

## 2015/2016 Statement of Accounts

### Forest Heath District Council



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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.

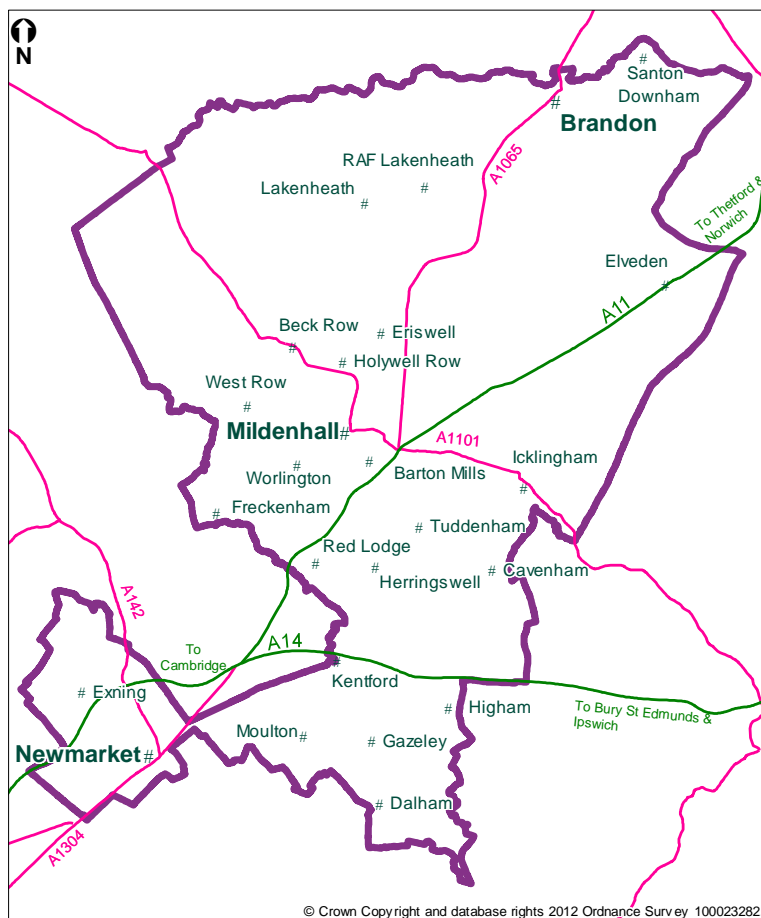
In all of Forest Heath's towns and our rural areas, many of our residents benefit from a good quality of life. However, some areas have suffered more than others from the impact of the economic downturn, and others are facing issues such as rural isolation; a lack of skills or qualifications amongst 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.

Further information can be found by following the links below:

[www.suffolkobservatory.info](http://www.suffolkobservatory.info)

[West Suffolk Strategic Plan](#)





Newmarket Clock Tower

## Narrative Report by the Chief Finance Officer

### Introduction

I am pleased to introduce the Council's Statement of Accounts for 2015/16. Forest Heath District Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, planning and development control and many more.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2015 to 31 March 2016 and are intended to give an overall view of the Council's financial position. The accounts have been produced to show all the financial statements and disclosure notes required by statute by complying with the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting statements have also been prepared in accordance with the Accounts and Audit Regulations 2015.

### What do the accounts mean?

Users of the financial statements will have a variety of interests in the financial statements of the Council; some of the primary areas of interest will be:

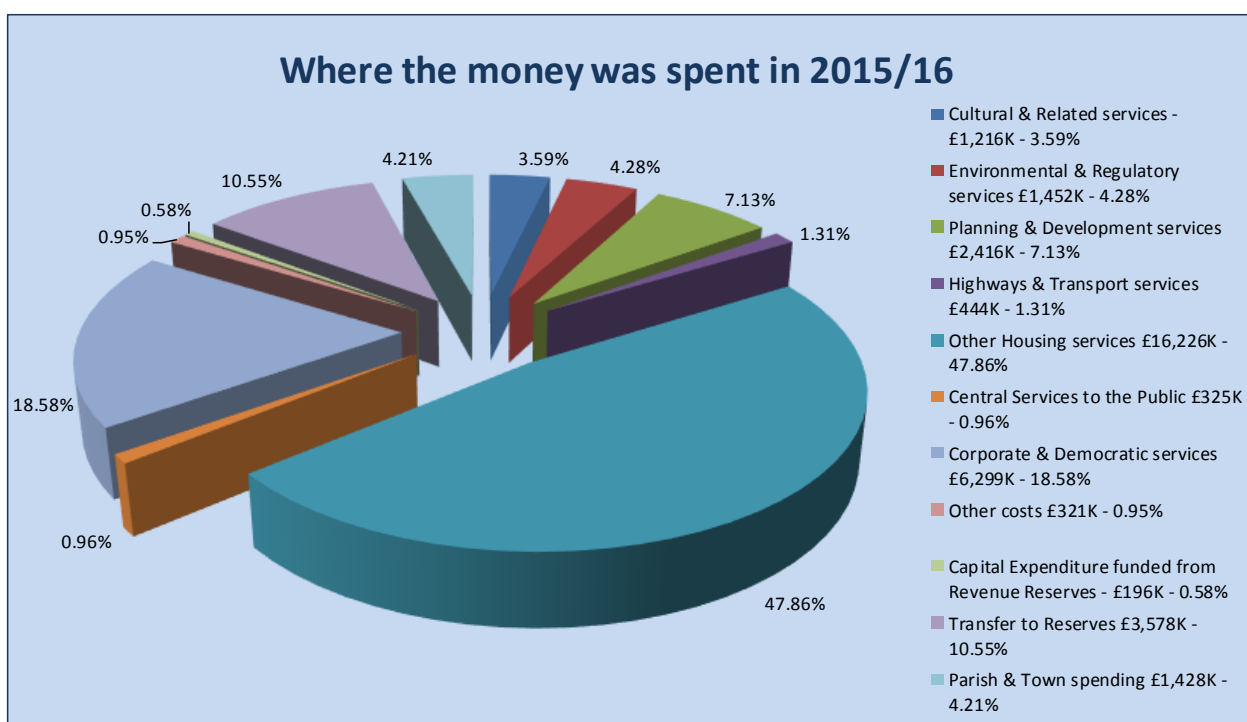
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

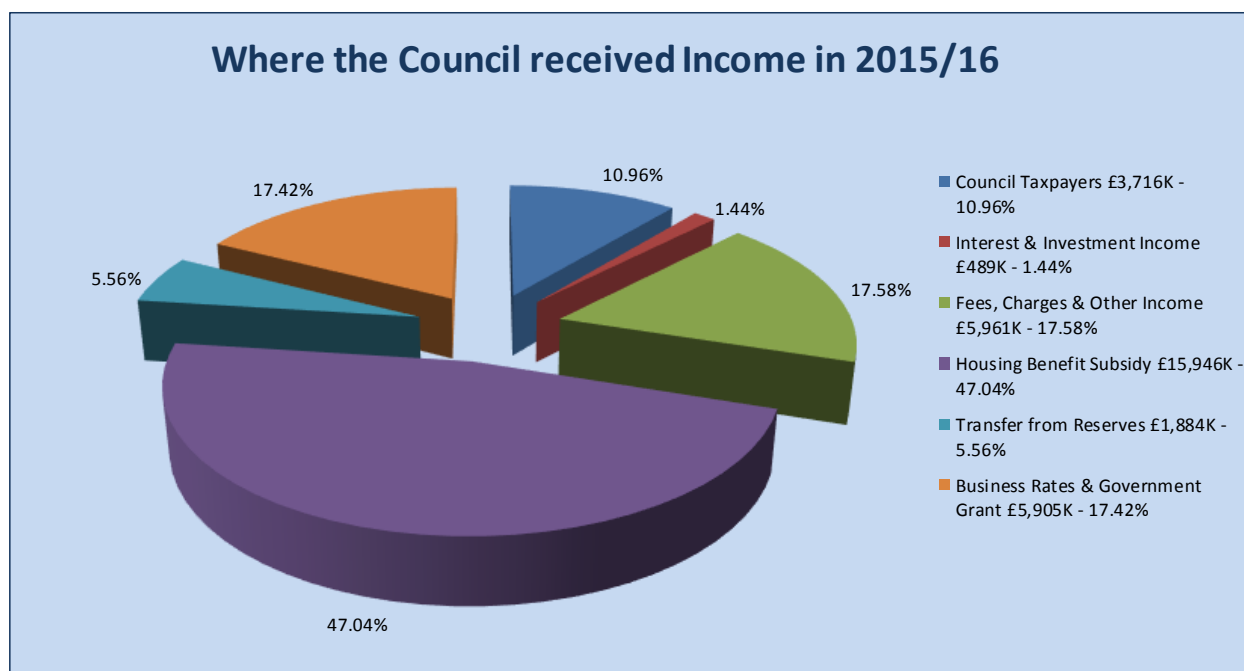
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to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

### Overview of the financial year 2015/16

For the 2015/16 financial year, the Council maintained the balance on its general fund reserve, which stands at £2,118k as at 31 March 2016, with an overall level of usable reserves (capital and revenue) of £27m.

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





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

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

Details of variances against budget in excess of £50k can be seen in the report reference PAS/FH/16/014, entitled 'Financial Outturn Report (Revenue and Capital) 2015/16' considered by the Performance and Audit Committee on 25 May 2016.

The Council's capital expenditure for 2015/16 totalled around £5.9m, which included the Home of Horseracing and Sam Alper projects in Newmarket and the expansion of the Omar Homes site in Brandon. The Council spent approximately £0.3m on capital grants within the year. Around £1.9m of the total £5.9m spend for 2015/16 was funded from the Council's usable capital receipts, the remainder being funded from grants and contributions. Overall the capital programme for 2015/16 was on budget, after allowing for project timings.

During 2015/16 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 2015/16 the Council spent £4,238k on the Home of Horseracing project which involves the restoration and adaptation of the Palace House and Stables site in Newmarket. This expenditure is being funded by donations. Note 11 Property, Plant and Equipment provides further details.

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

The Council had a number of variances in its cost of services between 2014/15 and 2015/16, amounting to an overall increase of around £1,107k, primarily as a result of net revaluation decreases in council properties during 2014/15.

This increased cost has had an impact on the surplus on provision of services which has decreased by £3,460k. This decrease is also due to the reduction in capital grants credited to taxation and non-specific grant income of £2,079k, primarily due to a reduced level of donations to fund the Home of Horseracing project (reflecting the lower level of expenditure in 2015/16).

# Narrative Report by the Chief Finance Officer

Actuarial losses on pension assets/liabilities have also moved significantly from a charge of £3,967k in 2014/15 to a credit of £6,419k in 2015/16 and this is explained further in Note 33 Defined Benefit Pension Schemes.

The net impact of these and other minor changes on the Comprehensive Income and Expenditure Statement is an overall increase in the Total Comprehensive Income from 2014/15 to 2015/16 of £6,691k.

## Explanation of the Statements

The statements included in the accounts are explained below:

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

## Group Accounts

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

It is envisaged that during 2016/17 the shareholder ownership of ARP Trading Ltd will be extended to all seven ARP Joint committee partners resulting in a further reduction in Forest Heath's shareholder interest in the company.

## Pensions

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

The figures contained in the Statement of Accounts are based on the latest actuarial valuation of the pension fund as at 31 March 2016 by Hymans Robertson LLP, an independent firm of actuaries. This stated that the fund's liabilities were



# Narrative Report by the Chief Finance Officer

more than its assets. The Council's proportion of this net liability was estimated at £15,890k compared to £21,440k at 31 March 2015. This net decrease in liabilities is represented by a decrease in liabilities of £5,287k and an increase in assets of £263k. The overall decrease of £5,550k in the liability is primarily because the financial assumptions at March 2016 were more favourable than those at March 2015.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £15,890k 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 £162k during the year to £452k for the financial year ending 31 March 2016. These provisions are detailed in Note 20 to the accounts.

