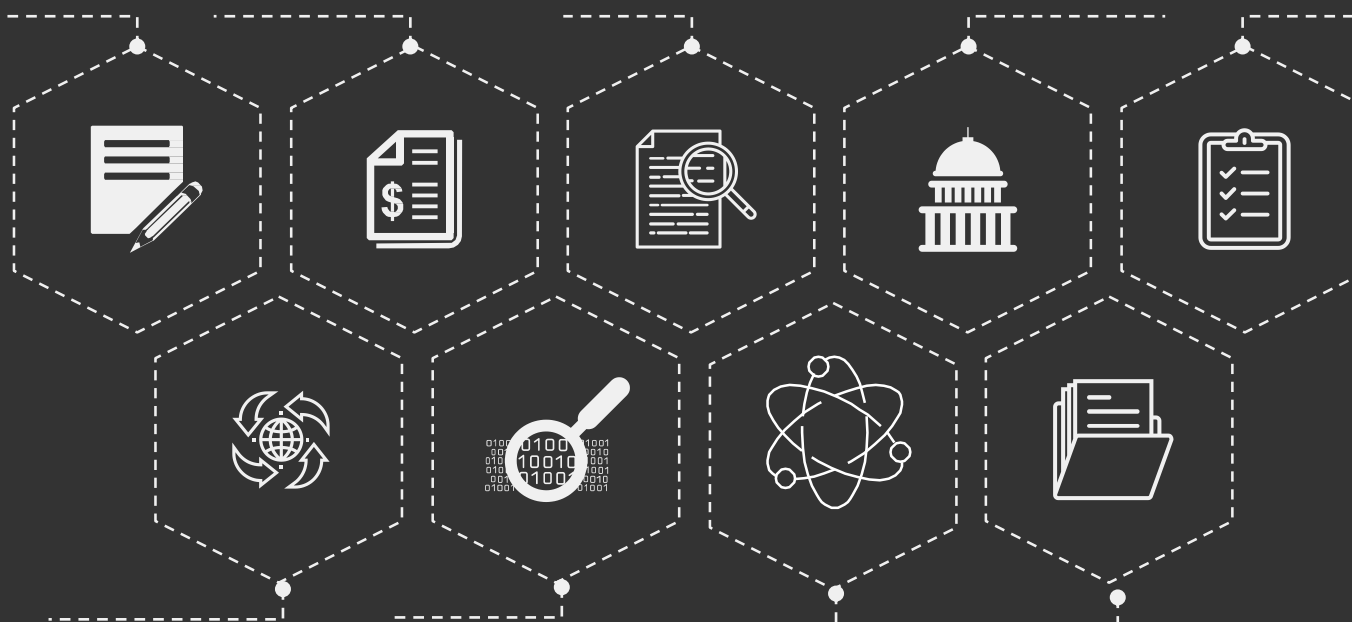
01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences

05 Value for Money



06 Other reporting issues

07 Assessment of Control Environment

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09 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). 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 Forest Heath District 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 Forest Heath District 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 Forest Heath District 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 £0.809 million. We reassessed this using the actual year-end figures, which have decreased this amount to £0.687 million. The threshold for reporting audit differences has decreased from £54,000 to £34,000. 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 Forest Heath District 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 confirmations 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 £0.88 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 Forest Heath District 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?

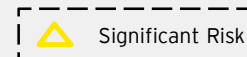
We performed mandatory procedures, including:

- ▶ 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.

Page 26

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.

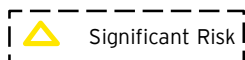




Areas of Audit Focus

Significant risk

Property, Plant and Equipment – Solar Farm Valuation



What is the risk?

In 2016/17 financial year the Council purchased Greenheath Energy Ltd and associated Solar Farm asset transferring the asset into the Council's Balance sheet. We identified this purchase and transfer as a significant risk during our 2016/17 financial statements audit, with particular focus on the valuation of the Solar Farm asset.

The Council valued the Solar Farm asset utilising the income approach, specifically by capitalising the net income received over the six months leading up to the valuation date into perpetuity. Whilst we found that the Solar Farm asset's value of £14.15 million as at the 31 March 2017 was within a reasonable range (£14.02 to £15.28 million), the valuation methodology adopted by the Council contradicted industry valuation practices as reported in our 2016/17 Audit Results Report.

The Council have engaged a new external expert for 2017/18 (Wilkes Head and Eve), to value the Council's asset base, as such there remains a risk that the valuation methodology used will not be appropriate and could lead to the asset being materially misstated.

What judgements are we focused on?

We are focussed on the valuation assumptions and methodologies applied to the valuation of the Council's Solar farm asset as presented on the Council Balance Sheet as at the 31 March 2018.

What did we do?

Our approach will focus on:

- ▶ Reviewed the information provided to the Council's Valuer as Management Expert (Wilkes Head and Eve);
- ▶ Undertook procedures to ensure that we can rely on the Valuer as management's expert;
- ▶ Employed our EY Real Estate team as our expert to review the assumptions and conclusions of Wilkes Head and Eve in relation to the valuation of the solar farm at the balance sheet date; and
- ▶ Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to Solar Farm asset.

What are our conclusions?

During 2017/18 the Council employed a new Specialist, Wilkes, Head and Eve, to perform its non current asset valuation for the year ended 31 March 2018, which included the valuation of the Solar farm Asset.

From our review of the Specialist valuation we conclude that:

- ▶ The Specialist's overall methodology used in developing the estimate is appropriate given the characteristics of the asset being measured. However, we note that some of the assumptions are not appropriate, specifically, we note that the power price forecast applied is outdated and that the Specialist has assumed that Renewable Obligation Certificate revenues are available for the entire life of the asset, as such this should be reviewed by the Council for future valuations.
- ▶ Based on corroborative review calculations using the PwC financial model and recent market transactions, we consider the Client's adopted project value of £13.8 million for the Solar Farm as at the Valuation Date to sit within a reasonable range between £11.95 million and £14.94 million.

Our testing has not identified any material misstatements in the specific areas we tested.



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>Property, Plant and Equipment Valuation</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 judgements 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 Council's asset base, who will apply a number of complex assumptions and assess the Council's 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"> ▶ 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; ▶ 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. ▶ 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; ▶ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▶ Considered changes to useful economic lives as a result of the most recent valuation; and ▶ Tested accounting entries have been correctly processed in the financial statements 	<ul style="list-style-type: none"> ▶ We did not identify any material misstatements from the work undertaken. ▶ The work performed by the valuer was based on reasonable assumptions that we were able to corroborate through our sample testing. ▶ 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. ▶ Our audit work did not identify any issues with the accounting treatment for valuations.



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><u>Pensions Liability – IAS19</u></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"> ▶ Liaised with the auditors of the administering authority (Suffolk County Council), to obtain assurances over the information supplied to the actuary in relation to Forest Heath District Council; ▶ Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC; and ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. 	<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 £0.88 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 FOREST HEATH DISTRICT COUNCIL

Opinion

We have audited the financial statements of Forest Heath District 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 36 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 Forest Heath District 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 by the Chief Finance Officer on pages 3 to 10, 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, Forest Heath District 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 12, 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 Forest Heath District 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 Forest Heath District 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, Forest Heath District 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 Forest Heath District 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 Forest Heath District 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 £0.785 million relating to Forest Heath District 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 support 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 £0.88 million.

Given that the difference is greater than our materiality level (£0.69 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





Value for Money

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.

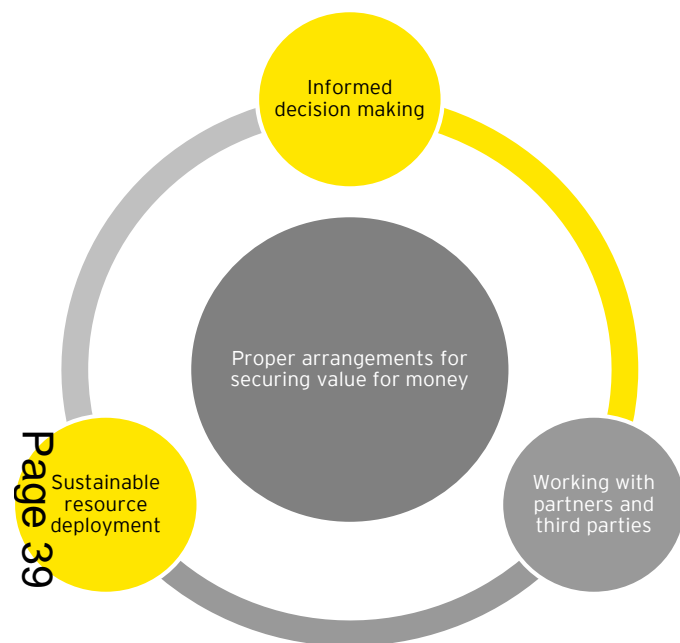
For 2017/18 this is based on the overall evaluation criterion:

"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.

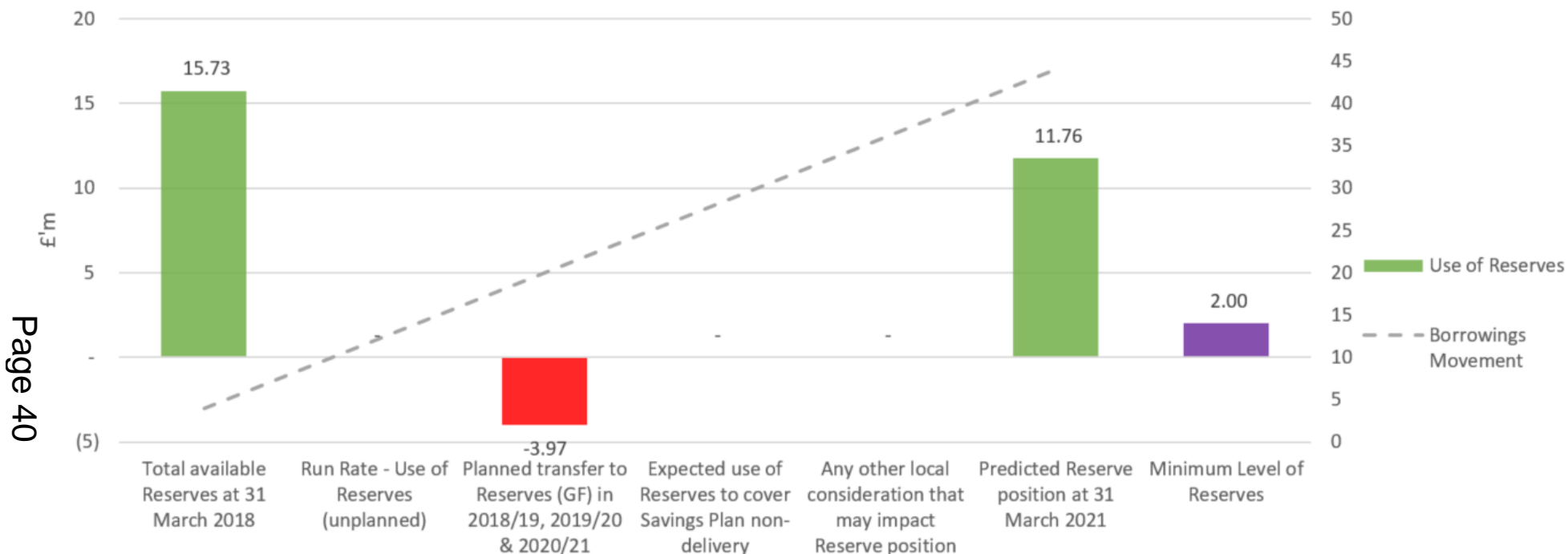
Overall conclusion

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 expect having 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 Plan.

What is the significant value for money risk?

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.

What arrangements did the risk affect?

Take informed decisions.

What are our findings?

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 processes 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 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.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Forest Heath District 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 Forest Heath District 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.



08

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.

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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	47,059 - Note 1	47,059	56,309
Other non-audit services not covered above (Housing Benefits)	Note 2	12,442	15,202
Total Fees	59,501	59,501	71,511

Note 1 - Audit Fee - 2017/18 Code work

The final fee does not include any additional audit costs associated with the additional work to be performed over the valuation of the Solar farm asset. We need to conclude all of our audit procedures before finalising the quantum of the additional fee but we expect it to be £2,000 - £3,000.

This additional fee will be discussed with management and is then subject to approval by the PSAA Ltd.

Note 2 - 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.



09

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"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 25 July 2018

Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the Forest Heath District Council ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 25 July 2018
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Performance and Audit Scrutiny Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Performance and Audit Scrutiny Committee - 25 July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Performance and Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ 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"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Performance and Audit Scrutiny Committee responsibility. 	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"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council 	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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>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>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We are awaiting one outstanding investment confirmation.


Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Governance, Audit & 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 & Performance may be aware of 	Audit Results Report - 25 July 2018
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	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"> Written representations we are requesting from management and/or those charged with governance 	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"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 25 July 2018
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 25 July 2018
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit planning report is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	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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INVESTOR IN PEOPLE

Rachael Mann
Assistant Director (Resources & Performance)
Forest Heath District 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,

Forest Heath District 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 Forest Heath District 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 Forest Heath District 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.

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2

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



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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.



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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

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

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

Forest Heath District Council - Audit for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Forest Heath District Council ('the Council') for the year ended 31 March 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 Forest Heath District 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 Louis Busuttil
Chairman of the Performance
and Audit Scrutiny
Committee

Date.....

Date.....

Performance and Audit Scrutiny Committee



Forest Heath
District Council

Title of Report:	West Suffolk Annual Governance Statement 2017/2018	
Report No:	PAS/FH/18/026	
Report to and date/s:	Performance and Audit Scrutiny Committee	25 July 2018
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To present for approval the draft Annual Governance Statement for 2017/18 which has been produced following completion of the annual review of the councils' governance arrangements.	
Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that the Committee approves the draft Annual Governance Statement 2017/18 for signing by the Chief Executive and Leader.	
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

Consultation:		<ul style="list-style-type: none"> This report has been prepared in consultation with the Leadership Team. 	
Alternative option(s):		<ul style="list-style-type: none"> N/A 	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
Failure to regularly monitor and improve the councils' governance arrangements could weaken corporate governance, impacting on service delivery.	Medium*	The statement is fully supported by relevant documentation and evidence.	Low
Ward(s) affected:		All	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		N/A	
Documents attached:		Appendix A – Draft Annual Governance Statement 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

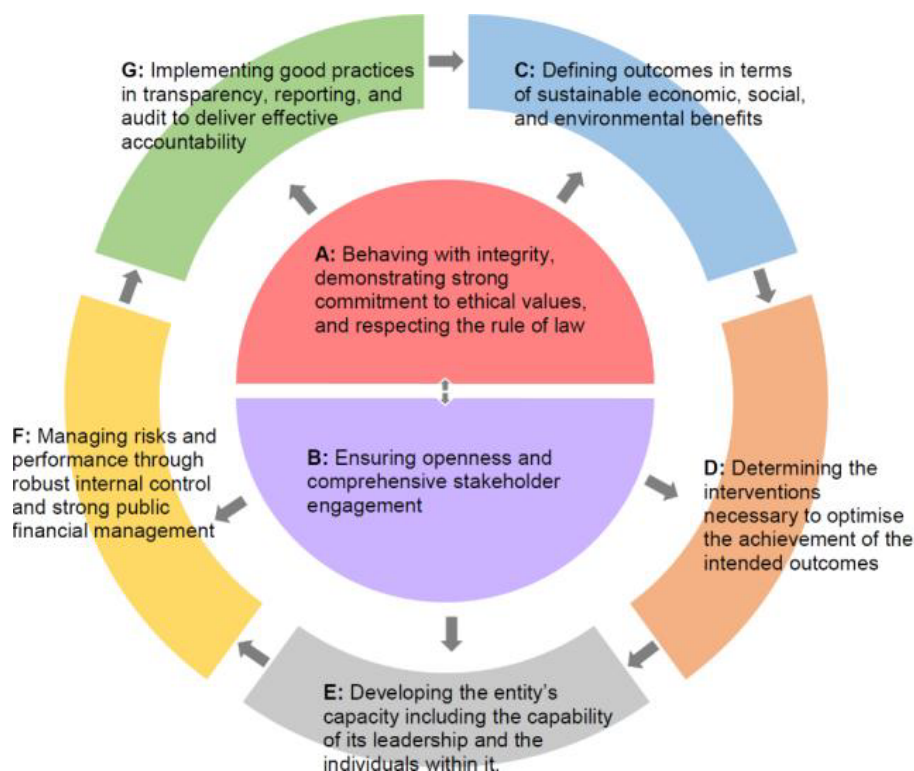
2. The Purpose of the Governance Framework

- 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.

Principle A	Key Elements of West Suffolk Governance Framework
Behaving with integrity,	• Constitution

<p>demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<ul style="list-style-type: none"> • Employees Code of Conduct • Members Code of Conduct • Contract Procedure Rules • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Anti-Money Laundering Policy • Registers of Interest • ICT Security Policy • Monitoring Officer
<p>Activity within Principle A in 2017/18</p>	
<ul style="list-style-type: none"> • 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. • 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. • Periodic messages regarding fraud and ICT Security have been included on the councils' intranet. • Training for Councillors on Standards and Social Media, GDPR compliance training. • Appointed a new Independent Person and provided training for Suffolk and Norfolk Independent Persons. • Refocussed the Standards Committee to ensure regular reporting on the ethical governance standards across West Suffolk. • Review of reporting to the Suffolk Safeguarding Boards including developing a new self-assessment template to be rolled out in 2018/19. 	
<p>Proposed activity for the coming year / areas for improvement</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.

Principle B	Key Elements of West Suffolk Governance Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Annual Report • Reports and Minutes available on Councils' website • Consultation Statement • Undertakes Equality Statements • Uses Complaints and feedback to understand how it can learn for future service development.
Activity within Principle B in 2017/18	
<ul style="list-style-type: none"> • 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. 	

Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> • 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. 	
Principle C	Key Elements of West Suffolk Governance Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Strategic Plan • Growth Investment Strategy • Business Plans • Medium Term Financial Strategy • Local Plans • Risk Management Policy and Toolkit • Investment Framework
Activity within Principle C in 2017/18	
<ul style="list-style-type: none"> • 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. • 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.
Proposed activity for the coming year / areas for improvement
<ul style="list-style-type: none"> • 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.

Principle D	Key Elements of West Suffolk Governance Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Consultation Strategy • Families and Communities Strategy • Balanced Scorecards • Procurement Policy • Medium Term Financial Strategy • Business Partners Model
Activity within Principle D in 2017/18	
<ul style="list-style-type: none"> • The Councils have remodelled the MTFS to 2021/22 to reflect the new Strategic Framework and new changes in funding. • Balanced Scorecards have been reviewed and new key performance indicators identified. • 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> • The Procurement Policy, Contract Procedure Rules to be revised alongside the Constitution, to include current practices. 	

Principle E	Key Elements of West Suffolk Governance Framework
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> • Workforce Plan • Learning and Development Policy • Member Development Group • Constitution • Employees Performance Review Framework • Disciplinary Procedure • Job Descriptions
Activity within Principle E in 2017/18	
<ul style="list-style-type: none"> • 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. • The Councils were awarded the Wellbeing Charter in December 2017 achieving 4 achievement and 4 excellence against the 8 standards. • Apprentices / Graduate / Career pathways – work has continued to support apprentices/graduates and career pathways across the Councils. • Joint staff appointments between the West Suffolk Clinical Commissioning Group and the Councils, and Suffolk County Council and the Councils. • 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> • Review of the payline for the Councils' workforce. • 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. • Development of the Induction Plan for Members elected in May 2019 to a new council. 	

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

Principle G	Key Elements of West Suffolk Governance Framework
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Councils' Website • Statement of Accounts • Annual Governance Statement • Annual Report • Medium Term Financial Strategy • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Data Protection Policy • Officer Information Governance Group • Balanced Scorecards • Annual Internal Audit Report and Opinion
<p>Activity within Principle G in 2017/18</p>	
<ul style="list-style-type: none"> • In October 2017 both Cabinets agreed a report as to the necessary steps to achieve compliance with General Data Protection Regulation (GDPR) • Appointment of GDPR Project Co-ordinator to review practices and procedures at an organisational and service level • Development of necessary corporate practices and implementation of these • Liaising with and working with the Suffolk Information Governance Board • 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. • 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 	

<p>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.</p>
<p>Proposed activity for the coming year / areas for improvement</p> <ul style="list-style-type: none"> • 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



Title of Report:	2017/18 Annual Statement of Accounts	
Report No:	PAS/FH/18/027	
Report to and date:	Performance and Audit Scrutiny Committee	25 July 2018
Portfolio holder:	Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk	
Purpose of report:	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.	

Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that: (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; (2) The Chairman of the Committee signs the certification of the 2017/18 Statement of Accounts on behalf of the Committee; and (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.	
Key Decision: <i>(Check the appropriate box and delete all those that <u>do not</u> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	<ul style="list-style-type: none"> Not applicable 	
Alternative option(s):	<ul style="list-style-type: none"> Not applicable 	
Implications:		
Are there any financial implications? <i>If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> This report presents the Council's 2017/18 Statement of Accounts for committee scrutiny and approval and includes a summary of financial highlights for the 2017/18 financial year. 	
Are there any staffing implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Are there any ICT implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	

<p>Are there any legal and/or policy implications? If yes, please give details</p>		<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> Local Government Finance Act 1992 – balanced budget requirement and adequacy of reserves. Local Government Act 1972 – requirement for the proper administration of financial affairs. Accounts and Audit Regulations 2015 – requirements for the reporting and approval of the Council’s annual financial statements. 	
<p>Are there any equality implications? If yes, please give details</p>		<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> 	
<p>Risk/opportunity assessment:</p>		<p>(potential hazards or opportunities affecting corporate, service or project objectives)</p>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Revenue and capital budget management – failure to achieve projected income or expenditure exceeds approved budgets.	High	<ul style="list-style-type: none"> Budgets reflect economic situation facing the Council Clear responsibilities for budget monitoring and control Annual saving programme used to deliver required budget savings Medium term financial planning to capture the longer term budget implications 	Medium
<p>Ward(s) affected:</p>		<p>All Wards</p>	
<p>Background papers: (all background papers are to be published on the website and a link included)</p>		<p>Budget and Council Tax Setting:2017/18 (Council 22 February 2017 COU/FH/17/005)</p> <p>Financial Performance Report (Revenue and Capital) Outturn - 2017-18 (Performance and Audit Scrutiny Committee 31 May 2018 PAS/FH/18/017)</p>	
<p>Documents attached:</p>		<p>Appendix A – Statement of Accounts 2017/18</p>	

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 (ie 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 3 to 10 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 a break even position. This break even position was achieved against an annual total income of around £36m. Details of major variances can be seen in the report reference PAS/FH/18/017, 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 £2m.
- 2.3 **Capital Expenditure** - Actual capital programme spend for the year was £2.5m which included expenditure on both Mildenhall Hub and West Suffolk Operational Hub. Details of the major variances on the capital programme can also be seen in report PAS/FH/18/017.

- 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 increased from £15.0m (at 1 April 2017) to £17.2m (at 31 March 2018), a net increase of £2.2m. Further details regarding the movement on reserves during the year are provided on page 15 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 £16.8m compared to £18.0m 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 6 of the Statement of Accounts.

3. **Annual Governance Statement**

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

4. **Conclusion**

- 4.1 Forest Heath, like almost every public and private sector organisation in the Country, continues to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. Within this climate the Council has striven to drive out costs whilst continuing to maintain services to the public. In view of the significant financial challenges faced by the Council, the budget break even position 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.

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2017/2018 Statement of Accounts

Forest Heath District Council



Newmarket Stallion Statue

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Introduction

The District

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

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

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

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

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

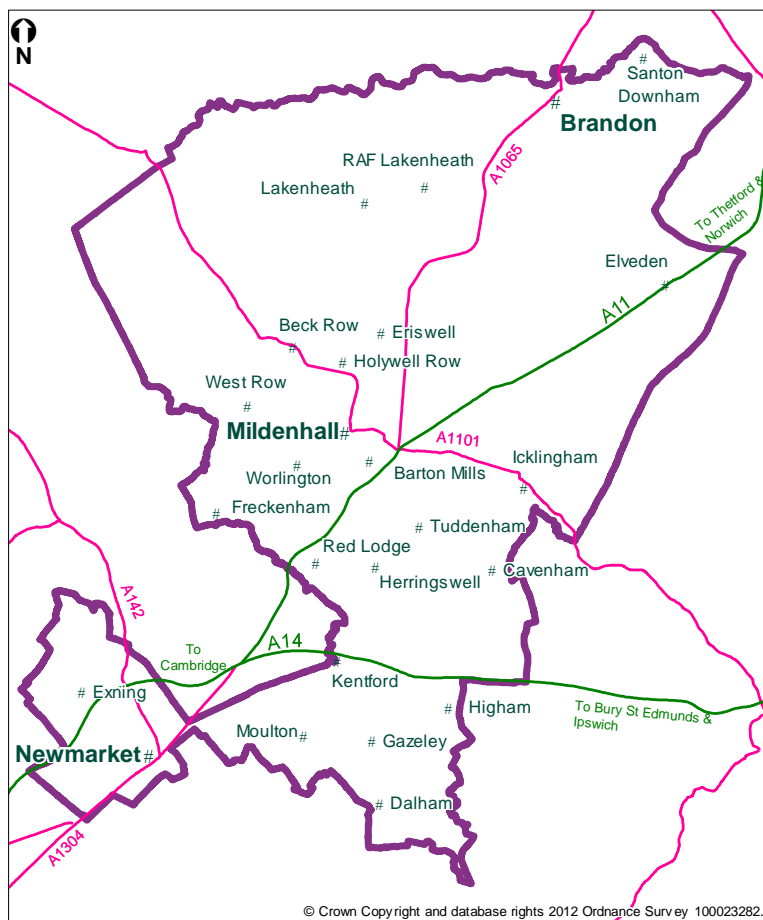
The Council is made up of 27 Councillors and is Conservative controlled. It operates under a Leader and Cabinet style of governance. From 1 April 2019, subject to Parliamentary approval, a new West Suffolk Council will be formed, entirely replacing Forest Heath and St Edmundsbury Councils, Further details are available here:

www.westsuffolk.gov.uk/singlecouncil

Further information can be found by following the links below:

[Suffolk Observatory](#)

[West Suffolk Strategic Framework](#)





Douglas Park Wildflower Meadow, Mildenhall

Narrative Report by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2017/18. Forest Heath District Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, 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:

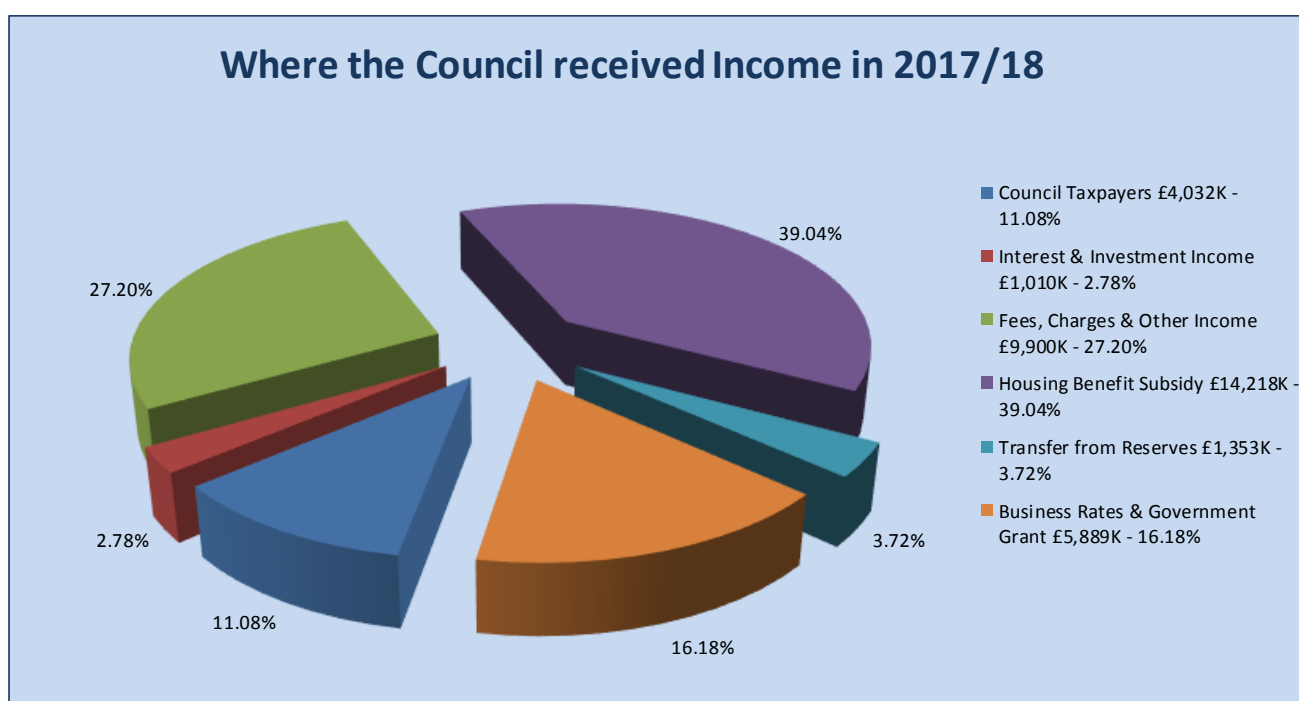
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

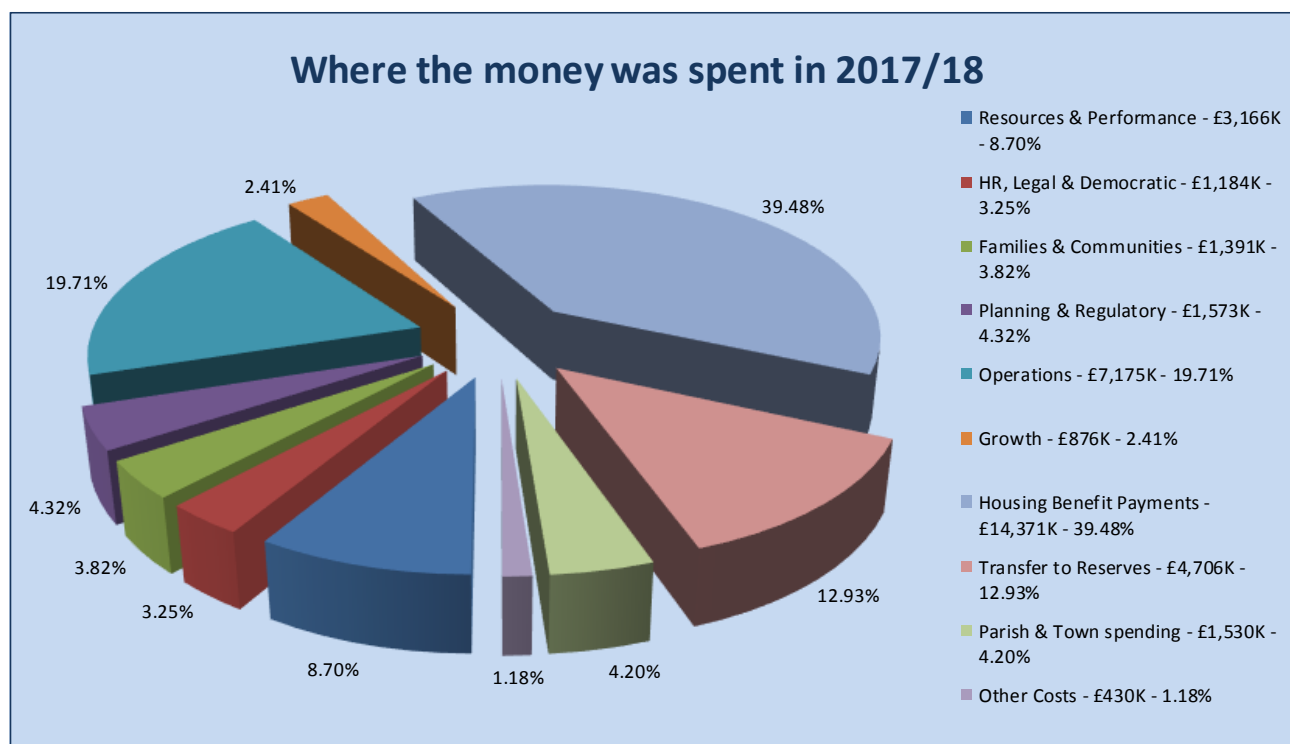
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to 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 £2.0m as at 31 March 2018, with an overall level of usable reserves (capital and revenue) of £17.2m.

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 includes the reduction in central government grant funding and the changing landscape of local government financing. Additional challenges included declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness 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 has also invested in the Mildenhall public sector hub and West Suffolk Operational Hub. The solar farm project, which was completed during 2016/17, continues to generate net income for Forest Heath in line with the original business case.

Details of variances against budget in excess of £50k can be seen in the report reference PAS/FH/18/017, 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 £3m, which included vehicle and plant purchases, and expenditure on Mildenhall Hub and West Suffolk Operational Hub. The Council spent approximately £0.6m on capital grants within the year. Around £1.4m of the total £3m spend for 2017/18 was funded from the Council's revenue reserves, the remainder being funded from grants and contributions, and capital receipts. Overall the capital programme for 2017/18 was on budget, after allowing for project timings.

During 2017/18 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

Material and Unusual charges or credits within the statements

During 2016/17, Forest Heath District Council acquired 100% shareholding in Greenheath Energy Ltd, a special purpose vehicle containing the rights to a 12.414mw electricity generating solar farm plant. The Council subsequently entered into a hive up agreement with Greenheath Energy Ltd (once it was wholly owned by the Council) to hive up the solar farm asset and its accompanying contractual relationships to the Council. This hive up of the assets was financed by an intercompany transaction between Greenheath Energy Ltd and the Council, creating a property plant and equipment value of £14.078m along with an intercompany creditor of £14.078m. The non-cash intercompany creditor was settled during 2017/18, through the distribution (of the same value) from Greenheath Energy Ltd. External advice was sought on the settlement and accounting treatment.

Narrative Report by the Chief Finance Officer

Also during 2017/18, the Council commenced the Mildenhall Hub Project (£0.8m) which aims to bring together a range of public services on one site in Sheldrick Way, Mildenhall.

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 decrease of around £29.9m. This decrease was primarily due to a combination of a planned revaluation decrease during 2016/17 to Palace House and Stables in relation to the Home of Horseracing Museum project (£15.8m) on transfer of a long term lease to the National Horseracing Museum, and transactions relating to the Solar Farm as detailed in the section above (£14.1m).

This net cost reduction has had a significant impact on the surplus/deficit on provision of services which has changed from a £11.9m deficit in 2016/17 to a £14.7m surplus in 2017/18 (overall movement of £26.6m).

Deficit on revaluation of available for sales financial assets has also changed significantly as a result of the downward revaluation of shares in Greenheath Energy Ltd as explained further in the section above and in Note 4.

Actuarial gains/losses on pension assets/liabilities have also moved from a loss of £1.6m in 2016/17 to a gain of £2.1m 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 an overall movement in Total Comprehensive Income and Expenditure from a net expenditure position of £13.6m in 2016/17 to a net income position of £3.6m in 2017/18 (total movement of £17.1m).

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;

Narrative Report by the Chief Finance Officer

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.

Group Accounts

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

During 2016/17 the shareholder ownership of ARP Trading Ltd was extended to all seven ARP Joint committee partners resulting in a further reduction in Forest Heath's shareholder interest in the company.

Pensions

The Council is required to include information on retirement benefits within the Statement of Accounts which must be in accordance with International Accounting Standard 19. Therefore I have summarised the treatment of pensions and other forms of retirement benefits for the 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 £16.8m compared to £18.0m at 31 March 2017. This net decrease in liabilities is represented by an increase in liabilities of £0.4m and an increase in assets of £1.6m. The overall decrease of £1.2m 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 £16.8m 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 £0.5m 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 (see Note 34) and contingent assets (see Note 35) within the accounts.