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

## Significant Cashflows Present and Future

Purchase of a solar farm, which is contingent upon satisfying achievement of output criteria, may result in an outflow of £14m during 2016/17.

## 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 2016, West Suffolk councils employed 625 staff, with a voluntary staff turnover rate of 10.79% and an average sickness level of 6.61 days per full time equivalent (FTE) member of staff during 2015/16. This absence level was lower than the average of 8.54 days lost per FTE in district/borough councils in the East of England<sup>1</sup>.

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. For example, 35 out of 53 new apprentices recruited by West Suffolk over the past 5 years have gone on to secure permanent employment with the councils.

### Land and buildings

The value of land and buildings owned by Forest Heath District Council (not including plant and equipment) in 2015/16 was £33.881m.

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

Further, 325,213 KWh of renewable energy were generated on council properties in 2015/16.

Looking ahead, the council has committed to purchase a Solar Farm in 2016/17 provided certain conditions are met and is investing in local business premises to secure jobs in the local area.

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<sup>1</sup> Source – 2014 EELGA sickness absence benchmarking survey - latest available figures

# Narrative Report by the Chief Finance Officer

## Corporate reputation

Forest Heath District Council has gained national recognition for a number of services and facilities over the past year. These include, for example:

- organizing and contributing to a 26-hour online conference for World Town Planning Day, looking at housing regeneration issues around the world;
- the Environmental Health team becoming qualified in a new award scheme, leading to an invitation to take part in a food and drinks show at the Houses of Parliament;
- taking part in a national planning conference to talk about setting up a shared planning service;
- working with the county council and clinical commissioning group on a Design Council programme to find innovative ways of supporting older people to remain independent; and
- Gold Performance award for the management of our Local Land and Property Gazetteers.

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.

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

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

## Wider strengths

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

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

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

## Performance Indicators

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

## Material Events after the reporting date

Note 4-5 details any material events which occurred after the balance sheet date.

# Narrative Report by the Chief Finance Officer

## 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.

## Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant reduced by 61% over the four year period 2013-17. The 4 year settlement offer from the government identifies that there will be little Revenue Support Grant by 2019/20. Therefore, we must focus on our ambition to be more self-sustaining both in controlling our net inflationary pressures and the income we generate ourselves whether it be existing or new opportunities.

The Council continues to deliver cost saving efficiencies, the key driver over the last four 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. However it was always envisaged that further savings could be achieved through the procuring and commissioning of joint service and supply contracts, many of which were delivered during 2014/15 providing the Council with confidence in its cost base (our known expenditure levels) going into 2015/16. A contracts review has been commenced in 2016/17 looking to challenge terms of major contracts and ensure that they are being monitored with a view to identifying and crystallising savings.

By delivering these savings through a shared services approach we have continued to stay ahead of the curve of financial pressures, designing services to maintain capacity and resilience and not putting ourselves in a position where the need for budgetary savings dominates our work in a negative way. We are proud of what councillors and staff working together have achieved, and of how our partners have adapted to working alongside West Suffolk. However, the savings from shared services cannot continue to meet all of the financial challenges we face, so we go into 2016/17 and future years recognising that we need to embrace our 'behave more commercially' and being an 'investing authority' agendas in order to continue to deliver services that residents value. To facilitate this we have generated exciting new commercial opportunities in 2016/17 such as our Housing Company (Barley Homes Group) and partaken in Joint Ventures (JV) such as our Soft Facilities Management JV (Verse), which will become operational in 2016/17. We are also exploring other shared service opportunities.

The West Suffolk Medium Term Financial Strategy (MTFS) that was approved in February 2016 outlines how we will be adopting ways of working that take advantage of new forms of funding, new technologies and new opportunities that are available to councils. This will allow us to ensure we can meet the priorities set out in our West Suffolk Strategic Plan 2016-20, and continue to carry out our day-to-day responsibilities within a financially constrained environment. The vision, priorities and projects set out in the Strategic Plan have shaped and informed real choices about the allocation of resources within our Medium Term Financial Strategy.

Some of the new ways of working will involve decisions about how this Council invests resources as we continue to have aspirations to be an 'investing authority' in support of the delivery of the West Suffolk councils' strategic priorities, in particular to aid economic growth. Many of these key strategic projects are expected to take shape during 2016/17.

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

# Certificate of approval for the Statement of Accounts

## **Certificate of approval for the Statement of Accounts**

The Statement of Accounts for the year 1 April 2015 to 31 March 2016 has been prepared and I confirm that these accounts were approved by Forest Heath District Council at the meeting held on 22 September 2016.

Signed:

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

Date: 22 September 2016



# Statement of responsibilities for the Statement of Accounts

## Statement of responsibilities for the Statement of Accounts

### The Council's responsibilities

The Council is required to:

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

### The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

### Certificate by the Chief Financial Officer (S151 Officer)

I certify that the Statement of Accounts has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2016 and its income and expenditure for the year then ended.

Signed:

**R Mann**  
**Chief Financial Officer (Section 151 Officer)**

Date:

**Councillor S Edwards**  
**Portfolio Holder for Resources,**  
**Governance and Performance**

Date:

# Core Financial Statements

## Core Financial Statements

### Movement in Reserves Statement

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

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

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

Prior Year Movements - 2014/15	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2014		2,082	6,370	16,711	487	25,650	31,198	56,848
<b>Movements in Reserves during 2014/15</b>								
Surplus (or deficit) on the provision of services		7,302	0	0	0	7,302	0	7,302
Other Comprehensive Income and Expenditure		0	0	0	0	0	(3,400)	(3,400)
<b>Total Comprehensive Income and Expenditure</b>		<b>7,302</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,302</b>	<b>(3,400)</b>	<b>3,902</b>
Adjustments between accounting basis and funding basis under regulations	6	(5,856)	0	(569)	(73)	(6,498)	6,498	0
<b>Net increase or (decrease) before Transfers to Earmarked Reserves</b>		<b>1,446</b>	<b>0</b>	<b>(569)</b>	<b>(73)</b>	<b>804</b>	<b>3,098</b>	<b>3,902</b>
Transfers (to) / from Earmarked Reserves	7	(1,410)	1,410	0	0	0	0	0
<b>Increase / (Decrease) in 2014/15</b>		<b>36</b>	<b>1,410</b>	<b>(569)</b>	<b>(73)</b>	<b>804</b>	<b>3,098</b>	<b>3,902</b>
<b>Balance as at 31 March 2015 carried forward</b>		<b>2,118</b>	<b>7,780</b>	<b>16,142</b>	<b>414</b>	<b>26,454</b>	<b>34,296</b>	<b>60,750</b>

# Core Financial Statements

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

Current Year Movements - 2015/16	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2015</b>		<b>2,118</b>	<b>7,780</b>	<b>16,142</b>	<b>414</b>	<b>26,454</b>	<b>34,296</b>	<b>60,750</b>
<b>Movements in Reserves during 2015/16</b>								
Surplus (or deficit) on the provision of services		3,842	0	0	0	3,842	0	3,842
Other Comprehensive Income and Expenditure		0	0	0	0	0	6,751	6,751
<b>Total Comprehensive Income and Expenditure</b>		<b>3,842</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,842</b>	<b>6,751</b>	<b>10,593</b>
Adjustments between accounting basis and funding basis under regulations	6	(2,148)	0	(1,565)	(58)	(3,771)	3,771	0
<b>Net increase or (decrease) before Transfers to Earmarked Reserves</b>		<b>1,694</b>	<b>0</b>	<b>(1,565)</b>	<b>(58)</b>	<b>71</b>	<b>10,522</b>	<b>10,593</b>
Transfers (to) / from Earmarked Reserves	7	(1,694)	1,694	0	0	0	0	0
<b>Increase / (Decrease) in 2015/16</b>		<b>0</b>	<b>1,694</b>	<b>(1,565)</b>	<b>(58)</b>	<b>71</b>	<b>10,522</b>	<b>10,593</b>
<b>Balance as at 31 March 2016 carried forward</b>		<b>2,118</b>	<b>9,474</b>	<b>14,577</b>	<b>356</b>	<b>26,525</b>	<b>44,818</b>	<b>71,343</b>

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

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

	Note	2015/16			2014/15		
		Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Central Services to the Public		928	497	<b>431</b>	1,088	324	<b>764</b>
Cultural and Related Services		2,092	147	<b>1,945</b>	973	784	<b>189</b>
Environmental and Regulatory Services		3,117	1,369	<b>1,748</b>	3,393	1,381	<b>2,012</b>
Planning Services		3,375	1,791	<b>1,584</b>	3,676	1,735	<b>1,941</b>
Highways and Transport Services		777	598	<b>179</b>	473	564	<b>(91)</b>
Other Housing Services		17,068	16,386	<b>682</b>	18,316	17,388	<b>928</b>
Corporate and Democratic Core		2,583	427	<b>2,156</b>	2,421	669	<b>1,752</b>
Non-distributed costs		59	0	<b>59</b>	182	0	<b>182</b>
<b>Cost of Services</b>		<b>29,999</b>	<b>21,215</b>	<b>8,784</b>	<b>30,522</b>	<b>22,845</b>	<b>7,677</b>
Other Operating Expenditure	8	1,124	0	<b>1,124</b>	932	0	<b>932</b>
Financing and Investment Income and Expenditure	9	1,021	1,376	<b>(355)</b>	912	1,349	<b>(437)</b>
Taxation and Non-Specific Grant Income	10	0	13,395	<b>(13,395)</b>	0	15,474	<b>(15,474)</b>
<b>Surplus on Provision of Services</b>		<b>32,144</b>	<b>35,986</b>	<b>(3,842)</b>	<b>32,366</b>	<b>39,668</b>	<b>(7,302)</b>
Surplus on revaluation of Property, Plant and Equipment assets	21			<b>(333)</b>			<b>(567)</b>
Deficit or (Surplus) on revaluation of available for sales financial assets	21			<b>1</b>			<b>0</b>
Actuarial losses on pension assets / liabilities	33			<b>(6,419)</b>			<b>3,967</b>
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(6,751)</b>			<b>3,400</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(10,593)</b>			<b>(3,902)</b>



# 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 2016 £000	31 March 2015 £000
Property, Plant and Equipment	11	52,067	47,384
Heritage Assets	12	361	365
Investment Property	13	10,901	10,933
Intangible Assets	14	314	354
Long-term Investments	18	2,100	10,680
Long-Term Debtors	15	40	30
<b>Long-Term Assets</b>		<b>65,783</b>	<b>69,746</b>
Short-term Investments	18	18,485	9,762
Short-term Debtors	15	2,891	4,161
Cash and Cash Equivalents	16	10,360	8,799
<b>Current Assets</b>		<b>31,736</b>	<b>22,722</b>
Short-term Borrowing	18	(2)	(2)
Short-Term Creditors	19	(4,559)	(5,070)
Provisions	20	(452)	(290)
<b>Current Liabilities</b>		<b>(5,013)</b>	<b>(5,362)</b>
Long-term Borrowing	18	(4,000)	(4,000)
Other Long-term Liabilities	33	(15,890)	(21,440)
Grants Receipts in Advance - Capital	29	(1,273)	(916)
<b>Long-Term Liabilities</b>		<b>(21,163)</b>	<b>(26,356)</b>
<b>NET ASSETS</b>		<b>71,343</b>	<b>60,750</b>
Usable Reserves		(26,525)	(26,454)
Unusable Reserves	21	(44,818)	(34,296)
<b>TOTAL RESERVES</b>		<b>(71,343)</b>	<b>(60,750)</b>

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

Signed:

Date:

**Chief Financial Officer (Section 151 Officer)**

# Core Financial Statements

## Cash Flow Statement

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

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

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

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

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

		2015/16	2014/15
	Note	£000	£000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		(3,842)	(7,303)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	22	(2,687)	(114)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	22	3,464	4,599
<b>Net cash flows from Operating Activities</b>		<b>(3,065)</b>	<b>(2,818)</b>
Investing Activities	23	1,736	(1,539)
Financing Activities	24	(232)	(340)
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(1,561)</b>	<b>(4,697)</b>
Cash and cash equivalents at the beginning of the reporting period	16	(8,799)	(4,102)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	16	<b>(10,360)</b>	<b>(8,799)</b>

## Notes to the Core Financial Statements

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

Local Authorities are required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The Code of Practice on Local Authority Accounting in the UK 2015/16 has introduced the following changes in accounting policy, which will need to be adopted fully by the Council in the 2016/17 Statement of Accounts and financial statements:

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

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

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

### Note 2 Critical judgements in applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the 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).
- The Council has undertaken a review of the potential outcome of significant legal claims by or against the Council, full details of which are Note 34 Contingent Liabilities and Note 35 Contingent Assets.