Significant Cashflows Present and Future

The council has committed to a joint project with Suffolk County Council and St Edmundsbury Borough 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:-

Narrative Report by the Chief Finance Officer

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

Forest Heath District Council is part of the West Suffolk Councils' shared service partnership, a single staffing structure that supports both St Edmundsbury Borough Council and Forest Heath District 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 England¹.

Forest Heath District Council is committed to investing in all West Suffolk staff, through corporate learning opportunities, bespoke training, and individual qualifications. Along with St Edmundsbury, Forest Heath 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 Forest Heath District Council (not including plant and equipment) in 2017/18 was £48.533m.

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).

Furthermore, solar panels on Forest Heath District Council buildings generated 468,830kWh of renewable energy in 2017/18, equivalent to the typical electricity consumption of 126 homes.

In July 2016, the council purchased Toggam Solar Farm, which is believed to be the largest local authority-owned solar farm in England. Over the last year, the solar farm has generated around 11.7 million kWh, enough electricity to power 3,200 homes and offset CO2 emissions from 2,100 cars.

We are exploring how we can build to high standards of energy efficiency incorporating renewable energy generation into all new property to reduce running costs, cut CO2 emissions and generate financial value; an example are the Sam Alper Court commercial units in Newmarket which incorporate high standards of energy efficiency and solar power generation.

Corporate reputation

Forest Heath District 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 the creation of a new single West Suffolk Council as part of its ongoing transformational work with St Edmundsbury Borough 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 Ministry of Housing, Communities and Local Government during the process.

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

¹ Source – 2015-16 EELGA sickness absence benchmarking survey - latest available figures

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.
- Forest Heath received further funding from the Arts Council England at the end of 2017, as part of the Market Place project that focuses on 21 places in the UK. Phase 2 will open in October 2018 and continue until 2021
- West Suffolk Councils also successfully bid for £108,000 from the Arts Council Resilience Funding Grant, aimed at ensuring museums continue to be sustainable.
- Forest Heath District Council Leader Cllr James Waters asked to speak at the District Council Network conference on transforming Local Government and the creation of a single council.

The Leader of Forest Heath District Council is the representative for all the district councils on the Greater Cambridge Greater Peterborough 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.

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

Narrative Report by the Chief Finance Officer

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 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 Forest Heath District Council's accounts for a five year period commencing with the financial year 2012/13. The external auditors complete their audit in as efficient a manner as possible, and also rely on the Council's own internal auditors so as not to duplicate some areas of work.

Narrative Report by the Chief Finance Officer

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 St Edmundsbury Borough 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.

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.

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 Forest Heath District Council at the meeting held on 25 July 2018.

Signed:

Chairman of the Performance, Audit and 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)

Date:

Councillor S Edwards
Portfolio Holder for Resources
and Performance

Date:

Core Financial Statements

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	2,206	321	2,527	1,924	(266)	1,658
HR, Legal and Democratic	944	2	946	850	(12)	838
Families & Communities	1,079	186	1,265	1,072	575	1,647
Planning and Regulatory	(683)	(13,262)	(13,945)	186	72	258
Operations	1,714	1,262	2,976	1,646	18,012	19,658
Growth	677	15	692	630	208	838
Net Cost of Services	5,937	(11,476)	(5,539)	6,308	18,589	24,897
Other income and expenditure	(5,937)	(3,219)	(9,156)	(6,308)	(6,644)	(12,952)
(Surplus) / Deficit	0	(14,695)	(14,695)	0	11,945	11,945
Opening General Fund Balance at 31/03/2017	(2,000)			(2,118)		
Less Budgeted use of General Fund included in (Surplus) / Deficit	0			118		
Closing General Fund Balance at 31/03/2018	(2,000)			(2,000)		

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. Authorities 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		17,693	15,166	2,527	17,992	16,334	1,658
Human Resources, Legal and Democratic		1,225	279	946	1,004	166	838
Families and Communities		1,777	512	1,265	1,704	57	1,647
Planning and Regulatory *		2,621	16,566	(13,945)	1,884	1,626	258
Operations		6,936	3,960	2,976	26,428	6,770	19,658
Growth		907	215	692	1,007	169	838
Cost of Services		31,159	36,698	(5,539)	50,019	25,122	24,897
Other Operating Expenditure	10	1,077	0	1,077	1,295	0	1,295
Financing and Investment Income and Expenditure	11	(265)	1,010	(1,275)	1,026	1,180	(154)
Taxation and Non-Specific Grant Income	12	0	8,958	(8,958)	0	14,093	(14,093)
(Surplus)/Deficit on Provision of Services		31,971	46,666	(14,695)	52,340	40,395	11,945
Surplus on revaluation of Property, Plant and Equipment assets	22			(867)			(388)
Deficit on revaluation of available for sales financial assets	22			14,078			432
Actuarial (gains)/losses on pension assets & liabilities	33			(2,071)			1,570
Other Comprehensive and Expenditure				11,140			1,614
Total Comprehensive (Income) and Expenditure				(3,555)			13,559

* The 2017/18 gross income figure in the table above includes the reversal of the non-cash transaction relating to Greenheath Energy Ltd (solar farm purchase). Further details can be found in Note 4 Material Items of Income and Expense, Note 30 Related Parties and Note 31 Capital Expenditure and Capital Financing.

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 £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2016		11,592	14,577	356	26,525	44,818	71,343
Movements in Reserves during 2016/17							
Total Comprehensive Income and Expenditure		(11,945)	0	0	(11,945)	(1,614)	(13,559)
Adjustments between accounting basis and funding basis under regulations	8	14,181	(13,634)	(113)	434	(434)	0
Increase / (Decrease) in 2016/17		2,236	(13,634)	(113)	(11,511)	(2,048)	(13,559)
Balance as at 31 March 2017 carried forward		13,828	943	243	15,014	42,770	57,784

Current Year Movements - 2017/18	Note	General Fund & Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2017		13,828	943	243	15,014	42,770	57,784
Movements in Reserves during 2017/18							
Total Comprehensive Income and Expenditure		14,695	0	0	14,695	(11,140)	3,555
Adjustments between accounting basis and funding basis under regulations	8	(12,797)	299	(16)	(12,514)	12,514	0
Increase / (Decrease) in 2017/18		1,898	299	(16)	2,181	1,374	3,555
Balance as at 31 March 2018 carried forward		15,726	1,242	227	17,195	44,144	61,339

Core Financial Statements

Balance Sheet

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

	Note	31 March 2018 £000	31 March 2017 £000
Property, Plant and Equipment	13	54,031	53,728
Heritage Assets	14	353	357
Investment Property	15	11,594	10,632
Intangible Assets	16	217	269
Long-term Investments	19	0	16,082
Long-Term Debtors	17	131	77
Long-Term Assets		66,326	81,145
Short-term Investments	19	13,472	10,514
Short-term Debtors	17	4,926	3,505
Cash and Cash Equivalents	18	4,083	5,931
Current Assets		22,481	19,950
Short-term Borrowing	19	(2)	(2)
Short-Term Creditors	20	(5,150)	(19,771)
Provisions	21	(499)	(379)
Current Liabilities		(5,651)	(20,152)
Long-term Borrowing	19	(4,000)	(4,000)
Other Long-term Liabilities	33	(16,785)	(17,960)
Grants Receipts in Advance	29	(1,032)	(1,199)
Long-Term Liabilities		(21,817)	(23,159)
NET ASSETS		61,339	57,784
Usable Reserves		(17,195)	(15,014)
Unusable Reserves	22	(44,144)	(42,770)
TOTAL RESERVES		(61,339)	(57,784)

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 (ie. borrowing) to the Council.

		2017/18	2016/17
	Note	£000	£000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		(14,695)	11,945
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	13,028	(18,802)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	41	3,506
Net cash flows from Operating Activities		(1,626)	(3,351)
Investing Activities	24	2,353	8,563
Financing Activities	25	1,121	(783)
Net (increase) or decrease in cash and cash equivalents		1,848	4,429
Cash and cash equivalents at the beginning of the reporting period	18	(5,931)	(10,360)
Cash and Cash Equivalents at the end of the reporting period	18	(4,083)	(5,931)

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 Statement of Accounts are as follows:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure. Anglia Community Leisure is a company limited by guarantee, with charitable objectives (and secured registered charity status on 10th November 2008). From 1 April 2015 the company merged with Abbeycroft Leisure and the new company has been named Abbeycroft Leisure. The Council does not have a control of the company and has therefore determined that the company is not a subsidiary of the Council (Note 30 Related Parties provides more details).

Notes to the Core Financial Statements

- On 1 April 2006 the Council joined Breckland District Council to set up the Anglia Revenues Partnership (ARP). The partnership was subsequently extended to include East Cambridgeshire, St Edmundsbury, Fenland, Suffolk Coastal and Waveney District Councils with effect from 1 April 2015. The ARP is 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 this joint committees is accounted for as a 'jointly controlled operation' 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.



Brandon

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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £88k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide Suffolk County Council which administers the pension fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 10% increase in the employer's liability. In monetary terms this equates to around £7.037m. A 0.5% increase in the Salary increase rate would result in an additional 1% employer liability totalling approximately £0.963m. A 0.5% increase in the Pension increase rate would result in an additional 8% employer liability totalling approximately £5.990m.
Arrears	At 31 March 2018, the Authority had a balance of sundry debtors of £5,739k. A review of significant balances suggested that an allowance for doubtful debts of £813k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £813k to set aside as an allowance.

Notes to the Core Financial Statements

Note 4 Material Items of Income and Expense

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

Solar Farm

In July 2016, Forest Heath District Council acquired 100% shareholding in Greenheath Energy Ltd, a special purpose vehicle containing the rights to a 12.414mw electricity generating solar farm plant, creating a long term investment (share purchase price and acquisition costs) totalling £14.473m. The Council subsequently entered into a hive up agreement with Greenheath Energy Ltd (once it was wholly owned by the Council) to hive up the solar farm asset and its accompanying contractual relationships to the Council. This hive up of the assets was financed by an intercompany transaction between Greenheath Energy Ltd and the Council, creating a property plant and equipment value of £14.078m along with an intercompany creditor of £14.078m. These sums were reflected in the Council's balance sheet at 31st March 2017.

The 12.414mw solar farm at Toggam Farm, Lakenheath is now operated directly by the Council, not through Greenheath Energy Ltd the special purpose vehicle. During 2017/18 the Council settled the non-cash intercompany transaction between Forest Heath and Greenheath Energy Ltd. In addition it has reduced the value of its shares in Greenheath Energy Ltd down to just £1 to reflect the value after the settling of the loan. During 2018/19 the company is being wound up and has started the process of voluntary liquidation.

Mildenhall Hub

During 2017/18 the council spent £776k on the Mildenhall Hub project. This project aims to bring together a range of public services (including education, health, leisure and local government) on one site in Sheldrick Way, Mildenhall, making access easier and cutting operational running costs.

The project involves many partners including, Suffolk County Council, Mildenhall College Academy, Abbeycroft Leisure, NHS, Suffolk Libraries Service, Citizen's Advice Bureau, DWP and the site will include a school, leisure centre, office, library etc. More information about this project can be found at www.mildenhallhub.info

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.

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	27	129	165	321
Human Resources, Legal and Democratic	0	41	(39)	2
Families & Communities	74	51	61	186
Planning and Regulatory	696	67	(14,025)	(13,262)
Operations	1,699	106	(543)	1,262
Growth	0	31	(16)	15
Net Cost of Services	2,496	425	(14,397)	(11,476)
Other income and expenditure from the Expenditure and Funding Analysis	(1,778)	472	(1,913)	(3,219)
Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services	718	897	(16,310)	(14,695)

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
Resources & Performance	35	(5)	(296)	(266)
Human Resources, Legal and Democratic	0	(7)	(5)	(12)
Families & Communities	451	(8)	132	575
Planning and Regulatory	74	(11)	9	72
Operations	18,345	(18)	(315)	18,012
Growth	33	(5)	180	208
Net Cost of Services	18,938	(54)	(295)	18,589
Other income and expenditure from the Expenditure and Funding Analysis	(4,025)	554	(3,173)	(6,644)
Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services	14,913	500	(3,468)	11,945

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
Expenditure			
Employee benefits expenses		7,966	7,018
Other services expenses		5,661	8,821
Parish precept payments	10	1,530	1,472
Other third party payments *		1,300	1,238
Housing benefit payments		14,371	15,013
Depreciation, amortisation and revaluation **	8	1,427	18,785
Interest payments	11	169	170
(Gain)/Loss on the disposal of assets	10	(453)	(177)
Total Expenditure		31,971	52,340
Income			
Fees, charges and other service income ***		(22,279)	(10,527)
Interest and investment income	11	(125)	(289)
Income from council tax	12	(4,106)	(3,871)
Income from business rates	29	(2,733)	(2,615)
Grants and contributions	29	(17,423)	(23,093)
Total Income		(46,666)	(40,395)
(Surplus)/Deficit on the Provision of Services		(14,695)	11,945

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

** The 2016/17 figure includes a downward revaluation of £16m in relation to the transfer of the Palace House and Stables site in Newmarket to the National Horseracing Museum on a long term lease.

*** The 2017/18 income figure includes £14.08m re the settlement of the non-cash intercompany transaction between the council and Greenheath Energy Ltd in respect of the Solar Farm. Further details are given in Note 4, Material Items of Income and Expense, Note 30 Related Parties and Note 31 Capital Expenditure and Capital Financing.

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
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,884	0	0	(1,884)
Revaluation losses on Property, Plant and Equipment	451	0	0	(451)
Movements in the Market Value of Investment Properties	(962)	0	0	962
Amortisation of Intangible Assets	53	0	0	(53)
Capital Grants and Contributions applied	(704)	0	0	704
Revenue Expenditure funded from Capital under Statute	663	0	0	(663)
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	(453)	454	0	(1)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(214)	0	0	214
Use of revenue reserves to finance new capital loans	0	0	0	0
Capital Expenditure charged against the General Fund Balance	(15,532)	0	0	15,532
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(16)	16

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	
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(101)	0	101
Use of the Capital Receipts Reserve to finance new Capital Loans	0	(54)	0	54
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,107	0	0	(2,107)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,211)	0	0	1,211
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	1,121	0	0	(1,121)
Total Adjustments	(12,797)	299	(16)	12,514

Notes to the Core Financial Statements

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

Prior Year - 2016/17	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,330	0	0	(1,330)
Revaluation losses on Property, Plant and Equipment	17,132	0	0	(17,132)
Movements in the Market Value of Investment Properties	270	0	0	(270)
Amortisation of Intangible Assets	53	0	0	(53)
Capital Grants and Contributions applied	(4,125)	0	10	4,115
Revenue Expenditure funded from Capital under Statute	618	0	0	(618)
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	(177)	396	0	(219)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(188)	0	0	188
Use of revenue reserves to finance new capital loans	(10)	0	0	10
Capital Expenditure charged against the General Fund Balance	(439)	0	0	439
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(123)	123

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	
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(14,005)	0	14,005
Use of the Capital Receipts Reserve to finance new Capital Loans	0	(25)	0	25
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,583	0	0	(1,583)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,083)	0	0	1,083
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(783)	0	0	783
Total Adjustments	14,181	(13,634)	(113)	(434)

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 *	6,195	(722)	2,844	8,317	(15,464)	15,469	8,322
Invest to Save Reserve	216	(281)	445	380	(128)	130	382
Risk/Recession Reserve	541	(120)	0	421	(251)	0	170
BRR Equalisation Reserve	77	(77)	36	36	(500)	1,511	1,047
Self Insured Fund	62	0	50	112	(51)	75	136
Computer Equipment	159	(37)	35	157	(16)	35	176
HB Equalisation Reserve	161	0	0	161	(131)	100	130
Interest Equalisation Reserve	70	(70)	0	0	0	0	0
Professional Fees Reserve	35	0	40	75	0	40	115
Single Regeneration Board	24	(24)	0	0	0	0	0
ARP Reserve	301	(21)	133	413	(100)	30	343
Vehicle & Plant Renewal Fund	214	0	230	444	(492)	330	282
Waste Management Reserve	108	0	4	112	(13)	0	99
Leisure Building Repairs Reserve	0	0	0	0	0	28	28
Building Repairs Reserve	0	(188)	214	26	(403)	507	130
Industrial Units - Service Charges	0	0	0	0	0	1	1
Car Park Development Fund	56	0	0	56	(56)	0	0
Commuted Maintenance Reserve	511	(23)	15	503	(11)	15	507
Newmarket Stallion Statue Reserve	23	0	0	23	(2)	0	21
Leisure Reserve	28	0	0	28	(28)	0	0
Communities against Drugs	30	0	0	30	0	0	30
Planning Reserve	23	(217)	219	25	(128)	234	131
Planning Delivery Grant	95	(7)	0	88	(16)	0	72
Local Land Charges Reserve	60	(10)	4	54	(54)	0	0
Planning Policy Statement Climate Change	15	(13)	0	2	(2)	0	0
S106 Monitoring Officer Reserve	78	(59)	16	35	(20)	7	22
Implementing Smoke Free Legislation	8	0	0	8	(8)	0	0
Economic Development Reserve (LABGI)	35	(35)	0	0	0	0	0
Homelessness Legislation Reserve	129	(36)	36	129	(79)	134	184
S106 Revenue Reserve	159	(103)	71	127	(25)	50	152
Election Reserve	39	(5)	10	44	(11)	20	53
Staff Training Reserve	22	0	0	22	(22)	0	0
Investing in our Growth Agenda	0	0	0	0	(59)	1,000	941
Capital Project Financing Reserve	0	0	0	0	0	252	252
Total	9,474	(2,048)	4,402	11,828	(18,070)	19,968	13,726
Net Movement in the year				2,354			1,898

Notes to the Core Financial Statements

* The 2017/18 transfers include £14.08m re the settlement of the non-cash intercompany transaction between the council and Greenheath Energy Ltd in respect of the Solar Farm. Further details are given in Note 4, Material Items of Income and Expense, Note 30 Related Parties and Note 31 Capital Expenditure and Capital Financing.