# Notes to the Core Financial Statements

## Note 3 Future Assumptions and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £44k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.  Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide Suffolk County Council which administers the pension fund with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured.  The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in an 11% increase in the employer's liability. In monetary terms this equates to around £6.530m.  A 1 year increase in member life expectancy would result in a 3% increase to the employer liability totalling approximately £1.820m.  A 0.5% increase in the Salary increase rate would result in an additional 3% employer liability totalling approximately £1.815m.  A 0.5% increase in the Pension increase rate would result in an additional 8% employer liability totalling approximately £4.623m.
Arrears	At 31 March 2016, the Authority had a balance of sundry debtors of £3,421k. A review of significant balances suggested that an allowance for doubtful debts of £490k 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 £490k to set aside as an allowance.



# Notes to the Core Financial Statements

## **Note 4    Material Items of Income and Expense**

During the financial year to 31 March 2016 the Council had the following material items of expense:

### **Property and Vehicles**

During 2015/16 the Council spent £4,238k on the Home of Horseracing project which involves the restoration and adaptation of the Palace House and Stables site in Newmarket. This expenditure is being funded by donations. Note 11 Property, Plant and Equipment provides further details about the project, including the outstanding capital commitment as at 31 March 2016.

## **Note 5    Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Head of Resources and Performance (Chief Financial Officer) on 22 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. The Treasury Strategy, as outlined in note 36, means the Council's net assets are well protected and the Treasury Strategy (including investment criteria) will remain under review during this volatile period. There is likely to be an impact on our investment property valuations if confidence in the wider UK property market falls; and the valuation of the defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact on the financial statements, and there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations. For the purposes of these financial statements, the Referendum is considered a non-adjusting event.
- On 29th January 2016, the Council entered into a conditional share purchase agreement to acquire a company limited by shares called Greenheath Energy Ltd, and with it a 12 mw solar farm at Toggam Farm, Lakenheath. The purchase was contingent upon satisfying a variety of commercial conditions that had not been met as at 31st March 2016 and, therefore, is not accounted for within the 2015/16 Statement of Accounts. Instead, the proposed acquisition has been disclosed in the accounts as a contingent liability (see Note 34).

These conditions have subsequently been met and the £14.5 million investment was announced on 19th August 2016. The project, which is part of the Council's wider community energy plan, will generate an annual income of around £300k rising to £700k by year 10, helping to protect key services from the withdrawal of funding by Central Government. The transaction will be accounted for in the 2016/17 statement of accounts.

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



Newmarket Race Day – Millennium Grandstand

# Notes to the Core Financial Statements

## **Note 6 Adjustments between Accounting Basis & Funding Basis under Regulations**

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

The transactions for the year ended 31 March 2016 are as follows:

Current Year - 2015/16	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Charges for Depreciation and Impairment of non-current assets	1,323	0	0	(1,323)
Revaluation losses on Property, Plant and Equipment	(158)	0	0	158
Movements in the Market Value of Investment Properties	94	0	0	(94)
Amortisation of Intangible Assets	54	0	0	(54)
Capital Grants and Contributions applied	(3,738)	0	6	3,732
Revenue Expenditure funded from Capital under Statute	274	0	0	(274)
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	(304)	324	0	(20)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</b>				
Statutory provision for the financing of Capital Investment	(134)	0	0	134
Capital Expenditure charged against the General Fund Balance	(196)	0	0	196
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(64)	64

Continued on the following page.

# Notes to the Core Financial Statements

Current Year - 2015/16 (continued)	Usable Reserves			Movement in Unusable Reserves  £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(1,889)	0	1,889
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,938	0	0	(1,938)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,069)	0	0	1,069
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	(232)	0	0	232
Total Adjustments	(2,148)	(1,565)	(58)	3,771



# Notes to the Core Financial Statements

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

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

Continued on the following page.

# Notes to the Core Financial Statements

Prior Year - 2014/15 (continued)	Usable Reserves			Movement in Unusable Reserves  £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(1,338)	0	1,338
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,695	0	0	(1,695)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(906)	0	0	906
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(340)	0	0	340
<b>Total Adjustments</b>	<b>(5,856)</b>	<b>(569)</b>	<b>(73)</b>	<b>6,498</b>

# Notes to the Core Financial Statements

## Note 7 Transfers to / (from) Earmarked Reserves

General Fund Reserve	Balance at 1 April 2014 £000	Transfers out 2014/15 £000	Transfers in 2014/15 £000	Balance at 31 March 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000
Strategic Priorities & MTFS	3,024	(1,008)	2,161	4,177	(492)	2,510	6,195
Invest to Save Reserve	169	(219)	489	439	(391)	168	216
Corporate Priority Dev.Fund	263	(264)	0	(1)	0	1	0
Corporate Improvement Fund	10	(10)	0	0	0	0	0
Risk/Recession Reserve	562	(155)	145	552	(11)	0	541
BRR Equalisation Reserve	268	(215)	157	210	(289)	156	77
Self Insured Fund	72	(23)	13	62	0	0	62
Computer Equipment	139	(39)	38	138	(14)	35	159
HB Equalisation Reserve	0	0	106	106	0	55	161
Interest Equalisation Reserve	0	0	0	0	0	70	70
Professional Fees Reserve	0	0	0	0	0	35	35
Single Regeneration Board	24	0	0	24	0	0	24
ARP Reserve	206	0	108	314	(13)	0	301
Vehicle & Plant Renewal Fund	0	0	0	0	(16)	230	214
Wheeled Bins	27	0	0	27	0	81	108
Building Repairs Reserve	0	(87)	312	225	(311)	86	0
Car Park Development Fund	99	0	0	99	(52)	9	56
Public Cleansing Reserve	46	0	0	46	(46)	0	0
Commuted Maintenance	483	(418)	481	546	(35)	0	511
Newmarket Stallion Reserve	28	0	0	28	(5)	0	23
Teal & Woodcock Reserve	1	0	0	1	(1)	0	0
Rural Sports & Recreation	23	(5)	32	50	(22)	0	28
S106 Red Lodge Community Development Officer	12	(12)	0	0	0	0	0
ECDC/FHDC Voluntary Grants	3	0	0	3	(3)	0	0
Communities against Drugs	108	(78)	0	30	0	0	30
Planning Reserve	200	(133)	0	67	(122)	78	23
Planning Delivery Grant	95	0	0	95	0	0	95
Local Land Charges Reserve	49	(45)	0	4	0	56	60
Planning Policy Statement Climate Change	41	(13)	0	28	(13)	0	15
S106 Monitoring Officer Red Lodge	123	(49)	34	108	(51)	21	78
Implementing Smoke Free Legislation	8	0	0	8	0	0	8
Economic Development Reserve (LABGI)	123	(77)	0	46	(11)	0	35
Homelessness Legislation	129	0	0	129	0	0	129
S106 Revenue Reserve	0	0	145	145	(15)	29	159
Election Reserve	13	(6)	45	52	(13)	0	39
Staff Training Reserve	22	0	0	22	0	0	22
<b>Total</b>	<b>6,370</b>	<b>(2,856)</b>	<b>4,266</b>	<b>7,780</b>	<b>(1,926)</b>	<b>3,620</b>	<b>9,474</b>
<b>Net Movement in the year</b>				<b>1,410</b>			<b>1,694</b>

# Notes to the Core Financial Statements

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

<b>Strategic Priorities &amp; MTFS Reserve (formerly New Homes Bonus Reserve)</b>	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.
<b>Invest to Save Reserve</b>	Monies set aside for investment in new technologies and streamlined working practices to provide longer term efficiencies and savings.
<b>Corporate Priority Development Fund</b>	Monies set aside to fund future corporate priority projects.
<b>Corporate Improvement Fund</b>	Monies set aside to fund future corporate improvements.
<b>Risk / Recession Reserve</b>	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.
<b>BRR Equalisation Reserve</b>	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.
<b>Self-Insured Fund</b>	Monies set aside to meet potential future Insurance Excess payments.
<b>Computer Equipment</b>	To meet future computer hardware and software requirements.
<b>Housing Benefit (HB) Equalisation Reserve</b>	To cover year on year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.
<b>Interest Equalisation Reserve</b>	To mitigate against possible adverse fluctuations in the interest rates received from the Council's investments.
<b>Professional Fees Reserve</b>	To meet future professional fee obligations.
<b>Single Regeneration Board Reserve</b>	Reserve for single regeneration board.
<b>ARP (formerly ARP Partnership) Reserve</b>	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.
<b>Vehicle &amp; Plant Renewal Fund</b>	Monies set aside for the purchase of replacement vehicles and plant.
<b>Wheeled Bins Reserve</b>	Monies set aside for the purchase of replacement bins used for trade and domestic refuse collection.
<b>Building Repairs Reserve</b>	Monies set aside for significant repairs and improvements to public buildings and investment properties, including energy conservation measures.
<b>Car Park Development Fund</b>	Monies set aside for future Car Park repairs and service improvements.
<b>Public Cleansing Reserve</b>	Monies set aside to fund public cleansing.
<b>Commuted Maintenance</b>	Monies received which have been set aside for future Public Open Space development and maintenance.
<b>Newmarket Stallion Reserve</b>	Monies set aside to fund future maintenance cost of the Newmarket Stallion statue.
<b>Teal and Woodcock Reserve</b>	Monies set aside to fund cost in respect of the Teal and Woodcock open space.
<b>Rural Sports and Recreation Reserve</b>	Monies set aside to fund sports and recreation in rural areas.

# Notes to the Core Financial Statements

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

# Notes to the Core Financial Statements

## Note 8 Other Operating Expenditure

This note provides further detail regarding the figures shown in respect of "Other Operating Expenditure" in the Comprehensive Income and Expenditure Statement.

	2015/16 £000	2014/15 £000
Parish Council precepts	1,428	1,373
(Gains) / losses on the disposal of non-current assets	(304)	(441)
	<b>1,124</b>	<b>932</b>

## Note 9 Financing and Investment Income and Expenditure

This note provides further detail regarding the figures shown in respect of "Financing and Investment Income and Expenditure" in the Comprehensive Income and Expenditure Statement.

These include interest payable by the Council, interest received on loans and investments (both short and long term), and the notional Pensions interest cost and expected return on pensions assets as required by IAS19 "Employee Benefits".

	2015/16 £000	2014/15 £000
Interest payable and similar charges	169	171
Interest receivable and similar income	(489)	(475)
Net interest on the net defined benefit liability asset	689	718
Income and expenditure in relation to investment properties and changes in their fair value *	(724)	(851)
	<b>(355)</b>	<b>(437)</b>

\* The reduction in income and expenditure from investment properties relates to changes in their fair value. The rental income from Investment Properties for 2015/16 totalled £869k (£858k in 2014/15).



# Notes to the Core Financial Statements

## Note 10 Taxation and Non-Specific Grant Income

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

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

	2015/16 £000	2014/15 £000
Council tax Income	(3,777)	(3,703)
Non-domestic rates income and expenditure	(2,155)	(2,184)
Revenue Support Grant	(1,397)	(2,008)
Non-service related government grants	(55)	(61)
New Homes Bonus	(2,443)	(2,166)
Council tax freeze grant received in year	(26)	(25)
Capital Grants and contributions *	(3,542)	(5,327)
	<b>(13,395)</b>	<b>(15,474)</b>

\* Capital Grants and contributions credited to the comprehensive income and expenditure account in 2015/16 include £3,542k received via donations to fund the Home of Horseracing project (2014/15 £5,286k).



Kentford

# Notes to the Core Financial Statements

## Note 11 Property, Plant and Equipment

### Movements on Balances

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

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

2014/15 - Previous Financial Year	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
<b><u>Cost or Valuation</u></b>							
<b>At 1 April 2014</b>	<b>35,232</b>	<b>3,340</b>	<b>870</b>	<b>202</b>	<b>0</b>	<b>1,634</b>	<b>41,278</b>
Additions	443	569	0	0	0	5,298	<b>6,310</b>
Reclassification from Assets under Construction	0	0	0	0	0	0	<b>0</b>
Revaluation increases recognised in the Revaluation Reserve	482	0	19	0	0	0	<b>501</b>
Revaluation (decreases) recognised in the Revaluation Reserve	(130)	0	0	0	0	0	<b>(130)</b>
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	1,653	0	0	0	0	0	<b>1,653</b>
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(211)	0	0	0	0	0	<b>(211)</b>
Derecognition - disposals	(142)	(77)	0	0	0	0	<b>(219)</b>
Assets reclassified between PPE categories	(1,379)	0	0	0	0	1,494	<b>115</b>
<b>At 31 March 2015</b>	<b>35,948</b>	<b>3,832</b>	<b>889</b>	<b>202</b>	<b>0</b>	<b>8,426</b>	<b>49,297</b>

Continued on the following page.

# Notes to the Core Financial Statements

2014/15 - 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
<b><u>Accumulated Depreciation and Impairment</u></b>							
<b>At 1 April 2014</b>	<b>(43)</b>	<b>(1,242)</b>	<b>(166)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,451)</b>
Depreciation Charge	(807)	(303)	(40)	0	0	0	(1,150)
Revaluation gains - depreciation written out to the Revaluation Reserve	146	0	4	0	0	0	150
Revaluation losses - depreciation written out to the Revaluation Reserve	46	0	0	0	0	0	46
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	311	0	0	0	0	0	311
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	104	0	0	0	0	0	104
Derecognition - disposals	3	74	0	0	0	0	77
<b>At 31 March 2015</b>	<b>(240)</b>	<b>(1,471)</b>	<b>(202)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,913)</b>
<b><u>Net Book Value</u></b>							
<b>At 31 March 2015</b>	<b>35,708</b>	<b>2,361</b>	<b>687</b>	<b>202</b>	<b>0</b>	<b>8,426</b>	<b>47,384</b>
<b>At 31 March 2014</b>	<b>35,189</b>	<b>2,098</b>	<b>704</b>	<b>202</b>	<b>0</b>	<b>1,634</b>	<b>39,827</b>

# Notes to the Core Financial Statements

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

2015/16 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b><u>Cost or Valuation</u></b>							
<b>At 1 April 2015</b>	<b>35,948</b>	<b>3,832</b>	<b>889</b>	<b>202</b>	<b>0</b>	<b>8,426</b>	<b>49,297</b>
Additions	344	229	44	0	0	4,905	<b>5,522</b>
Revaluation increases recognised in the Revaluation Reserve	267	0	0	0	0	0	<b>267</b>
Revaluation (decreases) recognised in the Revaluation Reserve	(1)	0	0	0	0	0	<b>(1)</b>
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	112	0	0	0	0	0	<b>112</b>
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(28)	0	0	0	0	0	<b>(28)</b>
Derecognition - disposals	0	(34)	0	0	0	(5)	<b>(39)</b>
<b>At 31 March 2016</b>	<b>36,642</b>	<b>4,027</b>	<b>933</b>	<b>202</b>	<b>0</b>	<b>13,326</b>	<b>55,130</b>

Continued on the following page.

# Notes to the Core Financial Statements

2015/16 - 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
<b><u>Accumulated Depreciation and Impairment</u></b>							
<b>At 1 April 2015</b>	<b>(240)</b>	<b>(1,471)</b>	<b>(202)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,913)</b>
Depreciation Charge	(934)	(344)	(41)	0	0	0	(1,319)
Revaluation gains - depreciation written out to the Revaluation Reserve	66	0	0	0	0	0	66
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	66	0	0	0	0	0	66
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	8	0	0	0	0	0	8
Derecognition - disposals	0	29	0	0	0	0	29
<b>At 31 March 2016</b>	<b>(1,034)</b>	<b>(1,786)</b>	<b>(243)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,063)</b>
<b><u>Net Book Value</u></b>							
<b>At 31 March 2016</b>	<b>35,608</b>	<b>2,241</b>	<b>690</b>	<b>202</b>	<b>0</b>	<b>13,326</b>	<b>52,067</b>
<b>At 31 March 2015</b>	<b>35,708</b>	<b>2,361</b>	<b>687</b>	<b>202</b>	<b>0</b>	<b>8,426</b>	<b>47,384</b>

## Depreciation

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

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

## Impairments

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

There were no impairment losses in either 2014/15 or 2015/16.

## Capital Commitments

At 31 March 2016, the Council had three material capital commitments amounting to £3.680m.

# Notes to the Core Financial Statements

## Home of Horseracing - £2.200m

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

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

## Omar Homes - £0.326m

In 2012/13 the council purchased the freehold of the Omar Park Homes site in London Road, Brandon. During 2015/16 the Council approved a project to invest in an expansion in the site. As well as meeting one of the council's main corporate priorities of promoting economic growth in the district, this will increase our annual return over a longer lease agreement with the site occupiers.

## Sam Alper Industrial Unit Development - £1.154m

During 2015/16 the council commenced a project to construct 10 new industrial units in Newmarket. Once built, these units will help employment growth within Forest Heath by providing new premises for existing businesses to expand into, as well as attracting new businesses to the town.

## Revaluations

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

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

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

	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	277	2,241	503	202	13,326	16,549
<b>Valued at fair value as at:</b>						
31 March 2016	3,670	0	0	0	0	3,670
31 March 2015	22,145	0	187	0	0	22,332
31 March 2014	9,516	0	0	0	0	9,516
<b>Total Net Book Value</b>	<b>35,608</b>	<b>2,241</b>	<b>690</b>	<b>202</b>	<b>13,326</b>	<b>52,067</b>



# Notes to the Core Financial Statements

## Note 12 Heritage Assets

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

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

	Statues and Monuments	Civic Regalia	Other Heritage Assets	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2014	260	30	79	369
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Depreciation	(1)	0	(3)	(4)
Revaluations - depreciation adjustment	0	0	0	0
<b>At 31 March 2015</b>	<b>259</b>	<b>30</b>	<b>76</b>	<b>365</b>
At 1 April 2015	259	30	76	365
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
<b>At 31 March 2016</b>	<b>258</b>	<b>30</b>	<b>73</b>	<b>361</b>

### 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 2014/15 or 2015/16.

## 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.

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
<b>Valuations for illustrative purposes</b>					
Statues and monuments	260	260	260	259	<b>258</b>
Civic items	30	30	30	30	<b>30</b>
Other heritage assets	82	80	79	76	<b>73</b>
<b>Total Heritage Assets</b>	<b>372</b>	<b>370</b>	<b>369</b>	<b>365</b>	<b>361</b>

# Notes to the Core Financial Statements

## Note 13 Investment Properties

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

	2015/16	2014/15
	£000	£000
Income from Investment Properties (including net gain / loss from fair value adjustments) *	(793)	(912)
Direct Operating expenses arising from Investment Properties	69	61
<b>Net (gain) / loss</b>	<b>(724)</b>	<b>(851)</b>

\*The rental income from Investment Properties for 2015/16 totalled £869k (£858k in 2014/15).

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:

	2015/16	2014/15
	£000	£000
<b>Balance at 1 April</b>	<b>10,933</b>	<b>10,842</b>
Additions	62	72
Disposals	0	(17)
Net gains / (Losses) from fair value adjustments	(94)	36
<b>Balance at 31 March</b>	<b>10,901</b>	<b>10,933</b>

# Notes to the Core Financial Statements

## Fair Value Hierarchy

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

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March 2016 £000
Shops & Shopping Precincts		10,901		10,901
<b>Total</b>	<b>0</b>	<b>10,901</b>	<b>0</b>	<b>10,901</b>

There were no transfers between levels during the year.

## Valuation Techniques used to determine Level 2 Fair Values

### Significant Observable Inputs – Level 2

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

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

# Notes to the Core Financial Statements

## Note 14 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:

	2015/16 Purchased Assets £000	2014/15 Purchased Assets £000
<b>Balance at 1 April</b>		
- Gross carrying amounts	713	640
- Accumulated amortisation	(359)	(302)
<b>Net carrying amount at start of year</b>	<b>354</b>	<b>338</b>
Additions:		
- Purchases	23	74
Disposals	(112)	0
Amortisation for the period	(54)	(57)
Amortisation written out on disposal	103	0
<b>Net carrying amount at 31 March</b>	<b>314</b>	<b>355</b>
<b>Comprising:</b>		
- Gross carrying amounts	624	713
- Accumulated amortisation	(310)	(359)
	<b>314</b>	<b>354</b>

# Notes to the Core Financial Statements

## Note 15 Debtors

### Short Term Debtors

The following table shows the debtors due within one year of the balance sheet date, categorised by the type of organisation. The figure stated in the balance sheet also takes account of the Council's provision for bad debts and payments that have been made in advance at the balance sheet date.

	31 March 2016	31 March 2015
	£000	£000
Central Government Bodies	90	497
Other Local Authorities	680	850
Council Tax / Business Rate Payers and Housing Benefit Debtors	1,675	1,544
Other Entities and Individuals	446	1,270
<b>Total Short-term Debtors</b>	<b>2,891</b>	<b>4,161</b>

### Long Term Debtors

	31 March 2016	31 March 2015
	£000	£000
Mortgages and long term loans	30	30
Car leasing scheme *	10	0
<b>Total Long-term Debtors</b>	<b>40</b>	<b>30</b>

\* In the year ending 31 March 2015, the cost of the car leasing scheme was included in short term debtors.

## Note 16 Cash and Cash Equivalents

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

	31 March	31 March
	2016	2015
	£000	£000
Bank Current Accounts	2,959	2,398
Short Term Deposits with Clearing Banks & Building Societies	7,401	6,401
<b>Total Cash and Cash Equivalents</b>	<b>10,360</b>	<b>8,799</b>

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 17 Assets Held for Sale

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

	Current	
	2015/16	2014/15
	£000	£000
<b>Balance Outstanding at start of year</b>	<b>0</b>	<b>285</b>
Assets sold	0	(170)
Assets Transferred in/(out) of AHFS	0	(115)
<b>Balance outstanding at Year End</b>	<b>0</b>	<b>0</b>

Where the sale of assets is expected to be realised in the next financial year, these assets are classified as current assets held for sale in the Balance Sheet. The Council held no assets for sale at 31 March 2016.