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

Strategic Priorities & MTFS Reserve (formerly New Homes Bonus Reserve)	Monies received in respect of the New Homes Bonus Grant which have been set aside to support the delivery of the Council's strategic priorities and medium term financial strategy.
Invest to Save Reserve	Monies set aside for investment in new technologies and streamlined working practices to provide longer term efficiencies and savings.
Risk / Recession Reserve	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like.
BRR Equalisation Reserve	To neutralise the impact of any year on year fluctuations in growth or reduction of business rate income, under the new business rates retention scheme.
Self-Insured Fund	Monies set aside to meet potential future Insurance Excess payments.
Computer Equipment	To meet future computer hardware and software requirements.
Housing Benefit (HB) Equalisation Reserve	To cover year on year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.
Interest Equalisation Reserve	To mitigate against possible adverse fluctuations in the interest rates received from the Council's investments.
Professional Fees Reserve	To meet future professional fee obligations.
Single Regeneration Board Reserve	Reserve for single regeneration board.
ARP (formerly ARP Partnership) Reserve	Government Grant monies received by the Anglia Revenues Partnership (ARP) for specific purposes which are held in reserve due to timings of receipts and usage.
Vehicle & Plant Renewal Fund	Monies set aside for the purchase of replacement vehicles and plant.
Waste Management Reserve	Monies set aside for the purchase of replacement bins and equipment used for trade and domestic refuse collection.
Leisure Building / Building Repairs Reserves	Monies set aside for significant repairs and improvements to public buildings and investment properties, including energy conservation measures.
Industrial Units – Service Charges	Monies received from industrial service charges which are to be used in line with the lease agreement.
Car Park Development Fund	Monies set aside for future Car Park repairs and service improvements
Commuted Maintenance	Monies received which have been set aside for future Public Open Space development and maintenance.
Newmarket Stallion Reserve	Monies set aside to fund future maintenance cost of the Newmarket Stallion statue.

Notes to the Core Financial Statements

Leisure Reserve	Monies set aside to fund sports and recreation.
Communities against Drugs Reserve	Monies set aside from grants received set aside for future spend on Crime Reduction and associated initiatives.
Planning Reserve	Monies set aside to fund the Local Development Framework (LDF).
Planning Delivery Grant Reserve	Grant funding received from central government set aside for development of the Planning service.
Local Land Charges Reserve	Monies set aside in respect of the land charges service.
Planning Policy Statement Climate Change	Government Grant monies received to assist Local Authorities with the Planning Policy Statement on Climate Change, set aside for future spend in this area.
S106 Monitoring Officer Reserve	Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.
Implementing Smoke Free Legislation	Monies set aside to fund legislation requirements.
Economic Development Reserve (LABGI)	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 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.
Staff Training Reserve	Monies set aside to finance staff training.
Investing in Our Growth Agenda	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.

Notes to the Core Financial Statements

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	1,530	1,472
(Gains) / losses on the disposal of non-current assets	(453)	(177)
	1,077	1,295

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 payable and similar charges	169	170
Interest receivable and similar income	(125)	(289)
Net interest on the net defined benefit liability asset	472	554
Income and expenditure in relation to investment properties and changes in their fair value	(1,791)	(589)
	(1,275)	(154)

Notes to the Core Financial Statements

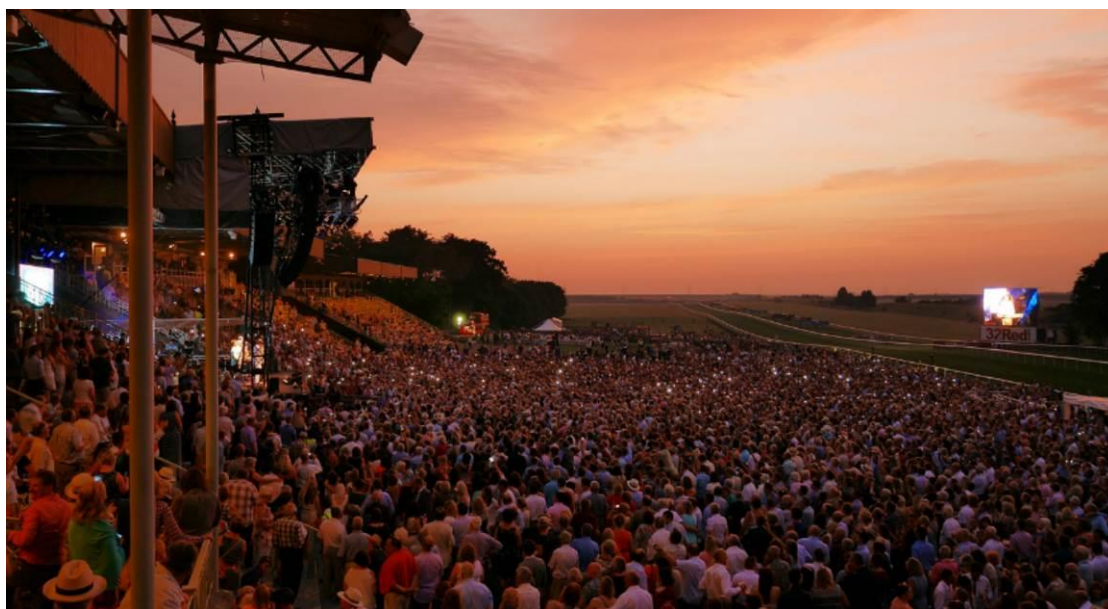
Note 12 Taxation and Non-Specific Grant Income

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	(4,106)	(3,871)
Non-domestic rates income and expenditure	(2,733)	(2,615)
Revenue Support Grant	(661)	(1,004)
Non-service related government grants	(18)	(26)
New Homes Bonus	(1,282)	(2,648)
Capital Grants and contributions *	(158)	(3,929)
	(8,958)	(14,093)

* Capital Grants and contributions credited to the comprehensive income and expenditure account in 2016/17 include £3,784k (£39k in 2017/18) received via donations to fund the Home of Horseracing project.



Newmarket Nights

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	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
<u>Cost or Valuation</u>							
At 1 April 2016	36,642	4,027	933	202	0	13,326	55,130
Additions	19,731	31	108	0	0	82	19,952
Revaluation increases recognised in the Revaluation Reserve	1,354	0	0	0	0	0	1,354
Revaluation (decreases) recognised in the Revaluation Reserve	(1,101)	0	0	0	0	0	(1,101)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	81	0	0	0	0	0	81
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(17,297)	0	0	0	0	0	(17,297)
Derecognition - disposals	(15)	(644)	(244)	0	0	0	(903)
Assets reclassified between PPE categories	13,257	0	69	0	0	(13,326)	0
At 31 March 2017	52,652	3,414	866	202	0	82	57,216

Continued on the following page.

Notes to the Core Financial Statements

2016/17 - Previous Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2016	(1,034)	(1,786)	(243)	0	0	0	(3,063)
Depreciation Charge	(963)	(315)	(48)	0	0	0	(1,326)
Revaluation gains - depreciation written out to the Revaluation Reserve	120	0	0	0	0	0	120
Revaluation losses - depreciation written out to the Revaluation Reserve	14	0	0	0	0	0	14
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	38	0	0	0	0	0	38
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	45	0	0	0	0	0	45
Derecognition - disposals	4	624	56	0	0	0	684
At 31 March 2017	(1,776)	(1,477)	(235)	0	0	0	(3,488)
<u>Net Book Value</u>							
At 31 March 2017	50,876	1,937	631	202	0	82	53,728
At 31 March 2016	35,608	2,241	690	202	0	13,326	52,067

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	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Cost or Valuation</u>							
At 1 April 2017	52,652	3,414	866	202	0	82	57,216
Additions	85	746	0	0	0	937	1,768
Revaluation increases recognised in the Revaluation Reserve	391	0	0	0	5	0	396
Revaluation (decreases) recognised in the Revaluation Reserve	(126)	0	0	0	0	0	(126)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	84	0	0	0	52	0	136
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(645)	0	0	0	(46)	0	(691)
Derecognition - disposals	0	(184)	0	0	0	0	(184)
Reclassifications and transfers between PPE categories	(1,319)	87	0	0	1,319	(87)	0
At 31 March 2018	51,122	4,063	866	202	1,330	932	58,515

Continued on the following page.

Notes to the Core Financial Statements

2017/18 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<u>Accumulated Depreciation and Impairment</u>							
At 1 April 2017	(1,776)	(1,477)	(235)	0	0	0	(3,488)
Depreciation Charge	(1,514)	(311)	(56)	0	0	0	(1,881)
Revaluation gains - depreciation written out to the Revaluation Reserve	564	0	0	0	0	0	564
Revaluation losses - depreciation written out to the Revaluation Reserve	32	0	0	0	0	0	32
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	69	0	0	0	0	0	69
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	36	0	0	0	0	0	36
Derecognition - disposals	0	184	0	0	0	0	184
At 31 March 2018	(2,589)	(1,604)	(291)	0	0	0	(4,484)
<u>Net Book Value</u>							
At 31 March 2018	48,533	2,459	575	202	1,330	932	54,031
At 31 March 2017	50,876	1,937	631	202	0	82	53,728

Depreciation

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

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

Impairments

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

There were no significant impairment losses in either 2016/17 or 2017/18.

Notes to the Core Financial Statements

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. 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

113 High Street and 3 the Avenue, Newmarket - £715k

On 14 March 2018 the council bid £715,000 on the above property at auction and was successful. The premises, known as Cardigan Lodge, is comprised of 2 business premises downstairs and flats upstairs. The sale was completed on 12 April 2018.

Revaluations

The Council carries out a rolling valuation programme that ensures that all Property, Plant and Equipment required to be measured at fair value are valued at least every 5 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.

In 2013/14, 2014/15, 2015/16 and 2016/17 the valuations were prepared by the District Valuers, Valuation Office, 3rd Floor, Churchgate, New Road, Peterborough.

In 2017/18 the valuations were prepared by Wilks, Head & Eve 3rd Floor, 55 New Oxford Street, London WC1A 1BS.

Notes to the Core Financial Statements

	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
Carried at historical cost	231	2,459	398	89	0	932	4,109
Valued at fair value as at:							
31 January 2018*	17,889	0	0	0	1,330	0	19,219
31 March 2017	7,107	0	0	0	0	0	7,107
31 March 2016	3,361	0	0	0	0	0	3,361
31 March 2015	17,147	0	177	0	0	0	17,324
31 March 2014	2,798	0	0	113	0	0	2,911
Total Net Book Value	48,533	2,459	575	202	1,330	932	54,031

*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.

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	1,330	0	1,330
Total	0	1,330	0	1,330

Notes to the Core Financial Statements

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	0	0	0
Total	0	0	0	0

Development land was transferred into Surplus assets during 2017/18.

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

	Statues and Monuments	Civic Regalia	Other Heritage Assets	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1 April 2016	258	30	73	361
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Depreciation	(1)	0	(3)	(4)
Revaluations - depreciation adjustment	0	0	0	0
At 31 March 2017	257	30	70	357
At 1 April 2017	257	30	70	357
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Depreciation	(1)	0	(3)	(4)
Revaluations - depreciation adjustment	0	0	0	0
At 31 March 2018	256	30	67	353

Heritage Assets

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

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

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

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

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

Notes to the Core Financial Statements

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

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

Disposals of Heritage Assets

There were no disposals of any of the Council's Heritage Assets during either 2016/17 or 2017/18.

Five Year Summary of Transactions on Heritage Assets

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

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

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and monuments	260	259	258	257	256
Civic items	30	30	30	30	30
Other heritage assets	79	76	73	70	67
Total Heritage Assets	369	365	361	357	353

Notes to the Core Financial Statements

Note 15 Investment Properties

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

	2017/18	2016/17
	£000	£000
Income from Investment Properties (including net gain / loss from fair value adjustments) *	(1,838)	(622)
Direct Operating expenses arising from Investment Properties	47	33
Net (gain) / loss	(1,791)	(589)

*The rental income from Investment Properties for 2017/18 totalled £879k (£888k in 2016/17).

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

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

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

	2017/18	2016/17
	£000	£000
Balance at 1 April	10,632	10,901
Net gains / (Losses) from fair value adjustments	962	(269)
Balance at 31 March	11,594	10,632

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
Shops & Shopping Precincts	0	11,594	0	11,594
Total	0	11,594	0	11,594

Notes to the Core Financial Statements

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
Shops & Shopping Precincts	0	10,632	0	10,632
Total	0	10,632	0	10,632

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

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

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

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

	2017/18 Purchased Assets £000	2016/17 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	631	624
- Accumulated amortisation	(362)	(310)
Net carrying amount at start of year	269	314
Additions:		
- Purchases	1	8
Disposals	(23)	(1)
Amortisation for the period	(53)	(53)
Amortisation written out on disposal	23	1
Net carrying amount at 31 March	217	269
Comprising:		
- Gross carrying amounts	610	631
- Accumulated amortisation	(393)	(362)
	217	269

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	672	121
Other Local Authorities	899	407
Housing Associations	436	396
Council Tax / Business Rate Payers and Housing Benefit Debtors	1,601	1,959
Trade Debtors	761	595
Other Entities and Individuals	557	27
Total Short-term Debtors	4,926	3,505

Long Term Debtors

	31 March 2018	31 March 2017
	£000	£000
Mortgages and long term loans	119	65
Car leasing scheme	12	12
Total Long-term Debtors	131	77

Note 18 Cash and Cash Equivalents

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

	31 March	31 March
	2018	2017
	£000	£000
Bank Current/Instant Access Accounts	4,083	1,931
Short Term Deposits with Clearing Banks & Building Societies	0	4,000
Total Cash and Cash Equivalents	4,083	5,931

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

Notes to the Core Financial Statements

Note 19 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2018 £000	31 March 2017 £000	31 March 2018 £000	31 March 2017 £000
Investments				
Loans and receivables				
- Money market loans (Long-term & Short-term Investments)	0	2,004	13,472	10,514
- Cash & Cash Equivalents	0	0	4,083	5,931
Available for sale financial assets *	0	14,078	0	0
Total Investments	0	16,082	17,555	16,445
Debtors				
Loans and receivables	119	65	500	0
Financial assets carried at contract amounts	0	0	1,153	1,249
Total Debtors	119	65	1,653	1,249
Borrowings				
Financial liabilities at amortised cost	4,000	4,000	2	2
Total Borrowings	4,000	4,000	2	2
Creditors				
Financial liabilities at amortised cost	1,032	1,199	1,876	1,502
Total Creditors	1,032	1,199	1,876	1,502

* The financial assets in the table above relates to Greenheath Energy Ltd (solar farm purchase). Further details can be found in Note 4 Material Items of Income and Expense and Note 30 Related Parties.

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 Discover Newmarket Community Interest Company

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

The Home of Horseracing Trust

The loan to The Home of Horseracing Trust is in relation to the Home of Horseracing Museum project and was granted to enable the Trust to make payments in respect of the capital project – the loan is at a rate of 2.5% above base rate.

Notes to the Core Financial Statements

	Discover Newmarket £000	The Home of Horseracing Trust £000	Total £000
Balance of outstanding loans granted as at 1 April 2017	30	0	30
Loans advanced in 2017/18	0	500	500
Loans repaid in 2017/18	0	0	0
Balance at 31 March 2018	30	500	530

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 £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Total £000
Interest expense	169	0	0	169	170	0	0	170
Total expense in Surplus or Deficit on the Provision of Services	169	0	0	169	170	0	0	170
Interest income	0	(125)	0	(125)	0	(252)	0	(252)
Total income in Surplus or Deficit on the Provision of Services	0	(125)	0	(125)	0	(252)	0	(252)
Net (gains) / loss for the year	169	(125)	0	44	170	(252)	0	(82)

Fair Values of Assets and Liabilities

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

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

Notes to the Core Financial Statements

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	2,910	2,910	2,703	2,703
Long-term creditors / Borrowings	4,000	6,529	4,000	6,443
Total liabilities	6,910	9,439	6,703	9,146
Money market loans:				
- Short-term investments	13,472	13,472	10,514	10,533
- Long-term investments	0	0	2,004	2,014
Cash & Cash Equivalents	4,083	4,083	5,931	5,931
Financial assets (debtors)	1,153	1,153	1,249	1,249
Available for Sale Financial Assets *	0	0	14,078	14,078
Loans and Receivables	619	619	65	65
Total assets	19,327	19,327	33,841	33,870

* The Available for Sale Financial Assets as at 31 March 2017 in the table above, relates to Greenheath Energy Ltd. Further details can be found in Note 4 Material Items of Income and Expense and Note 30 Related Parties.

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

Long term creditors relates to the long term loan agreement of £4m which was entered into on 31 March 2008 with Barclays Bank PLC on Lenders Option Borrowers Option (LOBO) terms. In 2016/17 Barclays wrote to the council confirming their decision to waive their right to change the applicable interest rate of this loan, effectively changing this loan to a fixed rate loan.

The fair value of the liabilities is higher than the carrying amount because the Authority's loan is currently at an interest rate higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

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

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	736	1,690
Other Local Authorities	1,984	1,975
Trade Creditors	1,250	889
Intercompany Creditor *	0	14,078
Receipts in Advance	554	525
Other Entities and Individuals	626	614
Total Short-term Creditors	5,150	19,771

* The Intercompany Creditor as at 31 March 2017 in the table above, relates to Greenheath Energy Ltd and the financing of the hived up solar farm assets to the council. This non-cash transaction was settled during 2017/18. Further details can be found in Note 4 Material Items of Income and Expense, Note 30 Related Parties and Note 31 Capital Expenditure and Capital Financing.

Note 21 Provisions

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

	Short Term Provision
	£000
Balance as at 1 April 2017	(379)
Additional Provisions made in 2017/18	(749)
Amounts used in 2017/18	629
Balance as at 31 March 2018	(499)

The provisions amount of £499k is in respect of non-domestic (business) rates appeals.