Newmarket Nights

# Notes to the Core Financial Statements

## Note 18 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	31 March	31 March	31 March
	2016	2015	2016	2015
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables				
- Money market loans	2,063	10,642	27,577	18,159
- Cash	0	0	1,267	402
Available for sale financial assets	37	38	0	0
<b>Total investments</b>	<b>2,100</b>	<b>10,680</b>	<b>28,844</b>	<b>18,561</b>
<b>Debtors</b>				
Loans and receivables	30	30	0	0
Financial assets carried at contract amounts	0	0	2,599	2,707
<b>Total debtors</b>	<b>30</b>	<b>30</b>	<b>2,599</b>	<b>2,707</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	4,000	4,000	2	2
<b>Total borrowings</b>	<b>4,000</b>	<b>4,000</b>	<b>2</b>	<b>2</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	1,273	916	1,693	2,447
Long Term Creditors	0	0	0	0
<b>Total creditors</b>	<b>1,273</b>	<b>916</b>	<b>1,693</b>	<b>2,447</b>

### Soft Loans made by the Council

The Council advanced the following loans at a rate below the Council's prevailing cost of borrowing (soft loans):

#### *Loan to Discover Newmarket Community Interest Company*

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

	Discover Newmarket £000
Nominal value of loans granted	30
Loans repaid	0
<b>Balance at 31 March 2016</b>	<b>30</b>

# Notes to the Core Financial Statements

## Income, Expense, Gains and Losses

The following table shows where the income, expense, gains and losses in respect of the Council's financial instruments have been included in the Comprehensive Income and Expenditure Statement.

	2015/16				2014/15			
	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	169	0	0	169	171	0	0	171
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>169</b>	<b>0</b>	<b>0</b>	<b>169</b>	<b>171</b>	<b>0</b>	<b>0</b>	<b>171</b>
Interest income	0	(489)	0	(489)	0	(475)	0	(475)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(489)</b>	<b>0</b>	<b>(489)</b>	<b>0</b>	<b>(475)</b>	<b>0</b>	<b>(475)</b>
<b>Net (gains) / loss for the year</b>	<b>169</b>	<b>(489)</b>	<b>0</b>	<b>(320)</b>	<b>171</b>	<b>(475)</b>	<b>0</b>	<b>(304)</b>

## 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 2016		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	2,968	2,968	3,365	3,365
Long-term creditors / Borrowings	4,000	5,212	4,000	4,963
<b>Total liabilities</b>	<b>6,968</b>	<b>8,180</b>	<b>7,365</b>	<b>8,328</b>
Money market loans:				
- Short-term investments	27,577	27,650	18,159	18,227
- Long-term investments	2,064	2,132	10,642	10,898
Other loans and receivables	0	0	0	0
Cash	1,267	1,267	402	402
Financial assets (debtors)	2,599	2,599	2,707	2,707
Available for Sale Financial Assets	37	37	38	38
Loans and Receivables	30	30	30	30
<b>Total assets</b>	<b>33,574</b>	<b>33,715</b>	<b>31,978</b>	<b>32,302</b>

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

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

The fair value of the liabilities is higher than the carrying amount because the Authority's loan is a LOBO loan where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) 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 19 Creditors

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

	31 March 2016	31 March 2015
	£000	£000
Central Government Bodies	1,413	971
Other Local Authorities	1,337	1,569
Trade Creditors	943	2,043
Receipts in Advance	450	107
Other Entities and Individuals	416	380
<b>Total Short-term Creditors</b>	<b>4,559</b>	<b>5,070</b>

## Note 20 Provisions

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

	Short Term Provision
	£000
<b>Balance as at 1 April 2015</b>	<b>(290)</b>
Additional Provisions made in 2015/16	(213)
Amounts used in 2015/16	51
<b>Balance as at 31 March 2016</b>	<b>(452)</b>

The provisions amount of £452k 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 2016. 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 21 Unusable Reserves

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

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	5,453	5,254
Available for Sale Financial Instruments Reserve	37	38
Capital Adjustment Account	55,002	50,460
Pensions Reserve	(15,890)	(21,440)
Deferred Capital Receipts Reserve	14	14
Collection Fund Adjustment Account	202	(30)
<b>Total Unusable Reserves</b>	<b>44,818</b>	<b>34,296</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment 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 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>	<b>5,254</b>	<b>4,837</b>
Upward revaluation of Assets	334	651
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1)	(84)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service</b>	<b>333</b>	<b>567</b>
Difference between fair value depreciation and historical cost depreciation	(134)	(120)
Accumulated gains on assets sold or scrapped	0	(30)
<b>Balance at 31 March</b>	<b>5,453</b>	<b>5,254</b>

# Notes to the Core Financial Statements

## Available for Sale Financial Instruments Reserve

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

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

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

	31 March 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>	<b>38</b>	<b>38</b>
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	(1)	0
<b>Balance at 31 March</b>	<b>37</b>	<b>38</b>

## Capital Adjustment Account

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

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

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

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

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

# Notes to the Core Financial Statements

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

	31 March 2016 £000	31 March 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>		<b>50,460</b>	<b>43,363</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>			
- Charges for depreciation and impairment of non-current assets	(1,323)		(1,154)
- Revaluation gains/(losses) on Property, Plant and Equipment	158		1,857
- Amortisation of Intangible Assets	(54)		(57)
- Revenue expenditure funded from capital under statute	(274)		(880)
- Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(20)		(311)
- Amounts of Investment Assets written off on Disposal/Sale to CIES	0		(17)
		<b>(1,513)</b>	<b>(562)</b>
Adjusting amounts written out of the Revaluation Reserve		134	150
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(1,379)</b>	<b>(412)</b>
<b>Capital Financing applied in the year:</b>			
- Use of the Capital Receipts Reserve to finance new capital expenditure	1,889		1,338
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	3,732		5,489
- Application of grants to capital financing from the Capital Grants Unapplied Account	64		80
Capital Expenditure charged against the General Fund Balance	196		428
		<b>5,881</b>	<b>7,335</b>
Minimum Revenue Provision		134	138
Loan Principal Repayments		0	0
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(94)	36
<b>Balance at 31 March</b>		<b>55,002</b>	<b>50,460</b>

# Notes to the Core Financial Statements

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible.

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

The movements in the Pensions Reserve were as follows:

	31 March 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>	<b>(21,440)</b>	<b>(16,684)</b>
Remeasurements of the net defined benefit liability / (asset)	6,419	(3,967)
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	(1,938)	(1,695)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,069	906
<b>Balance at 31 March</b>	<b>(15,890)</b>	<b>(21,440)</b>

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 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>	<b>14</b>	<b>14</b>
<b>Balance at 31 March</b>	<b>14</b>	<b>14</b>

# Notes to the Core Financial Statements

## Collection Fund Adjustment Account

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

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

	31 March 2016 £000	31 March 2015 £000
<b>Balance at 1 April</b>	<b>(30)</b>	<b>(370)</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(19)	77
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	251	263
<b>Balance at 31 March</b>	<b>202</b>	<b>(30)</b>

## Note 22 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest paid	170	171
Interest received	(489)	(475)
	<b>(319)</b>	<b>(304)</b>

# Notes to the Core Financial Statements

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

	2015/16	2014/15
	£000	£000
Depreciation	(1,323)	(1,154)
Amortisation	(54)	(57)
Impairment and upward / (downward) valuations	158	1,857
(Increase) / decrease in Revenue Creditors	(279)	(746)
(Increase) / decrease in Provisions	(162)	(67)
Increase / (decrease) in Revenue Debtors and Payments in Advance	(600)	13
Increase / (decrease) in Inventories	0	(5)
Movement in Pensions Liability	(869)	(789)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	304	458
Movement in investment property values	(94)	36
Other non-cash items charged to the net surplus or deficit on the provision of services	232	340
	<b>(2,687)</b>	<b>(114)</b>

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

	2015/16	2014/15
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	3,738	5,511
Any other items for which the cash effects are investing or financing cash flows	(274)	(912)
	<b>3,464</b>	<b>4,599</b>



# Notes to the Core Financial Statements

## Note 23 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2015/16	2014/15
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	6,397	5,343
Purchase of short-term and long-term investments	634	0
Other payments for investing activities	325	880
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(714)	(260)
Proceeds from short-term and long-term investments	(489)	(1,882)
Other receipts from investing activities	(4,416)	(5,620)
<b>Net cash flows from investing activities</b>	<b>1,737</b>	<b>(1,539)</b>

## Note 24 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2015/16	2014/15
	£000	£000
Billing authorities - council tax and national non-domestic rates adjustments	(232)	(340)
<b>Net cash flows from Financing activities</b>	<b>(232)</b>	<b>(340)</b>

# Notes to the Core Financial Statements

## Note 25 Amounts reported for Resource Allocation Decisions

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

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

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

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

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

Current Year - 2015/16	Employees Expenses	Other Service Expenses	Support Service Recharges	Depn & Impairm't	Total Expenses	Fees, Charges & Other Service Income	Government Grants	Total Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources & Performance	2,063	21,601	0	0	<b>23,664</b>	(5,925)	(21,584)	(27,509)	<b>(3,845)</b>
HR & Democratic Services	564	447	0	0	<b>1,011</b>	(171)	0	(171)	<b>840</b>
Families & Communities	530	522	0	0	<b>1,052</b>	(169)	0	(169)	<b>883</b>
Planning & Growth	1,088	954	0	0	<b>2,042</b>	(1,320)	(56)	(1,376)	<b>666</b>
Operations	1,692	5,301	0	0	<b>6,993</b>	(6,123)	0	(6,123)	<b>870</b>
Housing	430	280	0	0	<b>710</b>	(124)	0	(124)	<b>586</b>
<b>Totals</b>	<b>6,367</b>	<b>29,105</b>	<b>0</b>	<b>0</b>	<b>35,472</b>	<b>(13,832)</b>	<b>(21,640)</b>	<b>(35,472)</b>	<b>0</b>

# Notes to the Core Financial Statements

Previous Year - 2014/15	Employees Expenses	Other Service Expenses	Support Service Recharges	Depn & Impairm't	Total Expenses	Fees, Charges & Other Service Income	Government Grants	Total Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Resources & Performance	2,371	22,593	0	0	24,964	(5,693)	(17,541)	(23,234)	1,730
HR & Democratic Services	605	469	0	0	1,074	(200)	0	(200)	874
Families & Communities	767	314	0	0	1,081	(143)	0	(143)	938
Planning & Growth	1,054	907	0	0	1,961	(1,501)	0	(1,501)	460
Operations	1,679	4,733	0	0	6,412	(5,469)	0	(5,469)	943
Housing	410	285	0	0	695	(134)	0	(134)	561
<b>Totals</b>	<b>6,886</b>	<b>29,301</b>	<b>0</b>	<b>0</b>	<b>36,187</b>	<b>(13,140)</b>	<b>(17,541)</b>	<b>(30,681)</b>	<b>5,506</b>

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

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

	2015/16 £000	2014/15 £000
Net Expenditure in the Head of Service Analysis	0	5,506
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	1,319	(5,763)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	7,465	7,934
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>8,784</b>	<b>7,677</b>

# Notes to the Core Financial Statements

## Reconciliation to Subjective Analysis

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

Current Year - 2015/16	Head of Service Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(9,605)	0	2,609	1,734	(5,262)	(887)	(6,149)
Interest and investment income	(430)	0	489	0	59	(489)	(430)
Income from council tax	(3,797)	0	3,797	0	0	(3,777)	(3,777)
Government grants and contributions	(21,640)	(196)	5,824	0	(16,012)	(9,617)	(25,629)
<b>Total income</b>	<b>(35,472)</b>	<b>(196)</b>	<b>12,719</b>	<b>1,734</b>	<b>(21,215)</b>	<b>(14,770)</b>	<b>(35,985)</b>
Employee expenses	6,367	180	0	0	6,547	689	7,236
Other service expenses	27,508	116	(3,629)	0	23,995	40	24,035
Support Service recharges	0	0	(27)	(1,734)	(1,761)	27	(1,734)
Depreciation, amortisation and impairment	0	1,219	0	0	1,219	94	1,313
Interest payments	169	0	(170)	0	(1)	170	169
Precepts and Levies	1,428	0	(1,428)	0	0	1,428	1,428
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0
Gain or Loss on Disposal of Non-current Assets	0	0	0	0	0	(304)	(304)
<b>Total expenditure</b>	<b>35,472</b>	<b>1,515</b>	<b>(5,254)</b>	<b>(1,734)</b>	<b>29,999</b>	<b>2,144</b>	<b>32,143</b>
<b>Surplus or deficit on the provision of services</b>	<b>0</b>	<b>1,319</b>	<b>7,465</b>	<b>0</b>	<b>8,784</b>	<b>(12,626)</b>	<b>(3,842)</b>

# Notes to the Core Financial Statements

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

Previous Year - 2014/15	Head of Service Analysis £000	Amounts not reported to Management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges and other Service Income	(12,666)	0	6,896	0	(5,770)	(6,202)	(11,972)
Interest and investment interest	(475)	0	475	0	0	(475)	(475)
Income from Council tax	0	0	0	0	0	(3,625)	(3,625)
Government Grants and contributions	(17,541)	(5,887)	6,521	0	(16,907)	(6,521)	(23,428)
<b>Total Income</b>	<b>(30,682)</b>	<b>(5,887)</b>	<b>13,892</b>	<b>0</b>	<b>(22,677)</b>	<b>(16,823)</b>	<b>(39,500)</b>
Employee Expenses	6,886	0	71	0	6,957	718	7,675
Other Service Expenses	29,131	59	(5,858)	0	23,332	59	23,391
Support Service Recharges	0	0	0	0	0	0	0
Depreciation, amortisation and impairment	0	65	0	0	65	(36)	29
Interest payments	171	0	(171)	0	0	171	171
Precepts and levies	0	0	0	0	0	1,373	1,373
Gain or loss on disposal of non-current assets	0	0	0	0	0	(441)	(441)
<b>Total Expenditure</b>	<b>36,188</b>	<b>124</b>	<b>(5,958)</b>	<b>0</b>	<b>30,354</b>	<b>1,844</b>	<b>32,198</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>5,506</b>	<b>(5,763)</b>	<b>7,934</b>	<b>0</b>	<b>7,677</b>	<b>(14,979)</b>	<b>(7,302)</b>

# Notes to the Core Financial Statements



Brandon Market

## 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.

		2015/16	2015/16	2014/15	2014/15
		£000	£000	£000	£000
<b><u>Industrial &amp; Business Units</u></b>	Turnover	(1,195)		(1,392)	
	Expenditure	1,153		1,221	
	<b>(Surplus) / Deficit</b>		<b>(42)</b>		<b>(171)</b>
<b><u>Trade Refuse</u></b>	Turnover	(529)		(463)	
	Expenditure	467		533	
	<b>(Surplus) / Deficit</b>		<b>(62)</b>		<b>70</b>
<b><u>Markets</u></b>	Turnover	(27)		(28)	
	Expenditure	95		83	
	<b>(Surplus) / Deficit</b>		<b>68</b>		<b>55</b>
<b>Net Surplus on Trading Operations</b>			<b>(36)</b>		<b>(46)</b>



# Notes to the Core Financial Statements

## 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.

## Markets

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

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

## Note 27 Members Allowances

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

	2015/16 £000	2014/15 £000
Allowances	190	190
Expenses	17	15
<b>Total Members Allowances and Expenses</b>	<b>207</b>	<b>205</b>

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

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

# 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 £	Compen- sation for Loss of Office £	Total £
<b>Head of Resources and Performance (S151 Officer)</b>	<b>2015/16</b>	<b>60,795</b>	<b>0</b>	<b>2,578</b>	<b>17,508</b>	<b>0</b>	<b>80,881</b>
	2014/15	70,683	0	2,072	15,106	0	87,861
<b>Head of Housing</b>	<b>2015/16</b>	<b>59,192</b>	<b>0</b>	<b>3,669</b>	<b>15,358</b>	<b>0</b>	<b>78,219</b>
	2014/15	58,017	0	3,142	13,484	0	74,643
<b>Head of Planning and Growth</b>	<b>2015/16</b>	<b>68,385</b>	<b>1,239</b>	<b>0</b>	<b>16,910</b>	<b>0</b>	<b>86,534</b>
<b>Head of Planning and Growth - new post wef 1st Nov 2014</b>	2014/15	27,715	516	0	6,133	0	34,364
<b>Head of Planning and Regulatory Services</b>	2014/15	35,350	723	0	7,823	0	43,896

### General Notes

- **Head of Resources and Performance (S151 Officer)** – the postholder was on maternity leave for part of 2015/16.
- **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	2015/16 Number of Employees	2014/15 Number of Employees
£50,000 to £54,999	3	0
£55,000 to £59,999	0	1
£60,000 to £64,999	0	1
£65,000 to £69,999	0	1
£85,000 to £89,999	0	1

## Shared Service Leadership Team (LT)

During 2011 Council approval was given to the creation and implementation of a shared officer structure with 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.

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

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

Details of the total cost of the LT (inclusive of salary, national insurance and pension contributions) are set out in the table below. The table shows how the council reimbursed SEBC for its share of relevant employee costs. The reimbursement for 2014/15 was based on both councils sharing equally the savings resulting from the restructure. From 2015/16 onwards, the reimbursement is based on equal cost share.

# Notes to the Core Financial Statements

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

## Notes on the Shared Leadership Team:

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

# Notes to the Core Financial Statements

## Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a) + (b)		Total cost of exit packages in each band	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Nos	Nos	Nos	Nos	Nos	Nos	£	£
£0 - £20,000	0	2	0	0	0	2	0	12,835
£20,001 - £40,000	1	2	0	0	1	2	35,376	60,042
£40,001 - £60,000	0	1	0	0	0	1	0	56,710
£80,001 - £100,000	0	1	0	0	0	1	0	92,879
<b>Total</b>	<b>1</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>6</b>	<b>35,376</b>	<b>222,466</b>

## Termination Benefits

The Council terminated the contract of 1 employee in 2015/16 with termination payments of £35k in total (2014/15 £222k).

The total cost of £35k in the table above is the gross amount of exit packages paid by the Authority to its employees. This total cost includes £35k for exit packages that have been committed to as part of the Council's Shared Services agenda with St Edmundsbury BC, of which £23k was recharged to St Edmundsbury BC on an agreed cost sharing basis. St Edmundsbury BC has incurred similar costs for exit packages under the Shared Services agenda, and Forest Heath DC is in turn, paying an agreed cost share amounting in total to £51k. The Council has made allowances for this cost sharing within the charge to the Comprehensive Income and Expenditure Statement; resulting in an overall net charge to the Council of £63k.

# Notes to the Core Financial Statements

## Note 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and the preceding financial year.

	2015/16 £000	2014/15 £000
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
<b>Non-ringfenced Government Grants</b>		
Revenue Support Grant	1,397	2,008
National Non-domestic Rates	2,155	2,184
New Homes Bonus	2,443	2,166
Council Tax Freeze Grant	26	25
Non-service related government grants	55	61
<b>Capital Grants and Contributions</b>		
Home of Horseracing	3,542	5,286
Other Grants and contributions	0	41
<b>Total credited to Taxation and Non-specific Grant Income and Expenditure</b>	<b>9,618</b>	<b>11,771</b>
<b>Credited to Services</b>		
<b>Revenue Grants and Contributions</b>		
Housing Benefits Subsidy	15,549	16,374
Housing Benefits and Council Tax Administration Subsidy	299	274
National Non-domestic Rates Administration Grant	90	90
Other Grants and Contributions	56	15
<b>Capital Grants and Contributions</b>		
Disabled Facilities Grant	196	169
<b>Total credited to services</b>	<b>16,190</b>	<b>16,922</b>



# Notes to the Core Financial Statements

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:

	2015/16 £000	2014/15 £000
<b>Capital Grants and Contributions Received in Advance</b>		
Developer Contribution - Turnpike Road, Red Lodge (Taylor Wimpey)	222	223
Developer Contribution - Kennet Park, Kentford	278	200
Developer Contribution - The Street, Beck Row (Persimmon)	195	195
Developer Contribution - Tesco Fordham Rd	118	117
Developer Contribution - Red Lodge (Crest Nicholson)	58	58
Developer Contribution - Lors Homes	61	0
Developer Contributions - Other	88	65
Mildenhall Hub Grant	57	0
One Public Estate Grant	180	0
Other Grants	16	58
<b>Total</b>	<b>1,273</b>	<b>916</b>

## 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 10 Taxation and Non Specific Grant Income, Note 25 – Amounts reported for resource allocation decisions and Note 29 - Grant Income.

### St Edmundsbury Borough Council

Forest Heath District Council and St Edmundsbury Borough Council have formally agreed that both councils are each other's preferred partners for Shared Services. The two councils appointed a shared Leadership Team (LT) during 2012/13 and completed the shared service agenda during 2013/14 with the implementation of a joint staff structure working across both councils. A review of joint senior management continued into 2014/2015, resulting in a further reduction in the number of Heads of Service and a strengthening in the service management level below LT. Further information is available in Note 28 - Officers Remuneration.

### Members and Senior Staff

Members of the Council have direct control over its financial and operating policies. The total of members' allowances paid in 2015/16 is shown in Note 27 – Members' Allowances.

Councillors are able to serve on outside bodies either as a representative of the Council or in a personal capacity. Some of those bodies receive financial support from the Council. In all instances financial support was made with proper consideration of councillors' declaration of interest and the relevant councillors did not take part in any discussion or decision relating to the financial support.

# Notes to the Core Financial Statements

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 Partnership Board
- Home of Horseracing Trust
- Internal Drainage Board – Burnt Fen
- Internal Drainage Board - Lakenheath
- Internal Drainage Board - Mildenhall
- Local Government Association General Assembly
- Mildenhall Community Association
- Mildenhall Dome Joint Management Committee
- Mildenhall Museum - Trustees
- National Horseracing Museum
- Our Greenest County Board
- 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)
- West Suffolk Network Senior Representatives Group
- Western Suffolk Community Safety Partnership
- Verse Facilities

During 2015/16 the Council made grant payments totalling £109k to organisations on which members served. Transactions with Barley Homes (Group) Ltd and Verse Facilities are disclosed separately below.

During 2015/16 there were no transactions of a material nature to either the Council or related third parties involving members of the Council serving in a personal capacity (2014/15 £30k).

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

## Anglia Revenues Partnership (ARP) Trading Limited

Anglia Revenues Partnership (ARP) Trading Limited is a Joint Venture Company set up in 2006 with Breckland District Council to trade with authorities in revenues and benefits services. This arrangement is a legal entity conducted under joint control with 50:50 voting rights and financial share of 66:34 between Breckland District Council and Forest Heath District Council respectively. The main business of the entity in 2015-16 was the provision of revenues and benefits staff.

It is envisaged that during 2016/17 the shareholder ownership of ARP Trading Ltd will be extended to all seven ARP Joint Committee partners resulting in a further reduction in Forest Heath's shareholder interest in the company. The net assets of the company will be distributed to existing shareholders before the new shareholders join.

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

# Notes to the Core Financial Statements

	2015/16	2014/15
	£000	£000
<b>ARP Trading Ltd - Results Statement</b>		
Turnover	0	0
Loss on Ordinary Activities before Taxation	2	2
Loss on Ordinary Activities after Taxation	2	2
Net Assets	108	110

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:

	2015/16	2014/15
	£000	£000
<b>Income and expenditure in respect of related party transactions during the year</b>		
Expenses	911	1,026
Income	(63)	(235)
	<b>848</b>	<b>791</b>

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

[www.angliarevenues.gov.uk](http://www.angliarevenues.gov.uk)

## Abbeycroft Leisure (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.

# Notes to the Core Financial Statements

A management fee amounting to £523k was paid to the trust in 2015/16 (2014/15 £625k). This management fee is included in the Council's Comprehensive Income and Expenditure Statement under the Cultural 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.