This is a provision under the system of business rate retention and relates to Forest Heath's share of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31st March 2018. Forest Heath has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

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	6,326	5,617
Available for Sale Financial Instruments Reserve	(14,473)	(395)
Capital Adjustment Account	69,198	54,509
Pensions Reserve	(16,785)	(17,960)
Deferred Capital Receipts Reserve	14	14
Collection Fund Adjustment Account	(136)	985
Total Unusable Reserves	44,144	42,770

Revaluation Reserve

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

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

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

The movements in the Revaluation Reserve were as follows:

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	5,617	5,453
Upward revaluation of Assets	960	1,474
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(94)	(1,086)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	866	388
Difference between fair value depreciation and historical cost depreciation	(157)	(143)
Accumulated gains on assets sold or scrapped	0	(81)
Balance at 31 March	6,326	5,617

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; or
- disposed of and the gains are realised.

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

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(395)	37
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services *	(14,078)	(432)
Balance at 31 March	(14,473)	(395)

* The revaluation of investments in the table above relates to Greenheath Energy Ltd (solar farm purchase). Further details can be found in Note 4 Material Items of Income and Expense and Note 30 Related Parties.

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.

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
Balance at 1 April		54,509	55,002
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
- Charges for depreciation and impairment of non-current assets	(1,884)		(1,330)
- Revaluation gains/(losses) on Property, Plant and Equipment	(451)		(17,132)
- Amortisation of Intangible Assets	(53)		(53)
- Revenue expenditure funded from capital under statute	(663)		(618)
- 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)		(219)
		(3,052)	(19,352)
Adjusting amounts written out of the Revaluation Reserve		158	224
Net written out amount of the cost of non-current assets consumed in the year		(2,894)	(19,128)
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	101		14,005
- Use of the Capital Receipts Reserve to finance new capital loans	54		25
- 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	704		4,115
- Application of grants to capital financing from the Capital Grants Unapplied Account	16		123
Capital Expenditure charged against the General Fund Balance	15,532		439
		16,407	18,717
Minimum Revenue Provision		214	188
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		962	(270)
Balance at 31 March		69,198	54,509

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.

The movements in the Pensions Reserve were as follows:

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	(17,960)	(15,890)
Remeasurements of the net defined benefit liability / (asset)	2,071	(1,570)
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	(2,107)	(1,583)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,211	1,083
Balance at 31 March	(16,785)	(17,960)

For further information regarding the Council's employee pension arrangements please see Note 33 Defined Benefit Pension Schemes.

Deferred Capital Receipts Reserve

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

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	14	14
Balance at 31 March	14	14

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
Balance at 1 April	985	202
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	(3)	(21)
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	(1,118)	804
Balance at 31 March	(136)	985



Small Shops, Mildenhall

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 paid	169	170
Interest received	(125)	(252)
Dividends Received	0	(37)
	44	(119)

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	(1,885)	(1,330)
Amortisation	(53)	(53)
Impairment and upward / (downward) valuations	(451)	(17,132)
(Increase) / decrease in Revenue Creditors	616	(1,059)
Adjustment re: the reversal of the 2016/17 Greenheath Energy Ltd intercompany creditor *	14,078	0
(Increase) / decrease in Provisions	(120)	72
Increase / (decrease) in Revenue Debtors and Payments in Advance	1,445	510
Movement in Pensions Liability	(896)	(500)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	453	177
Movement in investment property values	962	(270)
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,121)	783
	13,028	(18,802)

* The Intercompany creditor in the table above relates to Greenheath Energy Ltd and the financing of the hived up solar farm assets to the council. Further details can be found in Note 4 Material Items of Income and Expense, Note 30 Related Parties and Note 31 Capital Expenditure and Capital Financing.

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	704	4,125
Any other items for which the cash effects are investing or financing cash flows	(663)	(619)
	41	3,506

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	1,697	5,807
Purchase of short-term and long-term investments	1,079	6,694
Other payments for investing activities	663	1,726
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(414)	(264)
Proceeds from short-term and long-term investments	(125)	(252)
Other receipts from investing activities	(547)	(5,148)
Net cash flows from investing activities	2,353	8,563

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	1,121	(783)
Net cash flows from Financing activities	1,121	(783)

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
<u>Industrial & Business Units</u>	Turnover	(1,342)		(1,078)	
	Expenditure	1,399		1,072	
	(Surplus) / Deficit		57		(6)
<u>Trade Refuse</u>	Turnover	(573)		(489)	
	Expenditure	511		405	
	(Surplus) / Deficit		(62)		(84)
<u>Markets</u>	Turnover	(20)		(20)	
	Expenditure	107		107	
	(Surplus) / Deficit		87		87
Net (Surplus) / Deficit on Trading Operations			82		(3)

Industrial and Business Sites

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

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

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The income and expenditure of these operations are allocated 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	198	196
Expenses	16	15
Total Members Allowances and Expenses	214	211

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



Newmarket Race Day – Millennium Grandstand

Notes to the Core Financial Statements

Note 28 Officers' Remuneration

Senior Officers' Remuneration

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

	Year	Salary, Fees and Allow- ances £	Expenses Allow- ance £	Benefits in kind £	Pension Contrib- ution £	Compens- ation for Loss of Office £	Total £
Assistant Director Resources and Performance - S151 Officer (from 01/02/2017)	2017/18	78,786	0	4,676	23,776	0	107,238
	2016/17	12,996	0	743	3,370	0	17,109
Head of Resources and Performance - S151 Officer (to 31/01/2017)	2016/17	61,038	0	3,715	16,528	0	81,281
Head of Housing (to 31/12/2016)	2016/17	44,927	0	2,965	12,758	0	60,650
Assistant Director Planning & Regulatory (from 01/02/2017) - no postholder in 2016/17	2017/18	60,865	1,023	0	18,164	0	80,052
	2016/17	0	0	0	0	0	0
Temporary Head of Planning (from 07/11/2016 to 31/01/2017)	2016/17	13,600	0	0	0	0	13,600
Head of Planning and Growth (to 06/11/2016)	2016/17	43,039	742	0	11,474	0	55,255

Note – Head of Paid Service:

Under the council's shared service arrangement with St Edmundsbury Borough Council, some senior officers are employed directly by that council, including the statutory post of Head of Paid Service. Details of their remuneration are not included in the table above but have been disclosed in the accounts of St Edmundsbury Borough 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 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.

Notes to the Core Financial Statements

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	4	4
£65,000 to £69,999	1	0

Shared Service Leadership Team (LT)

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

A joint Chief Executive was appointed in April 2012, employed by SEBC, who subsequently carried out a review and restructure of the senior management team across the two councils. This resulted in the appointment of a new joint Leadership Team (LT) comprising of the Chief Executive, two Directors (appointed October 2012), and nine Heads of Service (appointed November 2012). This new LT resulted in ongoing savings amounting to £870k in a full year. The review of senior management continued into 2014/15, 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 will be 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 Forest Heath District Council. The remuneration details of the staff employed by St Edmundsbury Borough Council are disclosed in that Council's Statement of Accounts.

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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

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	0	0	4	0	4	0	36,039
Total	0	0	0	4	0	4	0	36,039

Termination Benefits

The Council terminated the contract of 0 employees in 2017/18 with termination payments of £0k in total (2016/17 £36k).

The total cost in the table above is the gross amount of exit packages paid by the Authority to its employees. This total cost includes exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC and recharged to St Edmundsbury BC on an agreed cost sharing basis. As Forest Heath did not terminate the contracts of any employees in 2017/18, there was no recharge to St Edmundsbury. However, St Edmundsbury BC did incur costs for exit packages under the Shared Services agenda, and Forest Heath DC is paying an agreed cost share amounting in total to £11k for 2017/18. The Council has made allowances for this cost sharing within the charge to the Comprehensive Income and Expenditure Statement.

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 and the preceding financial year.

	2017/18 £000	2016/17 £000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant	661	1,004
National Non-domestic Rates	2,733	2,615
New Homes Bonus	1,282	2,648
Non-service related government grants	18	26
Capital Grants and Contributions		
Home of Horseracing	39	3,929
S106 Grants	86	0
Mildenhall Hub Contributions	33	0
Total credited to Taxation and Non-specific Grant Income and Expenditure	4,852	10,222
Credited to Services		
Revenue Grants and Contributions		
Housing Benefits Subsidy	14,207	14,885
Housing Benefits and Council Tax Administration Subsidy	254	257
National Non-domestic Rates Administration Grant	91	90
Other Grants and Contributions	206	58
Capital Grants and Contributions		
Disabled Facilities Grant	285	196
S106 & Other Grants	261	0
Total credited to services	15,304	15,486

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

	2017/18 £000	2016/17 £000
Capital Grants and Contributions Received in Advance		
Developer Contribution - Turnpike Road, Red Lodge (Taylor Wimpey)	127	202
Developer Contribution - Kennet Park, Kentford	108	298
Developer Contribution - The Street, Beck Row (Persimmon)	59	59
Developer Contribution - Tesco Fordham Rd	121	127
Developer Contribution - Red Lodge (Crest Nicholson)	186	42
Developer Contribution - Lors Homes	61	61
Developer Contributions - Other	174	161
Developer Contributions - Bloor Homes	100	100
Mildenhall Hub Grant	30	5
One Public Estate Grant	5	80
Other Grants	61	64
Total	1,032	1,199

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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg. council tax bills, housing benefits). Details on grants received from government departments are set out in Note 12 Taxation and Non Specific Grant Income and Note 29 - Grant Income.

St Edmundsbury Borough Council

Forest Heath District Council and St Edmundsbury Borough 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. During 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:

- Aspal Close Working Group
- Association for Suffolk Museums Management Committee
- Barley Homes (Group) Ltd Shareholder Advisory Group
- Brandon Heritage Centre Trust
- Brandon Remembrance Playing Fields Management Committee
- Breaking New Ground (previously Brecks Partnership)
- Citizens' Advice Bureau Management Committee - Newmarket
- District Councils' Network Assembly (LGA)
- East of England Local Government Association - (EELGA) - Regional Assembly
- Greater Cambridge/Greater Peterborough Partnership Board
- Home of Horseracing Trust
- Internal Drainage Board – Burnt Fen
- Internal Drainage Board - Lakenheath
- Internal Drainage Board - Mildenhall
- Local Government Association General Assembly
- Love Newmarket Business Improvement District (BID)

Notes to the Core Financial Statements

- Mildenhall Community Association
- Mildenhall Dome Joint Management Committee
- Mildenhall Museum - Trustees
- National Horseracing Museum
- Our Greenest County Board (SCC)
- Rural Services Network (SPARSE)
- Suffolk County Council – Health and Wellbeing Board
- Suffolk Flood Management Joint Scrutiny Committee
- Suffolk Health Overview and Scrutiny Committee
- Suffolk Joint Emergency Planning Policy Panel
- Suffolk Police and Crime Panel
- Suffolk Waste Partnership
- Suffolk West Citizens Advice Bureau (Brandon and Mildenhall)
- Western Suffolk Community Safety Partnership
- Verse Facilities Management Ltd

During 2017/18 the Council made grant payments totalling £112k (2016/17 - £127k) to organisations on which members served. Transactions with Barley Homes (Group) Ltd 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 £190k (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. This arrangement was a legal entity conducted under joint control with 50:50 voting rights and financial share 66:34 between Breckland District Council and Forest Heath District Council respectively. Neither council prepared group accounts on the grounds of materiality.

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 in the form of a dividend payment representing their proportional shares. Forest Heath's share of the dividend is reflected in the comparators of the Comprehensive Income and Expenditure Statement of these accounts.

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 either 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 £000	2016/17 £000
ARP Trading Ltd - Results Statement		
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)

Notes to the Core Financial Statements

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

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

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

Anglia Revenues Partnership – Joint Committee

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

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

	2017/18	2016/17
	£000	£000
Income and expenditure in respect of related party transactions during the year		
Expenses	900	970
Income	(61)	(66)
	839	904

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

www.angliarevenues.gov.uk

Abbeycroft Leisure (formerly Anglia Community Leisure)

On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure (ACL), a company limited by guarantee, with charitable status.

ACL was run by a board of trustees, and the Council had the power to nominate up to two trustees (providing that the number nominated did not equal or exceed 20% of the total number of trustees). The Council did not exercise this power and had nominated observers to the board of trustees so did not have any voting rights.

The contract involved the transfer of leisure centre staff and leasing the leisure centres to the Trust at a peppercorn rent in return for the provision of leisure services operations and the payment of a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid monthly in advance. The Council is consulted on the business plans of ACL prior to the agreement of a management fee to the Trust. A management fee amounting to £414k was paid to the trust in 2017/18 (2016/17 £474k). This management fee is included in the Council's Comprehensive Income and Expenditure Statement under the Operations heading.

ACL has worked in partnership with Abbeycroft Leisure since February 2013. This project commenced with the appointment of a joint CEO and progressed to a sharing of a management team and other staff resources, along with some service and systems alignment. Both Boards subsequently agreed 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 Forest Heath District Council or St Edmundsbury Borough Council to appoint board members (or send observers) has been removed under the merger.

Notes to the Core Financial Statements

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. The Trust's registered address is Haverhill Leisure Centre, Lordscroft Lane, Haverhill, Suffolk, CB9 0ER.

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

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

www.acleisure.com

Suffolk County Council and Suffolk Police Authority

The Council has a statutory agency agreement with Suffolk County Council and the Suffolk Police Authority to collect council tax on their behalf to meet their precepts. Under this arrangement the Council has collected £23,908k in 2017/18 (£22,756k 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 £202k (£272k in 2016/17).

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

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 trading results of the Company are reported through this note to the accounts:

	2017/18	2016/17
	£000	£000
Verse Facilities Management Ltd - Results Statement		
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

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

Notes to the Core Financial Statements

15 March 2016, will act commercially, building homes for sale and private rent (including delivery of 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, Forest Heath 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.

Greenheath Energy Limited

In July 2016, Forest Heath District Council acquired 100% shareholding in Greenheath Energy Ltd, a special purpose vehicle containing the rights to a 12.414mw electricity generating solar farm plant, creating a long term investment (share purchase price and acquisition costs) totalling £14.473m.

The Council subsequently entered into a hive up agreement with Greenheath Energy Ltd (once it was wholly owned by the Council) to hive up the solar farm asset and its accompanying contractual relationships to the Council. This hive up of the assets was financed by an intercompany transaction between Greenheath Energy Ltd and the Council, creating a property plant and equipment value of £14.078m along with an intercompany creditor of £14.078m. These sums were reflected in the Council's balance sheet at 31st March 2017 and in the balance sheet of Greenheath Energy Ltd as at 29 July 2017 as reflected in the table below.

	Period ended 31/03/18 £000	Period ended 29/07/16 £000
Greenheath Energy Limited - Results Statement		
Turnover	0	488
Loss on Ordinary Activities before Taxation	0	1,038
Loss on Ordinary Activities after Taxation	0	1,005
Net Assets	0	14,078

The 12.414mw solar farm at Toggam Farm, Lakenheath is now operated directly by the Council, not through Greenheath Energy Ltd the special purpose vehicle. During 2017/18 the Council settled the non-cash intercompany transaction between Forest Heath and Greenheath Energy Ltd. In addition it has reduced the value of its shares in Greenheath Energy Ltd down to just £1 to reflect the value after the settling of the loan. During 2018/19 the company is being wound up and has started the process of voluntary liquidation.

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, together with the resources that have been used to finance it.

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

	2017/18 Purchased Assets £000	2016/17 Purchased Assets £000
Opening Capital Financing Requirement	5,292	3,190
Capital investment		
Property, Plant and Equipment	1,769	19,951
Intangible Assets	2	8
Revenue expenditure funded from capital under statute	663	618
Long Term Investments - Purchase of Shares	0	14,473
Loans and advances treated as capital expenditure	583	35
Sources of Finance		
Capital receipts	(155)	(14,030)
Government grants and other contributions	(720)	(4,238)
Sums set aside from revenue		
Direct revenue contributions	(15,533)	(449)
Greenheath Energy Ltd - Intercompany creditor*	14,078	(14,078)
Minimum Revenue Provision	(214)	(188)
Closing Capital Financing Requirement	5,765	5,292
Explanation of movements in year		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	473	(188)
	473	(188)

* The Intercompany creditor in the table above relates to Greenheath Energy Ltd and the financing of the hived up solar farm assets to the council. Further details can be found in Note 4 Material Items of Income and Expense and Note 30 Related Parties.

Notes to the Core Financial Statements

Note 32 Leases

Council as Lessee

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

Finance Leases

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

Operating Leases

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

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

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

	2017/18	2016/17
	£000	£000
Not later than one year	65	62
Later than one year and not later than five years	203	205
Later than five years	3,970	3,818
Balance as at 31 March carried forward	4,238	4,085

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

The minimum lease payments due to Samuel Ward Academy Trust for the land at Newmarket Community Leisure Centre is offset against the management fee paid to Abbeycroft for the usage of the swimming pool.

Council as Lessor

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

Finance Leases

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

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

Operating Leases

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

- the provision of community services, including two leisure centres and cultural centres.

Notes to the Core Financial Statements

- economic development purposes to provide suitable affordable accommodation for local businesses (which are typically three years in length).
- for the purposes of providing land for the development of retail facilities

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

	2017/18 £000	2016/17 £000
Not later than one year	1,573	1,446
Later than one year and not later than five years	3,413	3,329
Later than five years	10,841	10,753
Balance as at 31 March carried forward	15,827	15,527

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into. There were £583k contingent rents receivable in 2017/18 (£588k in 2016/17) by the Authority for a percentage of rents received from retail tenants occupying Mildenhall town centre shopping precinct and land used for the Guineas shopping centre at Newmarket.