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](http://www.acleisure.com)

## Suffolk County Council and Suffolk Police Authority

The Council has a statutory agency agreement with Suffolk County Council and the Suffolk Police Authority to collect council tax on their behalf to meet their precepts. Under this arrangement the Council has collected £21,590k in 2015/16 (£21,200k in 2014/15) on their behalf. At 31 March 2016 the Council held creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £154k (£69k debtors in 2014/15).

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 results of the Company's first part year of trading (incorporated 6 August 2015) are reported through this note to the accounts:

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



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

## **Barley Homes (Group) Limited**

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

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

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



River Lark, Mildenhall

# 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.

	2015/16 Purchased Assets £000	2014/15 Purchased Assets £000
<b>Opening Capital Financing Requirement</b>	<b>3,324</b>	<b>3,462</b>
<b>Capital investment</b>		
Property, Plant and Equipment	5,522	6,310
Intangible Assets	23	74
Investment Properties	62	71
Heritage Assets	0	0
Revenue expenditure funded from capital under statute	274	880
Loans financed from Capital	0	0
<b>Sources of Finance</b>		
Capital receipts	(1,889)	(1,338)
Government grants and other contributions	(3,796)	(5,569)
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(196)	(428)
Minimum Revenue Provision	(134)	(138)
<b>Closing Capital Financing Requirement</b>	<b>3,190</b>	<b>3,324</b>
<b>Explanation of movements in year</b>		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	(134)	(138)
	<b>(134)</b>	<b>(138)</b>



# 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
- Photocopiers – typically 5 years

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

	2015/16	2014/15
	£000	£000
Not later than one year	82	89
Later than one year and not later than five years	251	249
Later than five years	5,022	5,143
<b>Balance as at 31 March carried forward</b>	<b>5,355</b>	<b>5,481</b>

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

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

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

	2015/16	2014/15
	£000	£000
Cultural, Environmental and Planning Services	70	74
Housing Services	4	4
Corporate and Democratic Core	14	16
<b>Minimum Lease Payments</b>	<b>88</b>	<b>94</b>

# Notes to the Core Financial Statements

## Council as Lessor

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

### Finance Leases

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

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

### Operating Leases

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

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

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

	2015/16 £000	2014/15 £000
Not later than one year	1,215	1,206
Later than one year and not later than five years	2,831	2,914
Later than five years	9,533	9,811
<b>Balance as at 31 March carried forward</b>	<b>13,579</b>	<b>13,931</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into. There were £572k contingent rents receivable in 2015/16 (£746k in 2014/15) 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.

# Notes to the Core Financial Statements

## Note 33 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

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

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

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

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

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

[www.suffolk.gov.uk](http://www.suffolk.gov.uk)

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

[www.lge.gov.uk](http://www.lge.gov.uk)

# Notes to the Core Financial Statements

## Transactions relating to Post Employment Benefits

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

	2015/16	2014/15
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
<b>Service Cost Comprising:</b>		
- current service cost	1,191	971
- past service costs (including curtailments)	58	6
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	689	718
<b>Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,938</b>	<b>1,695</b>
<b>Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	707	(4,257)
- Actuarial gains and losses arising on changes in demographic assumptions	0	0
- Actuarial gains and losses arising on changes in financial assumptions	(6,166)	8,811
- Other (if applicable)	(960)	(587)
Sub-total: Actuarial gains and losses	(6,419)	3,967
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>(4,481)</b>	<b>5,662</b>
<b>Movement in Reserves Statement</b>		
- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(1,938)	(1,695)
<b>Actual amount charged against General Fund Balance for pensions in year</b>	<b>(6,419)</b>	<b>3,967</b>
Employers' contributions payable to scheme	1,069	906

# Notes to the Core Financial Statements

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2015/16	2014/15
	£000	£000
Present value of the defined benefit obligation	(60,669)	(65,956)
Fair value of plan assets	44,779	44,516
<b>Net liability arising from defined benefit obligation</b>	<b>(15,890)</b>	<b>(21,440)</b>

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

	2015/16	2014/15
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>44,516</b>	<b>39,068</b>
Interest income	1,417	1,669
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	(707)	4,257
Contributions from employer	1,069	906
Contributions from employees into the scheme	258	269
Benefits paid	(1,774)	(1,653)
<b>Closing fair value of scheme assets</b>	<b>44,779</b>	<b>44,516</b>

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

	2015/16	2014/15
	£000	£000
<b>Opening balance at 1 April</b>	<b>65,956</b>	<b>55,752</b>
Current service cost	1,191	971
Interest cost	2,106	2,387
Contributions from scheme participants	258	269
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in financial assumptions	(6,166)	8,811
- Other (if applicable)	(960)	(587)
Past service cost	58	6
Benefits paid	(1,774)	(1,653)
<b>Closing fair value of scheme liabilities</b>	<b>60,669</b>	<b>65,956</b>

# Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	2015/16	2015/16	2015/16	2015/16	2014/15	2014/15	2014/15	2014/15
	Quoted prices in active markets	Quoted prices not in active markets	Total	Percent- age of Total Assets	Quoted prices in active markets	Quoted prices not in active markets	Total	Percent- age of Total Assets
Asset Category	£000	£000	£000	%	£000	£000	£000	%
<b><u>Equity Securities:</u></b>								
- Consumer	3,485	0	3,485	8%	3,334	0	3,334	8%
- Manufacturing	1,342	0	1,342	3%	1,534	0	1,534	3%
- Energy and Utilities	492	0	492	1%	747	0	747	2%
- Financial Instruments	1,860	0	1,860	4%	1,927	0	1,927	4%
- Health and Care	1,513	0	1,513	3%	1,394	0	1,394	3%
- Information Technology	1,202	0	1,202	3%	800	0	800	2%
- Other	500	0	500	1%	451	0	451	1%
	<b>10,394</b>	<b>0</b>	<b>10,394</b>	<b>23%</b>	<b>10,187</b>	<b>0</b>	<b>10,187</b>	<b>23%</b>
<b><u>Debt Securities:</u></b>								
- Corporate Bonds (Investment Grade)	7,126	0	7,126	16%	6,452	0	6,452	15%
- UK Government	0	0	0	0%	948	0	948	2%
- Other	1,661	0	1,661	4%	1,941	0	1,941	4%
	<b>8,787</b>	<b>0</b>	<b>8,787</b>	<b>20%</b>	<b>9,341</b>	<b>0</b>	<b>9,341</b>	<b>21%</b>
<b><u>Private Equity:</u></b>								
All	0	1,388	1,388	3%	0	1,356	1,356	3%
<b><u>Real Estate:</u></b>								
UK Property	4,905	0	4,905	11%	4,277	0	4,277	10%
<b><u>Investment Funds and Unit Trusts:</u></b>								
Equities	1,687	0	1,687	4%	12,420	0	12,420	28%
Bonds	0	1,132	1,132	3%	0	0	0	0%
Hedge Funds	0	0	0	0%	1,717	0	1,717	4%
Commodities	12,039	0	12,039	27%	0	0	0	0%
Infrastructure	2,951	1,083	4,034	9%	0	1,001	1,001	2%
Other	0	0	0	0%	2,690	1,004	3,694	8%
	<b>16,677</b>	<b>2,215</b>	<b>18,892</b>	<b>43%</b>	<b>16,827</b>	<b>2,005</b>	<b>18,832</b>	<b>42%</b>
<b><u>Derivatives:</u></b>								
Foreign Exchange	40	0	40	0%	1	0	1	0%
<b><u>Cash and Cash Equivalents:</u></b>								
All	374	0	374	1%	522	0	522	1%
<b>Totals (rounded)</b>	<b>41,177</b>	<b>3,603</b>	<b>44,780</b>	<b>100%</b>	<b>41,155</b>	<b>3,361</b>	<b>44,516</b>	<b>100%</b>

# Notes to the Core Financial Statements

## Basis for Estimating Assets and Liabilities

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

The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Suffolk County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	2015/16	2014/15
<b>Mortality assumptions:</b>		
<b>Longevity at age 65 for current pensioners:</b>		
- Men	<b>22.4 years</b>	22.4 years
- Women	<b>24.4 years</b>	24.4 years
<b>Longevity at age 65 for future pensioners:</b>		
- Men	<b>24.3 years</b>	24.3 years
- Women	<b>26.9 years</b>	26.9 years
<b>Financial assumptions:</b>		
Rate of increase in pensions	<b>2.2%</b>	2.4%
Rate of increase in salaries	<b>4.2%</b>	4.3%
Rate for discounting scheme liabilities	<b>3.5%</b>	3.2%

## Sensitivity Analysis

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	11%	6,530
Longevity (1 year increase or decrease in member life expectancy)	3%	1,820
Rate of increase in salaries (increase or decrease by 0.5%)	3%	1,815
Rate of increase in pensions (increase or decrease by 0.5%)	8%	4,623



# 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 £1,057k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18.9 years for 2015/16 (18.9 years 2014/15).

## **Note 34** Contingent Liabilities

### **Conditional share purchase agreement - 12mw solar project at Toggam Farm, Lakenheath**

On 29th January 2016, the Council entered into a conditional share purchase agreement to acquire a company limited by shares called Greenheath Energy Ltd.

The council's circa £14.5 million investment is subject to a variety of commercial conditions which seek to protect the interests of the taxpayer. This means that completion of the purchase will only take effect once and only if those conditions have been met, leaving the development risk with the current owners. As at 31st March 2016 these conditions had not been met and as a result the share acquisition is not accounted for within the 2015/16 statement of accounts. The only costs accounting for within the year (currently as revenue) are those incurred for legal, technical, commercial and financial advice in supporting the Council to entering into the conditional share purchase agreement.

The transaction/purchase itself is likely to take place over the summer assuming all conditions are met and therefore would be a 2016/17 statement of accounts transaction if it was to take place.

This company/SPV holds the operational rights for the 12mw solar project at Toggam Farm, Lakenheath, as well as the grid connection, land lease, EPC contract (including future O&M contract) and will (hopefully but it's one of the condition of completion under the SPA) the ROC 1.3 accreditation contract with Ofgem.

If achieved the deal has the potential to achieve hundreds of thousands of pounds of income each year to protect key day to day services at a time when Government funding for councils is being withdrawn.

### **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.

To date the council has received claims from Trusts which, if awarded, could cost the council £136k with an ongoing annual impact of £24k.

# Notes to the Core Financial Statements

## **Note 35** Contingent Assets

### **Claims against HMRC for the refund of VAT:**

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

- VAT on Sports and Leisure Activities: Following on from the House of Lords ruling on the Fleming and Conde Nest claims, the Council has submitted further claims against HMRC for the refund of overpaid VAT on sports tuition for the periods 1978 to 1989 and 1996 to 2008. These claims are currently being stood behind the outcome of similar claims submitted by Leeds City Council and other local authorities in the UK. The claims are considered to be highly speculative, but if successful could result in a refund of up to £228,416.
- VAT Compound Interest Claim: A High Court decision in the Cars "Group Litigation Order" (GLO) indicated that, in certain circumstances, compound interest may be claimed from HMRC where VAT has previously been overpaid as a result of HMRC error. This matter is currently subject to consideration by the Court of Appeal. A claim has been lodged by the Council following refunds received under the Fleming case which is waiting to be heard by the High Court. The outcome of these claims is difficult to predict, but based on overpayments already refunded by HMRC the estimated value of the Council's claim is in the region of £167,970. The latest case ruling on the matter (Littlewoods plc) gave a very supportive Judgment by LJ Arden.