Kentford

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

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

www.lge.gov.uk

Notes to the Core Financial Statements

Transactions relating to Post-Employment Benefits

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

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

	2017/18	2016/17
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	1,635	989
- past service costs (including curtailments)	0	40
Financing and Investment Income and Expenditure		
Net Interest Expense	472	554
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	2,107	1,583
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(720)	(7,906)
- Actuarial gains and losses arising on changes in demographic assumptions	0	(607)
- Actuarial gains and losses arising on changes in financial assumptions	(1,351)	9,939
- Other (if applicable)	0	144
Sub-total: Actuarial gains and losses	(2,071)	1,570
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	36	3,153
Movement in Reserves Statement		
- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,107)	(1,583)
Actual amount charged against General Fund Balance for pensions in year	(2,071)	1,570
Employers' contributions payable to scheme	1,211	1,083

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	(72,132)	(71,704)
Fair value of plan assets	55,347	53,744
Net liability arising from defined benefit obligation	(16,785)	(17,960)

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

	2017/18	2016/17
	£000	£000
Opening fair value of scheme assets	53,744	44,779
Interest income	1,390	1,558
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	720	7,906
Contributions from employer	1,211	1,083
Contributions from employees into the scheme	266	254
Benefits paid	(1,984)	(1,836)
Closing fair value of scheme assets	55,347	53,744

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

	2017/18	2016/17
	£000	£000
Opening balance at 1 April	71,704	60,669
Current service cost	1,635	989
Interest cost	1,862	2,112
Contributions from scheme participants	266	254
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	0	(607)
- Actuarial gains / losses arising from changes in financial assumptions	(1,351)	9,939
- Other (if applicable)	0	144
Past service cost	0	40
Benefits paid	(1,984)	(1,836)
Closing fair value of scheme liabilities	72,132	71,704

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

Asset Category	2017/18 Quoted prices in active markets £000	2017/18 Quoted prices not in active markets £000	2017/18 Total £000	2017/18 Percent- age of Total Assets %	2016/17 Quoted prices in active markets £000	2016/17 Quoted prices not in active markets £000	2016/17 Total £000	2016/17 Percent- age of Total Assets %
<u>Equity Securities:</u>								
- Consumer	4,009	0	4,009	7%	4,697	0	4,697	9%
- Manufacturing	1,422	0	1,422	3%	1,459	0	1,459	3%
- Energy and Utilities	838	0	838	2%	979	0	979	2%
- Financial Instruments	1,846	0	1,846	3%	1,831	0	1,831	3%
- Health and Care	858	0	858	2%	1,531	0	1,531	3%
- Information Technology	1,618	0	1,618	3%	1,919	0	1,919	4%
- Other	578	0	578	1%	669	0	669	1%
	11,169	0	11,169	21%	13,085	0	13,085	25%
<u>Debt Securities:</u>								
- Corporate Bonds (Investment Grade)	13,417	0	13,417	23%	7,851	0	7,851	15%
- UK Government	2,104	0	2,104	4%	2,270	0	2,270	4%
- Other	0	0	0	0%	0	0	0	0%
	15,521	0	15,521	27%	10,121	0	10,121	19%
<u>Private Equity:</u>								
All	0	1,995	1,995	4%	0	1,734	1,734	3%
<u>Real Estate:</u>								
UK Property	5,366	0	5,366	10%	5,006	0	5,006	9%
<u>Investment Funds and Unit Trusts:</u>								
Equities	12,833	0	12,833	22%	16,092	0	16,092	30%
Bonds	0	0	0	0%	0	0	0	0%
Hedge Funds	2,257	0	2,257	4%	1,640	0	1,640	3%
Commodities	0	0	0	0%	0	0	0	0%
Infrastructure	0	1,443	1,443	3%	0	1,226	1,226	2%
Other	3,081	1,109	4,190	8%	2,913	805	3,718	7%
	18,171	2,552	20,723	37%	20,645	2,031	22,676	42%
<u>Derivatives:</u>								
Foreign Exchange	-2	0	-2	0%	16	0	16	0%
<u>Cash and Cash Equivalents:</u>								
All	575	0	575	1%	1,107	0	1,107	2%
Totals (rounded)	50,800	4,547	55,347	100%	49,980	3,764	53,744	100%

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

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

The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk County Council Fund being based on the latest full valuation of the scheme as at 31 March 2018.

The significant assumptions used by the actuary have been:

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

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%)	10%	7,037
Rate of increase in salaries (increase or decrease by 0.5%)	1%	963
Rate of increase in pensions (increase or decrease by 0.5%)	8%	5,990

Notes to the Core Financial Statements

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The contributions paid by the employer are set by the fund Actuary at each triennial valuation, the most recent formal valuation being 31 March 2016. The next formal triennial valuation is due to be completed on 31 March 2019.

The Council anticipated paying £1,211k expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years for 2017/18 (17.7 years 2016/17).

Note 34 Contingent Liabilities

Mandatory Rate Relief for NHS Trusts

A large number of authorities, including Forest Heath, 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

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

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

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

Credit Risk

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

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

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

Institution	Credit Rating Short Term (Fitch Moody's S&P)	Credit Rating Long Term (Fitch Moody's S&P)	CDCM Maximum Investment Investment £M	Internally Managed Maximum Investment £M
UK Clearing Banks	F1+, F1 or F2 P1 or P2	AAA to BBB* Aaa to Baa2*	6	2.5
Lloyds/Bank of Scotland (Part Government Owned)	AAA, AA, or A	AAA to BBB*	7	3.5
UK Building Societies (The Top 10 & £1bn Assets)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2.5
UK Building Societies (from Top 11 downwards &	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1.5
UK Clearing Bank Subsidiaries	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2.5
Other UK Banks (with links to overseas banks)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1.5
Overseas Banks	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	3	0
Local Authorities	N/A	N/A	7	3
Debt Management Office	N/A	N/A	Unlimited	Unlimited

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

Notes to the Core Financial Statements

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2017
	£000s	%	%	£000s	£000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	17,555	0.900	0.470	8,251	8,209

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

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

Of the £426k total debt outstanding at 31 March 2018, £113k has exceeded its due date for payment, and is analysed by age as follows:

	2017/18	2016/17
	£000	£000
Less than three months	23	47
Three to six months	9	8
Six months to one year	69	8
More than one year	12	33
	113	96

Liquidity Risk

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

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

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

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

The approved Prudential Indicators limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and

Notes to the Core Financial Statements

investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash-flow needs.

The maturity analysis of financial liabilities is as follows:

	2017/18	2016/17
	£000	£000
Less than one year	1,876	1,502
Between one and five years	0	0
More than five years	4,000	4,000
	5,876	5,502

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

Market Risk - Interest Rate Risk

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

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

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

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

As the Council did not have any variable rate investments during 2016/17, there would have been no effect on its interest income had interest rates been either 1% higher or lower.

Market Risk - Price Risk

The Council has no shareholdings that are material and is not exposed to fluctuations in the share prices as they are unquoted. The shareholdings represent the participation in ARP Trading Limited. See Note 30 – Related Parties for further information.

Market Risk - Foreign Exchange Risk

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

Collection Fund and Notes

Collection Fund and Notes

Collection Fund Comprehensive Income and Expenditure Statement

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

	2017/18			2016/17		
	Council		Total £000	Council		Total £000
	Tax £000	NNDR £000		Tax £000	NNDR £000	
Income						
Income Receivable						
Council Tax receivable	(28,644)	0	(28,644)	(27,273)	0	(27,273)
National Non-Domestic Rates receivable	0	(23,467)	(23,467)	0	(23,848)	(23,848)
Transitional Protection receivable	0	(732)	(732)	0	36	36
Repayment of previous years deficit						
Forest Heath District Council	0	0	0	0	(184)	(184)
Suffolk County Council	0	0	0	0	(45)	(45)
Central Government	0	0	0	0	(230)	(230)
Total Income	(28,644)	(24,199)	(52,843)	(27,273)	(24,271)	(51,544)
Expenditure						
Repayment of previous years surplus						
Forest Heath District Council	76	737	813	55	0	55
Suffolk County Council	394	184	578	277	0	277
Suffolk Police Authority	60	0	60	42	0	42
Central Government	0	922	922	0	0	0
	530	1,843	2,373	374	0	374
Precepts						
Forest Heath District Council	4,032	9,803	13,835	3,837	8,905	12,742
Central Government	0	12,254	12,254	0	11,132	11,132
Suffolk County Council	20,800	2,451	23,251	19,772	2,226	21,998
Suffolk Police Authority	3,108	0	3,108	2,984	0	2,984
	27,940	24,508	52,448	26,593	22,263	48,856
Charges to the Collection Fund						
Write-off of uncollectable amounts	90	65	155	50	181	231
Increase/(Decrease) in Bad Debts Provision	104	67	171	394	9	403
Increase/(Decrease) in Appeals Provision	0	299	299	0	(180)	(180)
Cost of Collection	0	91	91	0	90	90
Renewal Energy Income retained by Council	0	91	91	0	105	105
	194	613	807	444	205	649
(Surplus) / Deficit for the year	20	2,765	2,785	138	(1,803)	(1,665)
Fund balance as at 1 April	(276)	(2,348)	(2,624)	(414)	(544)	(958)
(Surplus) / Deficit carried forward	(256)	417	161	(276)	(2,348)	(2,624)

Collection Fund and Notes

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	5,362	2,654
Band B	between £40,001 and £52,000	8,202	5,555
Band C	between £52,001 and £68,000	4,584	3,742
Band D	between £68,001 and £88,000	2,714	2,577
Band E	between £88,001 and £120,000	1,288	1,513
Band F	between £120,001 and £160,000	578	806
Band G	between £160,001 and £320,000	395	641
Band H	over £320,000	44	87
Council Tax Base		23,167	17,575

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 £1,589.78 (2016/17 £1,545.42).

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. Forest Heath is a member of the Suffolk Business Rate Pool.

The total non-domestic rateable value for the Council's area at 31st March 2018 was £54,435,549 (31st March 2017: £54,688,064).

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
Council Tax				
Suffolk County Council	20,800	(190)	20,610	19,567
Suffolk Police Authority	3,108	(29)	3,079	2,953
Forest Heath District Council	4,032	(37)	3,995	3,797
	27,940	(256)	27,684	26,317
NNDR				
Suffolk County Council	2,451	42	2,493	1,991
Central Government	12,254	208	12,462	9,958
Forest Heath District Council	9,803	167	9,970	7,966
	24,508	417	24,925	19,915

Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Authority 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 Authority 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 Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Authority's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

III Deferred Income

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

IV Cash and Cash Equivalents

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

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

V Exceptional Items

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

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

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

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

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

VII Charges to Revenue for Non-Current Assets

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

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

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

VIII Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (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.

For 2016/17 and 2017/18 the Council has determined that such an accrual is not material to the accounts.

Termination Benefits

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

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

Post-Employment Benefits

Employees of the 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 scheme 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 Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the 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 are 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 Balance Sheet Date

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

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

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

X Financial Instruments - Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and

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

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

XI Financial Instruments - Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the 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.

The Council tests for loans granted or received at below market rate (soft loans) annually, testing both their presence and materiality. The Council made a soft loan in 2014/15 to Newmarket Experience at less than market rate, however the interest forgone on this loan is immaterial to the Council's accounts so IPSAS 29 and IPSAS 30 will not be applied, i.e. no provision for lost interest is necessary.

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the 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.

Accounting Policies

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

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

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

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

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

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

XII Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the 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 Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

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

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

XIII Heritage Assets

Tangible and Intangible Heritage Assets

A Heritage Asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is

held and maintained principally for its contribution to knowledge and culture.

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

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

Statues and Monuments

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

Civic Items

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

Other Heritage Assets

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

Heritage Assets – General

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

XIV Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the 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.

XV 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.

XVI Inventories

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

XVII Investment Properties

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

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

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

XVIII Joint Operations and Jointly Controlled Assets

Joint operations are activities undertaken by the 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, St Edmundsbury, Fenland, Suffolk Coastal and Waveney, through the Anglia Revenues Partnership Joint Committee. In accordance with the Code the Council has accounted for its share of the income and expenditure within its own single entity accounts.

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

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

XIX Leases

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

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

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

The 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.

Lease payments are apportioned between:

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

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

The 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 impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., 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 (ie. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the 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 (eg. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

XX Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XXI Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the 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.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the 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; and
- All other assets - fair value, determined the amount that would be paid for the asset in its existing use (existing use value -EUV).

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether

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

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

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

Donated Assets

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

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.

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

XXII Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the 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 up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

XXIII 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 to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

XXIV Revenue Expenditure Funded from Capital under Statute

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

XXV VAT

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

West Suffolk Annual Governance Statement 2017/18

1. Scope of Responsibility

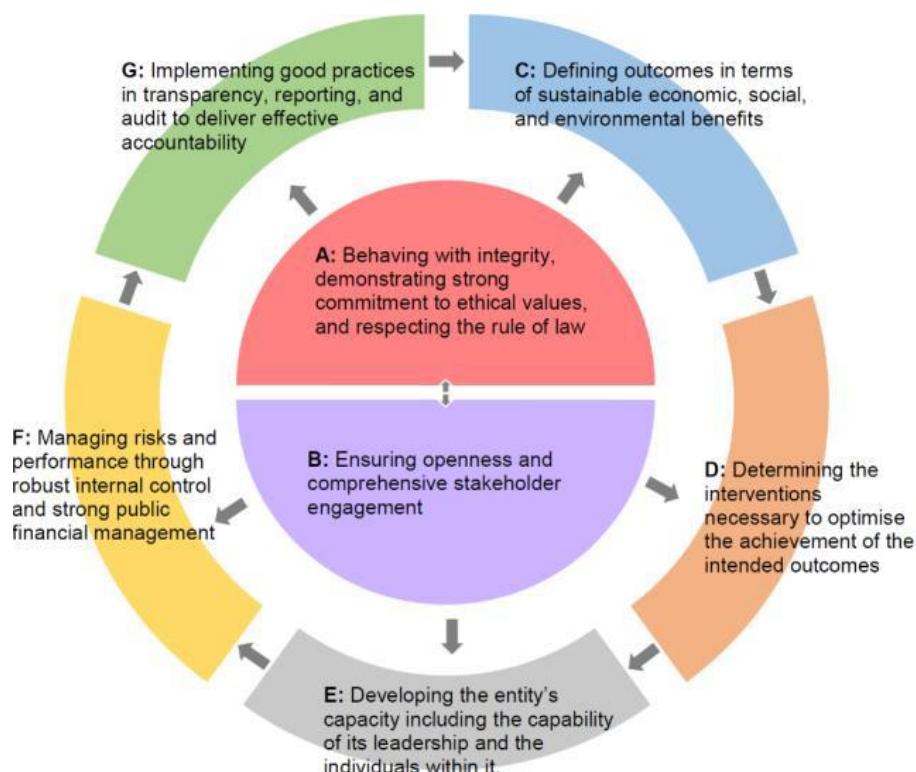
- 1.1 St Edmundsbury Borough Council and Forest Heath District Council (working together and referred to hereafter as the Councils) are responsible for ensuring that their businesses are conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted 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
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Constitution • Employees Code of Conduct • Members Code of Conduct • Contract Procedure Rules • Anti-Fraud and Corruption Policy • Whistle Blowing Policy • Anti-Money Laundering Policy • Registers of Interest • ICT Security Policy • Monitoring Officer
Activity within Principle A in 2017/18	
<ul style="list-style-type: none"> • 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. • 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. • Periodic messages regarding fraud and ICT Security have been included on the councils' intranet. • Training for Councillors on Standards and Social Media, GDPR compliance training. • Appointed a new Independent Person and provided training for Suffolk and Norfolk Independent Persons. • Refocussed the Standards Committee to ensure regular reporting on the ethical governance standards across West Suffolk. • Review of reporting to the Suffolk Safeguarding Boards including developing a new self-assessment template to be rolled out in 2018/19. 	

Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> 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 WS Council. 	
Principle B	Key Elements of West Suffolk Governance Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> Annual Report Reports and Minutes available on Councils' website Consultation Statement Undertakes Equality Statements Uses Complaints and feedback to understand how it can learn for future service development.
Activity within Principle B in 2017/18	
<ul style="list-style-type: none"> The annual report format was refreshed and is now simple, concise and accessible. On consultation we procured a 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> 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. 	

Principle C	Key Elements of West Suffolk Governance Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Strategic Plan • Growth Investment Strategy • Business Plans • Medium Term Financial Strategy • Local Plans • Risk Management Policy and Toolkit • Investment Framework
Activity within Principle C in 2017/18	
<ul style="list-style-type: none"> • 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. • 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> • 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. 	
Principle D	Key Elements of West Suffolk Governance Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Consultation Strategy • Families and Communities Strategy • Balanced Scorecards • Procurement Policy • Medium Term Financial Strategy • Business Partners Model
Activity within Principle D in 2017/18	
<ul style="list-style-type: none"> • The Councils have remodelled the MTFS to 2021/22 to reflect the new Strategic Framework and new changes in funding. • Balanced Scorecards have been reviewed and new key performance indicators identified. 	

<ul style="list-style-type: none"> 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> The Procurement Policy, Contract Procedure Rules to be revised alongside the Constitution, to include current practices. 	
Principle E	Key Elements of West Suffolk Governance Framework
Developing the entity's capacity, including the capability of its leadership and the individuals within it	<ul style="list-style-type: none"> Workforce Plan Learning and Development Policy Member Development Group Constitution Employees Performance Review Framework Disciplinary Procedure Job Descriptions
Activity within Principle E in 2017/18	
<ul style="list-style-type: none"> 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. The Councils were awarded the Wellbeing Charter in December 2017 achieving 4 achievement and 4 excellence against the 8 standards. Apprentices / Graduate / Career pathways – work has continued to support apprentices/graduates and career pathways across the Councils. Joint staff appointments between the West Suffolk Clinical Commissioning Group and the Councils, and Suffolk County Council and the Councils. 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> Review of the payline for the Councils' workforce. 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; 	

Annual Governance Statement

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

	<ul style="list-style-type: none"> • Data Protection Policy • Officer Information Governance Group • Balanced Scorecards • Annual Internal Audit Report and Opinion
Activity within Principle G in 2017/18	
<ul style="list-style-type: none"> • In October 2017 both Cabinets agreed a report as to the necessary steps to achieve compliance with General Data Protection Regulation (GDPR) • Appointment of GDPR Project Co-ordinator to review practices and procedures at an organisational and service level • Development of necessary corporate practices and implementation of these • Liaising with and working with the Suffolk Information Governance Board • 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. • 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. 	
Proposed activity for the coming year / areas for improvement	
<ul style="list-style-type: none"> • GDPR and the Data Protection Act 2018 will come into effect 25 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. 	

Annual Governance Statement

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 Forest Heath District 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's 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 (district council), central government and the county council.

Capital Expenditure

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

Capital Financing

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Chief Financial Officer (CFO)

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

Code of Practice on Local Authority Accounting in the United Kingdom

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

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.

Further Information

Further Information

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

Main Office

District Offices
College Heath Road
Mildenhall
Suffolk
IP28 7EY

Telephone: 01638 719000
Fax: 01638 716493
Website: www.westsuffolk.gov.uk
Email: customer.services@westsuffolk.gov.uk

Brandon Office

The Brandon Centre
Bury Road
Brandon
Suffolk
IP27 0BQ

Newmarket Office

63 The Guineas
Newmarket
Suffolk
CB8 8HT



River Lark, Mildenhall
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Performance and Audit Scrutiny Committee



Title of Report:	Annual Treasury Management Report 2017-2018 and Investment Activity 1 April to 30 June 2018	
Report No:	PAS/FH/18/028	
Report to and dates:	Performance and Audit Scrutiny Committee	25 July 2018
	Joint Executive (Cabinet) Committee	4 September 2018
	Council	26 September 2018
Portfolio holder:	Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: stephen.edwards@forest-heath.gov.uk	
Lead officer:	Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: rachael.mann@westsuffolk.gov.uk	
Purpose of report:	To: <ul style="list-style-type: none"> a) Present the Council's Annual Treasury Management Report summarising the investment activities for the year 2017/18; and b) Provide a summary of investment activities for the first three months of the 2018/19 financial year. 	

Recommendation:	Performance and Audit Scrutiny Committee: It is <u>RECOMMENDED</u> that the Committee: (1) Scrutinises the content of this report, including details of the Treasury Management Performance for the first three months of the 2018-2019 financial year; and, (2) Makes recommendations to the Joint Executive (Cabinet) Committee and Council regarding the approval of the attached Annual Treasury Management Report for 2017-2018 (Attachment 1 refers).	
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	<ul style="list-style-type: none"> Treasury management activities are undertaken in consultation with CDCM/Tradition (the Council's appointed brokers for longer term investments) and also takes into account information obtained from other investment brokers and economic commentators. Any changes in strategies and policies are subject to approval by the Assistant Director (Resources and Performance), Cabinet and full Council. 	
Alternative option(s):	<ul style="list-style-type: none"> 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 Council's borrowings, 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. 	
Implications:		
Are there any financial implications? <i>If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Please refer to the main report	
Are there any staffing implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any ICT implications? <i>If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	

Are there any legal and/or policy implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • 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).	
Are there any equality implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
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.	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of CDCM/Tradition 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
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		CIPFA's revised Code of Practice for Treasury Management, (the Code), published in 2011. Annual Treasury Management and Investment Strategy – 2017/18 (COU/FH/17/003)	

<p>Documents attached:</p>	<p>Attachment 1 - Annual Treasury Annual Report 2017/18</p> <p>Appendix 1 – Temporary Loans 2017/18</p> <p>Appendix 2 – CDCM Investments 2017/18</p> <p>Appendix 3 – Internally Managed Investments 2017/18</p> <p>Appendix 4 – Comparison of Rates 2017/18</p> <p>Appendix 5 – Statement of Compliance with the Treasury Management Code of Practice</p>
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1. Key issues and reasons for recommendation(s)

1.1 Annual Report 2017-2018

1.2 Interest Earned from Treasury Investments during the year

1.2.1 The table below summaries the interest earned during 2017/18.

1.2.2

TREASURY MANAGEMENT – INTEREST EARNED SUMMARY		
	2017/18 £	2016/17 £
CDCM/ Tradition Investments	58,466.30	184,657.53
In-House Investments	34,900.14	31,557.84
Lloyds 95 day Notice Account	14,701.17	11,116.42
Barclays FIBCA	425.87	7,840.85
NatWest LSA	698.59	2,011.02
Santander 180 day Account	6,619.18	10,047.95
Santander 95 day Account	2,517.12	3,515.07
TOTAL INTEREST EARNED/ACCRUED	£118,328.36	£250,746.67

1.2.3 The budgeted income from investments in 2017/18 was £181,000 (average rate of return of 0.75%). Interest actually earned during the year totalled £118,328 (average rate of return of 0.71%), an under achievement in interest of £62,671 and an under achievement of 0.04% on average rate of return.

1.2.4 The under achievement of interest earned was primarily due to reduced funds available for investment following the purchase the Solar Farm at Toggam Farm. This combined with the continuing low rates of return offered by our counterparties has resulted in this under achievement.

1.2.5 On November 2, 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.

1.3 Investment Activity during the year

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

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2017/18
Opening Balance 01 April 2017	18,005,000
Investments made during the year (including transfers to business reserve accounts)	35,800,000
Sub Total	53,805,000
Investments realised during the year (including withdrawals from business reserve accounts)	37,800,000
Closing Balance 31 March 2018	16,005,000

1.3.2 During the fourth quarter of 2017/18, £2.6m was placed in the Barclays FIBCA account and NatWest LSA account which had been earmarked for a payment

that would be required at short notice and purchases within the council's Investing in our Growth Agenda programme.

1.4 Investments held as at 31 March 2018

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

Investments Held as at 31 March 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Close Bros Ltd	2,000,000	1.00%	09/01/17	09/07/18
Principality B/Society	2,000,000	0.54%	01/12/17	23/04/18
Newcastle B/Society	1,000,000	0.53%	08/01/18	30/04/18
Yorkshire B/Society	1,000,000	0.40%	17/01/18	27/04/18
Coventry B/Society	1,500,000	0.62%	09/02/18	20/08/18
Coventry B/Society	1,000,000	0.63%	09/02/18	21/09/18
National Counties B/Soc	1,000,000	0.84%	09/02/18	19/11/18
Lloyds 95 Day Account	2,400,000	0.70%	01/04/17	No notice given
Santander 180 Day Account	1,000,000	0.70%	01/04/17	No notice given
Santander 95 Day Account	500,000	0.60%	01/04/17	No notice given
NatWest LSA	600,000	0.05%	Call	
Barclays FIBCA	2,005,000	0.35%	Call	
TOTAL	16,005,000			

1.5 Market Activities

1.5.1 The Bank of England base rate remained at 0.25% until November 2, 2017 when it increased to 0.50%. Investment returns continue to be one to two basis points above or below base rate, depending on duration.

1.6 Borrowings

1.6.1 On 31 March 2008 the Council borrowed £4.0m from Barclays Bank Plc, to part fund the new Newmarket Leisure Centre. It is a long term loan, for 70 years, to 31 March 2078, at a rate of 4.24%, with interest payable in arrears on the 31 March and 30 September each year.

1.6.2 Interest paid on the Barclays loan during 2017/18 totalled £168,671.

1.6.3 During 2016/17 the Council purchased Toggam Solar Farm. This purchase was part funded by £2.29m of internal borrowing, which resulted in an annual minimum revenue provision (MRP) contribution of £91,602. This internal borrowing and subsequent MRP contribution would have been higher (in line with the approved business case), but at the time the S151 Officer used the discretion under the MRP Policy to utilise £8.18m of available capital receipts instead (future borrowing will need to ultimately replace these), reducing the level of borrowing at this point in time.

1.7 Temporary Loans

- 1.7.1 The only other debt that the Council has is on a short term basis (i.e. 364 days or less) in the form of temporary loans in accordance with the 2017/18 Treasury Management Strategy.
- 1.7.2 The balance of principal outstanding for temporary loans as at 31 March 2018 was £2,000. No loans were repaid during the year. The table below shows the temporary loans outstanding as at 31 March 2018.

Temporary Loans as at 31 March 2018			
Loan number	Interest Rate	Maturity Date	Loan Amount
1557	7 Day Average	7 Days Notice	1,000
1735	7 Day Average	7 Days Notice	1,000
Balance outstanding as at 31 March 2018			£2,000

1.8 Average Rate of Return

- 1.8.1 The table below shows the average rate of return for the various categories of investment against the 7 day average rate and 3 year – 7day average rate.

Comparison of Average Rate of Return				
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Temporary Investments	0.288%	0.323%	0.439%	0.674%
CDCM Investments	1.213%	1.044%	0.982%	0.970%
NatWest LSA	0.010%	0.010%	0.010%	0.045%
Barclays FIBCA	0.000%	0.000%	0.000%	0.239%
Lloyds 95 day Account	0.370%	0.370%	0.441%	0.600%
Santander 180 day Acc	0.851%	0.699%	0.649%	0.662%
Santander 95 day Account	0.617%	0.508%	0.472%	0.503%
7 Day Average	0.475%	0.240%	0.240%	0.480%
3 year – 7 Day Average	0.484%	0.370%	0.370%	1.000%
Overall Average return on Investments	0.670%	0.580%	0.610%	0.710%

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 £16.005m and at 30 June 2018 £19.005m. 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 (report PAS/FH/18/009 refers) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 is £224,000 which is based on a 0.75% 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 £29,440 (average rate of return of 0.66%) against a profiled budget for the period of £56,000; a budgetary deficit of £26,559. This budgetary deficit was due to lower cash balances as a result of rephrasing of some income generating projects. These projects were budgeted

to be funded through external borrowing which would have temporarily boosted the cash balances and resultant interest.

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

INTEREST EARNED & AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned in Q1
City Deposit Cash Managers	2,000,000	1.000%	5,424.66
Temporary Investments	1,241,059	0.576%	14,786.58
Lloyds 95 Day Account	2,443,082	0.700%	4,290.35
NatWest LSA	75,727	0.010%	2.10
Barclays FIBCA	2,450,386	0.350%	2,443.67
Santander 180 Day Account	1,000,000	0.700%	1,745.21
Santander 95 Day Account	500,000	0.600%	747.95
Total Overall Average Return on Investments %			0.660%
Total Interest Earned - 1 April 2018 to 30 June 2018			29,440.51

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

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2018/19
Opening Balance 01 April 2018	16,005,000
Investments made during the year (including transfers to business reserve accounts)	13,000,000
Sub Total	29,005,000
Investments realised during the year (including withdrawals from business reserve accounts)	10,000,000
Closing Balance 30 June 2017	19,005,000

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

LIST OF INVESTMENTS HELD AS AT 30 JUNE 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Close Bros Ltd	2,000,000	1.00%	09/01/17	09/07/18
Coventry B/Society	1,500,000	0.62%	09/02/17	20/08/18
Coventry B/Society	1,000,000	0.63%	09/02/18	21/09/18
National Counties B/Soc	1,000,000	0.84%	09/02/18	19/11/18
Nottingham B/Society	1,500,000	0.61%	01/05/18	24/08/18
Yorkshire B/Society	1,500,000	0.57%	15/05/18	19/11/18
Principality B/Society	1,000,000	0.44%	01/06/18	19/07/18
Yorkshire B/Society	1,000,000	0.45%	01/06/18	23/07/18
Newcastle B/Society	1,500,000	0.80%	18/06/18	19/03/19
Newcastle B/Society	1,000,000	0.77%	26/06/18	21/01/19
Lloyds 95 Day Account	2,400,000	0.70%	01/04/18	No notice given
Barclays FIBCA	2,105,000	0.35%	Call	Account
NatWest LSA	000	0.05%	Call	Account
Santander 180 Day Acct	1,000,000	0.70%	01/04/18	No notice given
Santander 95 Day Acct	500,000	0.60%	01/04/18	No notice given
TOTAL	19,005,000			

2.1.8 The table below shows a summary of the funds held as at 30 June 2018:

SUMMARY OF FUNDS HELD*	
Fund	£
Revenue Reserves	13,454,593
Capital Receipts Reserves	3,281,717
General Funds Reserve	2,000,217
Cashflow Balances	268,473
Total Value of Investments	19,005,000

* 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 new assumptions on borrowing for capital projects included within it. This borrowing was based around seven specific projects, including:

- West Suffolk Operational Hub
- Mildenhall Hub
- Barley Homes – Loan facility
- Investing in our Growth Agenda Fund

There is also the long-standing £4.0m loan relating to the Newmarket Leisure Centre and £2.29m of internal borrowing relating to the purchase of the Toggam Solar Farm (see 1.6.3 for further details).

The detail on these Budgets is laid out below:

SUMMARY OF CAPITAL BORROWING BUDGET 2018/19 (including c/f amounts)			
Project	Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£2,585,263	£0	£0
Mildenhall Hub*	£4,560,000	£0	£0
Mildenhall Swimming Pool	£24,000	£0	£0
The Flowerpot – Brandon *	£50,000	£0	£0
Wellington Street Pedestrian Scheme – Newmarket *	£150,000	£0	£0
Barley Homes – Loan Facility *	£1,695,750	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Newmarket Leisure Centre (relating to £4m from 2008)	£4,000,000	£122,250	£169,600
Toggam Solar Farm (amount carried forward from 2017/18)	£2,290,041	£436,000	£202,000
Total	£35,355,054	£1,158,250	£784,100

*These projects were originally to be funded from capital receipts, however the Council took advantage of utilising capital receipts available at the time to finance the solar farm projects – creating additional (albeit temporary) savings in borrowing costs. The borrowing costs to fund these projects sits within the Toggam Solar Farm line.

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

SUMMARY OF CAPITAL BORROWING Q1 FORECAST FOR 2018/19				
Project	External Borrowing	Internal Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£0	£2,585,263	£0 **	£0
Mildenhall Hub	£4,560,000	£0	£0 **	£202,000

Mildenhall Swimming Pool*	£0	£0	£0	£0
The Flowerpot – Brandon *	£0	£0	£0	£0
Wellington Street Pedestrian Scheme – Newmarket*	£0	£0	£0	£0
Barley Homes*	£0	£27,500	£0	£0
Investing in our Growth Fund	£19,258,700	£741,300	£600,000	£412,500
Newmarket Leisure Centre	£4,000,000	£0	£122,250	£169,600
Toggam Solar Farm	£0	£2,290,041	£436,000	£0
Total	£27,818,700	£5,644,104	£1,158,250	£784,100

*These project budgets are now not expected to be spent/spent in full in 2018/19, they may be carried forward into 2019/20

** MRP is not charged until the asset goes into operation, neither West Suffolk Operational Hub nor Mildenhall Hub are expected to be operational in 2018/19

- 2.2.3 This forecast position for the Investing in our Growth Fund has moved due to the following reason:
- £0.7m of the Growth Fund being invested in 113 High Street Newmarket which was funded by internal borrowing.

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 being closely monitored.

- 2.2.4 The impact of utilising internal funds is a reduction in forecast interest payable in 2018/19, further savings are anticipated from the Investing in our Growth Funds use of internal borrowing – this will be reported next quarter.
- 2.2.5 As at the end of Q1 there has been no requirement to borrow externally over and above the £4.0m Barclays loan. Therefore the only interest payable for Q1 is the £169,600 relating to this.

2.3 Other Market Considerations

- 2.3.1 With uncertainty still surrounding the Brexit negotiations, the financial markets still remain volatile with low rates of return still being offered by the banks and building societies. The treasury team will continue to closely monitor the situation and provide undated information as it becomes available.

- 2.3.2 Market Analysts have recently revised their prediction on base rate, with the majority moving back to possibility a rise until the second quarter of 2019, which is likely to have an adverse effect on the Council's average rate of return. Treasury management performance will continue to be closely monitored.

2.4 **Borrowing and Temporary Loans**

- 2.4.1 Below is a summary of the borrowings and temporary loans as at 30 June 2018;

BORROWINGS AND TEMPORARY LOANS		
Lender / Loan number	Balance outstanding	Maturity date
Barclays Loan	£4,000,000	31 March 2078
1557	£1,000	7 Days Notice
1735	£1,000	7 Days Notice

TREASURY MANAGEMENT ANNUAL REPORT 2017/18

INTRODUCTION

1. Forest Heath District 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.
2. Treasury Management in this context is defined as:-

"The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks."
3. This Council has adopted the Code fully, and complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement (Treasury Management Code of Practice). This sets out Council and Committee responsibilities, as well as those of the Section 151 Officer (Head of Resources and Performance), in addition to the delegation and reporting arrangements. The Cabinet approved the Treasury Management Code of Practice for 2017/18 on 14 February 2017, (report CAB/FH/17/006 refers).
4. A requirement of the Council's Treasury Management Code of Practice is the reporting to the Council of both the expected Treasury activity for the forthcoming financial year (the Treasury Management and Annual Investment Strategy Report) and subsequently the results of the Council's Treasury Management activities in that year (Treasury Management Annual Report).
5. This Report fulfils the requirements in accordance with **TMP6**, of the Treasury Management Code of Practice, which requires the submission of the Treasury Management Annual Report prior to 30 September following a financial year's end.

BORROWING

6. On the 31 March 2008 Forest Heath District Council borrowed £4.0M from Barclays Bank Plc, to part fund the new Newmarket Leisure Centre. It is a long term loan, for 70 years, to the 31 March 2078, at a rate of 4.24%, with interest payable in arrears on the 31 March and 30 September each year.
7. On the 30 September 2017 interest was paid to Barclays Bank Plc in the sum of £84,567.67, and on the 31 March 2018 a further £84,103.01 was paid (Totalling £168,670.68).
8. The only other debt that the Council has is on a short term basis (i.e. 364 days or less) in the form of temporary loans in accordance with the 2015/16 Treasury Management Strategy Report. These are detailed in the following paragraph.
9. During 2016/17 the Council purchased Toggam Solar Farm. This purchase was part funded by £2.29m of internal borrowing, which resulted in an annual minimum

revenue provision (MRP) contribution of £91,602. This internal borrowing and subsequent MRP contribution would have been higher (in line with the approved business case), but at the time the S151 Officer used the discretion under the MRP Policy to utilise £8.18m of available capital receipts instead (future borrowing will need to ultimately replace these), reducing the level of borrowing at this point in time.

TEMPORARY LOANS – SUMMARY POSITION

10. The balance of principal outstanding for temporary loans as at the 31 March 2018 was £2,000.

11. A list of temporary loans outstanding as at 31 March 2018 is shown in **Appendix 1**.

PUBLIC WORKS LOAN BOARD (PWLB)

12. No loans are outstanding with the Public Works Loan Board.

TREASURY MANAGEMENT STRATEGY

13. The strategy for Treasury Management during 2017/18 was reported to the Council on 22 February 2017.

INTEREST RATES

14. The Bank of England Base Rate remained at 0.25% until 2 November 2017 when it was increased to 0.50% where it remained for the rest of the year. Investment rates fluctuated during the year with investment returns on short term investments typically one or two basis points either side of the base rate. The Bank of England Funding for Lending Scheme 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.

15. 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.

Average Rate of Return Predictions	
	Annual Treasury Management & Investment Strategy Statements 2017/18
2017/18	0.75%
2018/19	0.90%
2019/20	0.90%
2020/21	0.90%

16. As we continue to approach the withdrawal from Europe there may be a need to revise these predictions. The treasury team will continue to closely monitor the situation and provide updated information as it becomes available.

COMPLIANCE WITH THE TREASURY MANAGEMENT STRATEGY & CODE OF PRACTICE

17. During the financial year 2017/18 the Council operated within the requirements of the approved Annual Treasury Management & Investment Strategy and Treasury Management Code of Practice.

INVESTMENTS SUMMARY

18. The Council had five main investment categories in 2017/18 as follows:-

- Investments made on the advice of the broker firm CDCM (Tradition)
- Internally Managed Temporary Investments by the Council
- NatWest Liquidity Select Call Account
- Barclays FIBCA Call Account
- Lloyds 95 day Notice Account
- Santander 180 and 95 day Notice Accounts

19. The overall amount of interest earned from investments (including accrued interest to 31 March 2018) in respect of the 2017/18 financial year totalled £118,328. This represents a shortfall of £62,671 against the budget of £181,000 as forecast in the Council's Medium Term Financial Strategy.

20. This shortfall in interest earned was due to two main factors, the continuing low rates of return and a reduced level of cash balances following the purchase of the Solar Farm at Toggam Farm.

21. The tables below summarise the interest earned during 2017/18 and compares it to 2016/17 and total investments held as at 31 March 2018 compared to 31 March 2017.

TREASURY MANAGEMENT – INTEREST EARNED SUMMARY		
	2017/18 £	2016/17 £
CDCM/ Tradition Investments	58,466.30	184,657.53
In-House Investments	34,900.14	31,557.84
Lloyds 95 day Notice Account	14,701.17	11,116.42
Barclays FIBCA	425.87	7,840.85
NatWest LSA	698.59	2,011.02
Santander 180 day Account	6,619.18	10,047.95
Santander 95 day Account	2,517.12	3,515.07
TOTAL INTEREST EARNED/ACCRUED	£118,328.36	£250,746.67

TOTAL VALUE OF INVESTMENTS (PRINCIPAL) HELD AT YEAR END		
	At 31 March 18 £	At 31 March 17 £
City Deposit Cash Managers Investments	2,000,000	8,500,000
Internally Managed Temporary Investments	7,500,000	4,000,000
Lloyds 95 day Notice Account	2,400,000	2,400,000
NatWest Liquidity Select Account	600,000	1,600,000

Barclays FIBCA	2,005,000	5,000
Santander 180 day Notice Account	1,000,000	1,000,000
Santander 95 day Notice Account	500,000	500,000
Total Value of Investments	16,005,000	18,005,000

INVESTMENTS MADE THROUGH CITY DEPOSIT CASH MANAGERS (TRADITION) ADVICE

22. No new investments were made nor maturing investments re-invested through City Deposit Cash Managers advice during the financial year. However, £8.5m of CDCM investments made prior to 2017/18 were still in place during 2017/18. Interest earned during the year on CDCM investments amounted to £58,466.30. **Appendix 2** contains details of individual investments.
23. The average rate of return from investments made through the advice of City Deposit Cash Managers was 0.970%. The table in **Appendix 4** compares the rates returned on the maturing investments during the year, compared to the Benchmark 3 year - 7 Day Average Rate of 1.00%.
24. A list of outstanding investments made on City Deposit Cash Managers advice, as at 31 March 2018 is shown below.

CDCM Investments Held as at 31 March 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Close Bros	2,000,000	1.00%	09/01/17	09/07/18
TOTAL	2,500,000			

INTERNALLY MANAGED TEMPORARY INVESTMENTS

25. Internally Managed Temporary Investments and re-investments totalling £40,800,000 were made during the 2017/18 financial year. Interest earned during the year on these investments amounted to £34,900.14. **Appendix 3** contains details of individual investments.
26. A list of outstanding Internally Managed Temporary Investments as at 31 March 2018 is shown below.

Investments Held as at 31 March 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Principality B/Society	2,000,000	0.54%	01/12/17	23/04/18
Newcastle B/Society	1,000,000	0.53%	08/01/18	30/04/18
Yorkshire B/Society	1,000,000	0.40%	17/01/18	27/04/18
Coventry B/Society	1,500,000	0.62%	09/02/18	20/08/18
Coventry B/Society	1,000,000	0.63%	09/02/18	21/09/18
National Counties B/Soc	1,000,000	0.84%	09/02/18	19/11/18
TOTAL	7,500,000			

27. The average rate of return on Internally Managed Temporary Investments was 0.674%.

28. The table in **Appendix 4** illustrates the average monthly rate of return on Internally Managed Temporary Investments, compared to the 3 year - 7 Day Average Rate of 1.000%.

THE NATWEST LIQUIDITY SELECT ACCOUNT

29. The NatWest Liquidity Select Account (NatWest LSA) has seen a steady drop in the interest rate offered, ending the year on 0.050%. Use of this account has been limited to holding funds that have been required at short notice and would not have been viable to use alternative investment vehicles.
30. Interest earned on this account amounted to £698.59.

THE BARCLAYS FIBCA ACCOUNT

31. Barclays Fixed Interest Bearing Call Account (Barclays FIBCA) has seen a recovery in its interest rate following the increase in the Bank of England Base Rate ending the year on 0.400%. Use of this account has also been limited to holding funds required at short notice.
32. Interest earned on this account during the year amounted to £425.87.

THE LLOYDS 95 DAY NOTICE ACCOUNT

33. The Lloyds 95 Day Notice Account was opened 2 April 2013 to take advantage of the 0.75% rate of interest offered. Although the rate fell to 0.37% when the Base Rate fell, like the Barclays FIBCA account it too recovered to end the year on 0.70%
34. Interest earned on this account during the year amounted to £14,701.17.

SANTANDER 180 DAY NOTICE ACCOUNT

35. In October 2015 the Council opened a Santander 180 day Notice Account that offers a return of 1.15%, however falling Base Rates has seen the return on this account reduced to 0.70% at year end, which still remains comparable to one year, fixed term rates currently available.
36. Interest earned on this account during the year amounted to £6,619.18.
37. The balance held on the account as at 31 March 2018 was £1,000,000.

SANTANDER 95 DAY NOTICE ACCOUNT

38. The Santander 95 day Notice Account was opened on 22 April 2016, with an initial interest rate of 0.90%, and like the 190 day account has seen the rate of return reduce to 0.60% at year end. This rate still remains comparable to 3 months, fixed term rates currently available.
39. Interest earned on this account during the year amounted to £2,517.12.
40. The balance held on this account as the 31 March 2018 was £500,000.

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APPENDIX 1

LIST OF TEMPORARY LOANS OUTSTANDING AND TERMS OF LOANS AS AT 31 MARCH 2018

LOAN NUMBER	% RATE OF INTEREST	MATURITY DATE	LOAN AMOUNT (£)
1557	7 Day Average Rate	7 Days Notice	1,000
1735	7 Day Average Rate	7 Days Notice	1,000
Balance Outstanding as at 31 March 2018			2,000

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CDCM / TRADITION INVESTMENTS 2017/18							Appendix 2
Counterparty Name	Value / Balance £	Interest Rate %	Date Loaned	Date of Return	No. of Days	Total Interest Payable £	Interest Accrued 2017-18
Lloyds TSB Bank Plc	2,000,000.00	3.650000	17-May-12	15-May-17	1824	364,800.00	8,800.00
Close Bros Ltd	2,000,000.00	1.000000	9-Jan-17	9-Jul-18	546	29,917.81	20,000.00
Close Bros Ltd	1,000,000.00	0.800000	9-Jan-17	8-Jan-18	364	7,978.08	6,180.82
National Counties Building Society	3,500,000.00	0.780000	9-Feb-17	9-Feb-18	365	27,300.00	23,485.48
							58,466.30

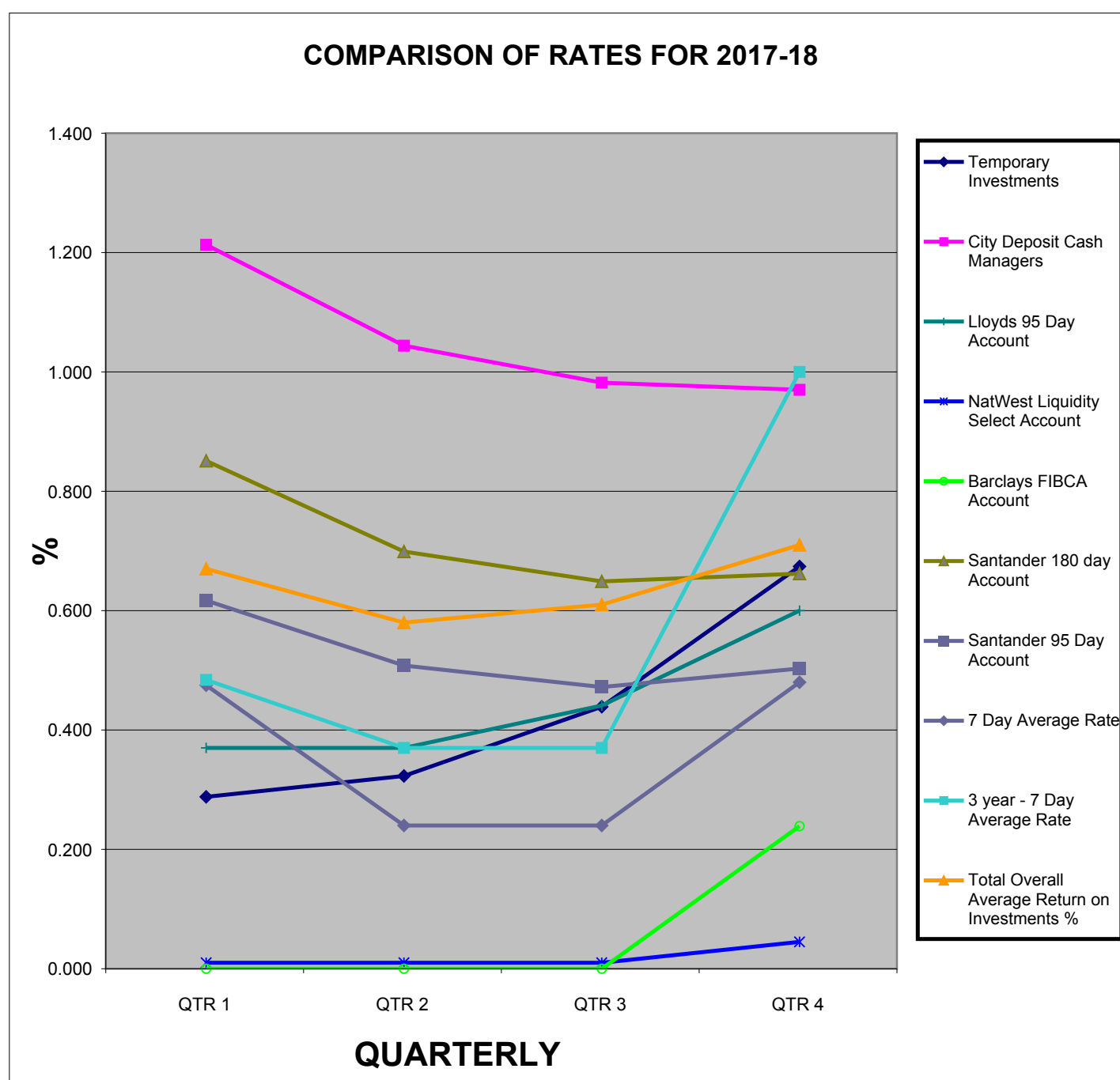
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INTERNALLY MANAGED INVESTMENTS 2017/18							Appendix 3
Counterparty Name	Value / Balance £	Interest Rate %	Date Loaned	Date of Return	No. of Days	Total Interest Payable £	Interest Accrued 2017-18
FIXED TERM INVESTMENTS							
Principality Building Society	1,000,000.00	0.250000	6-Mar-17	18-Apr-17	43	294.52	116.44
Newcastle Building Society	1,000,000.00	0.270000	27-Mar-17	22-May-17	56	414.25	377.26
Coventry Building Society	2,000,000.00	0.220000	27-Mar-17	2-May-17	36	433.97	373.70
Nottingham Building Society	1,000,000.00	0.220000	3-Apr-17	28-Apr-17	25	150.68	150.68
Principality Building Society	1,750,000.00	0.220000	18-Apr-17	22-May-17	34	358.63	358.63
Newcastle Building Society	500,000.00	0.250000	2-May-17	23-Jun-17	52	178.08	178.08
Coventry Building Society	2,500,000.00	0.280000	2-May-17	23-Aug-17	113	2,167.12	2,167.12
Nottingham Building Society	1,500,000.00	0.310000	15-May-17	19-Jul-17	65	828.08	828.08
National Counties Building Society	1,500,000.00	0.520000	15-May-17	20-Oct-17	158	3,376.44	3,376.44
Yorkshire Building Society	1,600,000.00	0.150000	1-Jun-17	19-Jun-17	18	118.36	118.36
Newcastle Building Society	1,000,000.00	0.260000	15-Jun-17	31-Jul-17	46	327.67	327.67
Principality Building Society	2,000,000.00	0.360000	3-Jul-17	20-Nov-17	140	2,761.64	2,761.64
Yorkshire Building Society	1,000,000.00	0.150000	1-Aug-17	21-Aug-17	20	82.19	82.19
Nottingham Building Society	1,000,000.00	0.410000	1-Aug-17	27-Nov-17	118	1,325.48	1,325.48
Nottingham Building Society	1,000,000.00	0.450000	1-Aug-17	22-Dec-17	143	1,763.01	1,763.01
Yorkshire Building Society	1,500,000.00	0.150000	23-Aug-17	19-Sep-17	27	166.44	166.44
Newcastle Building Society	1,000,000.00	0.270000	23-Aug-17	19-Oct-17	57	421.64	421.64
Skipton Building Society	1,500,000.00	0.150000	1-Sep-17	29-Sep-17	28	172.60	172.60
Newcastle Building Society	1,500,000.00	0.530000	29-Sep-17	19-Mar-18	171	3,724.52	3,724.52
Skipton Building Society	1,750,000.00	0.310000	2-Oct-17	19-Feb-18	140	2,080.82	2,080.82
National Counties Building Society	1,500,000.00	0.380000	25-Oct-17	22-Jan-18	89	1,389.86	1,389.86
Newcastle Building Society	1,000,000.00	0.220000	1-Nov-17	19-Dec-17	48	289.32	289.32
Yorkshire Building Society	1,200,000.00	0.400000	15-Nov-17	23-Feb-18	100	1,315.07	1,315.07
Principality Building Society	2,000,000.00	0.540000	1-Dec-17	23-Apr-18	143	4,231.23	3,580.27
Nottingham Building Society	1,500,000.00	0.510000	2-Jan-18	29-Mar-18	86	1,802.47	1,802.47
Nottingham Building Society	500,000.00	0.430000	2-Jan-18	19-Feb-18	48	282.74	282.74
Newcastle Building Society	1,000,000.00	0.530000	8-Jan-18	30-Apr-18	112	1,626.30	1,205.21
Yorkshire Building Society	1,000,000.00	0.400000	17-Jan-18	27-Apr-18	100	1,095.89	810.96
Coventry Building Society	1,500,000.00	0.620000	9-Feb-18	20-Aug-18	192	4,892.05	1,299.45
Coventry Building Society	1,000,000.00	0.630000	9-Feb-18	21-Sep-18	224	3,866.30	880.27
National Counties Building Society	1,000,000.00	0.840000	9-Feb-18	19-Nov-18	283	6,512.88	1,173.70
							34,900.14
NOTICE / CALL ACCOUNTS							
Closing Balances 31/03/18							
Lloyds 95 Day Account	2,400,000.00	0.037000	1-Apr-17	31-Mar-18	365	14,701.17	14,701.17
Santander 180 Day Account	1,000,000.00	0.900000	1-Apr-17	31-Mar-18	365	6,619.18	6,619.18
Santander 95 Day Account	500,000.00	0.750000	1-Apr-17	31-Mar-18	365	2,517.12	2,517.12
Barclays FIBCA	2,005,000.00	0.040000	1-Apr-17	31-Mar-18	365	425.87	425.87
NatWest LSA	600,000.00	0.010000	1-Apr-17	31-Mar-18	365	698.59	698.59
							24,961.93
							59,862.06

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**COMPARISON OF QUARTERLY RETURN ON INVESTMENTS
WITH THE 7 DAY AVERAGE RATE OF RETURN 2017-2018**

	QTR 1	QTR 2	QTR 3	QTR 4
Temporary Investments	0.288	0.323	0.439	0.674
City Deposit Cash Managers	1.213	1.044	0.982	0.970
Lloyds 95 Day Account	0.370	0.370	0.441	0.600
NatWest Liquidity Select Account	0.010	0.010	0.010	0.045
Barclays FIBCA Account	0.000	0.000	0.000	0.239
Santander 180 day Account	0.851	0.699	0.649	0.662
Santander 95 Day Account	0.617	0.508	0.472	0.503
7 Day Average Rate	0.475	0.240	0.240	0.480
3 year - 7 Day Average Rate	0.484	0.370	0.370	1.000
Total Overall Average Return on Investments %	0.670	0.580	0.610	0.710



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<p style="text-align: center;">Forest Heath District Council St Edmundsbury Borough Council</p>

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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