## **Note 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:

# Notes to the Core Financial Statements

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

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

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 2016 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000s	Estimated maximum exposure at 31 March 2015 £000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	29,641	0.913	0.523	15,502	16,331

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

# Notes to the Core Financial Statements

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 £655k total debt outstanding at 31 March 2016, £51k has exceeded its due date for payment, and is analysed by age as follows:

	2015/16	2014/15
	£000	£000
Less than three months	6	60
Three to six months	5	8
Six months to one year	10	12
More than one year	30	19
	<b>51</b>	<b>99</b>

## Liquidity Risk

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

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	2015/16	2014/15
	£000	£000
Less than one year	1,693	2,447
Between one and five years	0	0
More than five years	4,000	4,000
	<b>5,693</b>	<b>6,447</b>

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

# Notes to the Core Financial Statements

## 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 2015/16, 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.

	2015/16			2014/15		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
<b>Income</b>						
<b>Income Receivable</b>						
Council Tax receivable	(26,221)	0	<b>(26,221)</b>	(25,525)	0	<b>(25,525)</b>
National Non-Domestic Rates receivable	0	(22,664)	<b>(22,664)</b>	0	(22,265)	<b>(22,265)</b>
Transitional Protection receivable	0	22	<b>22</b>	0	15	<b>15</b>
<b>Repayment of previous years deficit</b>						
Forest Heath District Council	0	(258)	<b>(258)</b>	0	(145)	<b>(145)</b>
Suffolk County Council	0	(64)	<b>(64)</b>	0	(36)	<b>(36)</b>
Central Government	0	(323)	<b>(323)</b>	0	(181)	<b>(181)</b>
<b>Total Income</b>	<b>(26,221)</b>	<b>(23,287)</b>	<b>(49,508)</b>	<b>(25,525)</b>	<b>(22,612)</b>	<b>(48,137)</b>
<b>Expenditure</b>						
<b>Repayment of previous years surplus</b>						
Forest Heath District Council	81	0	<b>81</b>	1	0	<b>1</b>
Suffolk County Council	412	0	<b>412</b>	6	0	<b>6</b>
Suffolk Police Authority	61	0	<b>61</b>	1	0	<b>1</b>
	<b>554</b>	<b>0</b>	<b>554</b>	<b>8</b>	<b>0</b>	<b>8</b>
<b>Precepts</b>						
Forest Heath District Council	3,716	8,686	<b>12,402</b>	3,625	8,563	<b>12,188</b>
Central Government	0	10,857	<b>10,857</b>	0	10,704	<b>10,704</b>
Suffolk County Council	18,758	2,171	<b>20,929</b>	18,466	2,141	<b>20,607</b>
Suffolk Police Authority	2,832	0	<b>2,832</b>	2,734	0	<b>2,734</b>
	<b>25,306</b>	<b>21,714</b>	<b>47,020</b>	<b>24,825</b>	<b>21,408</b>	<b>46,233</b>
<b>Charges to the Collection Fund</b>						
Write-off of uncollectable amounts	244	212	<b>456</b>	112	14	<b>126</b>
Increase/(Decrease) in Bad Debts Provision	253	(42)	<b>211</b>	54	101	<b>155</b>
Increase/(Decrease) in Appeals Provision	0	404	<b>404</b>	0	324	<b>324</b>
Cost of Collection	0	90	<b>90</b>	0	90	<b>90</b>
Renewal Energy Income retained by Council	0	52	<b>52</b>	0	55	<b>55</b>
	<b>497</b>	<b>716</b>	<b>1,213</b>	<b>166</b>	<b>584</b>	<b>750</b>
<b>(Surplus) / Deficit for the year</b>	<b>136</b>	<b>(857)</b>	<b>(721)</b>	<b>(526)</b>	<b>(620)</b>	<b>(1,146)</b>
<b>Fund balance as at 1 April</b>	<b>(550)</b>	<b>313</b>	<b>(237)</b>	<b>(24)</b>	<b>933</b>	<b>909</b>
<b>(Surplus) / Deficit carried forward</b>	<b>(414)</b>	<b>(544)</b>	<b>(958)</b>	<b>(550)</b>	<b>313</b>	<b>(237)</b>

# Collection Fund and Notes

## Notes to the Collection Fund Comprehensive Income and Expenditure Statement

### Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	6,499	3,010
Band B	between £40,001 and £52,000	9,757	5,413
Band C	between £52,001 and £68,000	5,889	3,413
Band D	between £68,001 and £88,000	3,960	2,235
Band E	between £88,001 and £120,000	1,900	1,270
Band F	between £120,001 and £160,000	691	684
Band G	between £160,001 and £320,000	429	550
Band H	over £320,000	55	76
<b>Council Tax Base</b>		<b>29,180</b>	<b>16,651</b>

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

The average total Band D Council Tax for the year was £1,519.92 (2014/15 £1,514.46).

### Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 49.3p in 2015/16 (48.2p in 2014/15) and 48.0p for small businesses in 2015/16 (47.1p in 2014/15) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of the business premises by the relevant amount.

The Council is responsible for collecting rates due from the ratepayers in its area and, prior to 1 April 2013, paid the proceeds into an NNDR pool administered by the Government. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government and Suffolk County Council. The new system also allows for pooling arrangements whereby a larger proportion of business rates collected are retained locally. 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 2016 was £54,232,045 (31st March 2015: £52,913,310).



# Collection Fund and Notes

## Note C3 Precepts and Demands

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

	2015/16 Precept/Demand £000	Share of balance 31 March 2016 £000	2015/16 Total £000	2014/15 Total £000
<b>Council Tax</b>				
Suffolk County Council	18,758	(307)	<b>18,451</b>	18,057
Suffolk Police Authority	2,832	(46)	<b>2,786</b>	2,674
Forest Heath District Council	3,716	(61)	<b>3,655</b>	3,545
	<b>25,306</b>	<b>(414)</b>	<b>24,892</b>	<b>24,276</b>
<b>NNDR</b>				
Suffolk County Council	2,171	(54)	<b>2,117</b>	2,172
Central Government	10,857	(272)	<b>10,585</b>	10,860
Forest Heath District Council	8,686	(218)	<b>8,468</b>	8,689
	<b>21,714</b>	<b>(544)</b>	<b>21,170</b>	<b>21,721</b>

## Accounting Policies

### I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

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

### II Accruals of Income and Expenditure

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

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

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

### III Deferred Income

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

### IV Cash and Cash Equivalents

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

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

## V Exceptional Items

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

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

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

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

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

## VII Charges to Revenue for Non-Current Assets

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

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

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

## VIII Employee Benefits

### Benefits Payable during Employment

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

For 2014/15 and 2015/16 the Council has determined that such an accrual is not material to the accounts.

## Termination Benefits

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

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

## Post Employment Benefits

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

## The Local Government Pension Scheme

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

- The liabilities of the Suffolk County Council pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The rate employed for the 2015/16 accounts is the yield available on long dated, high quality corporate bonds, as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years index at the IAS19 valuation date, amended to allow for the different durations of bonds and liabilities.
- The assets of the Suffolk County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

## Discretionary Benefits

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

## **IX Events After the Balance Sheet Date**

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

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

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

## **X Financial Instruments - Financial Liabilities**

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

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

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

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

## **XI Financial Instruments - Financial Assets**

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

### Available-for-Sale Assets

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

# 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 Authority when there is reasonable assurance that:

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

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

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

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

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



## **XIII Heritage Assets**

### Tangible and Intangible Heritage Assets

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

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

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

### Statues and Monuments

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

### Civic Items

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

### Other Heritage Assets

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

### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see note **XXI** in this summary of accounting policies. The proceeds of Heritage items are accounted for in accordance with the Authority's general provisions relating to the disposal 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 Authority as a result of past events (eg. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic

benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

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

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

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

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

## **XV Interests in Companies and Other Entities**

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

## **XVI Inventories**

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

## **XVII Investment Properties**

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

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

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

## **XVIII Joint Operations and Jointly Controlled Assets**

Joint operations are activities undertaken by the Authority in conjunction with other 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, from 2011/12, the Council has accounted for its share of the Assets being used by the joint operation.

## **XIX Leases**

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

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

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

### The Authority as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

## *Operating Leases*

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

## The Authority as Lessor

### *Finance Leases*

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

Lease rentals receivable are apportioned between:

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

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

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

## *Operating Leases*

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

## **XX Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

# Accounting Policies

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

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

## XXI Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

# Accounting Policies

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

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

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

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

## Impairment

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

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

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

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

## Depreciation

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

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



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

## **Disposals and Non-current Assets Held for Sale**

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

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

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

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

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

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

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

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

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

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

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **XXIII Reserves**

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

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

## **XXIV Revenue Expenditure Funded from Capital under Statute**

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

## **XXV VAT**

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

## **XXVI Fair Value Measurement**

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

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

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

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

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

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

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

## West Suffolk Annual Governance Statement 2015/16

### Summary

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

### 1. Introduction and Scope of Responsibility

- 1.1 Governance is about running things properly and ensuring that councils are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It is the foundation for the delivery of good quality and improved services that meet the local community's needs.
- 1.2 Forest Heath District Council and St Edmundsbury Borough Council are responsible for conducting their business properly, and ensuring that public money is safeguarded and properly accounted for as well as being used economically, efficiently and effectively.
- 1.3 The councils:
  - have put in place proper governance of affairs;
  - facilitate the effective exercise of their functions;
  - manage risk effectively; and
  - secure continuous improvement of their functions.
- 1.4 The councils have each approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available electronically (via the councils' website).

### 2. The Governance Framework

- 2.1 This section describes the key elements of the West Suffolk governance arrangements in 2015/16 using CIPFA's Delivering Good Governance in Local Government Framework 2012.
- 2.2 **Identifying and communicating the authorities' vision of their purpose and intended outcomes for citizens and service users**
  - The West Suffolk Strategic Plan and Medium Term Financial Strategy for 2014-16 set out the councils' vision, objectives and proposed projects and actions. When published in 2014, the documents were shared with partners, community groups, parish and town councils and other stakeholders, as well as being proactively communicated to staff.
- 2.3 **Reviewing the authorities' vision and its implications for the authorities' governance arrangements**
  - During the development of the 2014-16 Strategic Plan and Medium Term Financial Strategy, the councils developed six themes which set out how they would work in order to deliver the vision, as follows. Some of these have required new forms of governance, as described later in this document:
    - Aligning resources to both councils' new strategic plan and essential services;
    - Continuation of the shared service agenda and transformation of service delivery;
    - Behaving more commercially;
    - Considering new funding models (e.g. acting as an investor);
    - Encouraging the use of digital forms for customer access; and
    - Taking advantage of new forms of local government finance (e.g. business rate retention).
- 2.4 **Translating the vision into objectives for the authorities and their partnerships**
  - The Strategic Plan and Medium Term Financial Strategy set out how the councils will work in partnership to deliver the following priorities:

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

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

- The councils' performance management system monitors and records performance across all service areas. Regular reports are made to the councils' leadership team and to Performance and Audit Scrutiny Committees. These reports consider how the councils' resources are being used to deliver outcomes for residents and other partners.
- During 2015/16 work was completed on a new approach to performance management using a "balanced scorecard". The new system uses a range of information sources to build a complete picture of the councils' performance including budget and staffing information, risk, records of transactions and works completed, and customer feedback. The balanced scorecard is a flexible tool enabling the councils to use a single system to support the performance management at both operational and strategic levels.

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

- The councils' Constitutions define and document the roles and responsibilities of members, the Leader, the Mayor (SEBC only) and Cabinet; set out rules of procedure and codes of conduct defining the standards of behaviour for members and staff; and set out a clear framework of delegation to officers. During 2015/16 the Constitutions for both authorities underwent a thorough review to align the governance frameworks of the two councils.

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

- The West Suffolk Joint Standards Committee promotes and maintains high standards of conduct by councillors, assisting them to observe the Members' Codes of Conduct, monitoring their operation and overseeing any breaches.
- Members are advised of their duties and responsibilities when first elected and the induction training outlines the importance of adherence to the code of conduct. Registers for the recording of interests and the offer or receipt of gifts and hospitality are maintained for both officers and members.
- West Suffolk staff work to four core values which establish clear expectations around acceptable behaviours, regardless of role:
  - Bold – be brave, drive the future;
  - Energy – have the positive and energetic drive to create opportunities;
  - Responsibility – take ownership for delivering a professional service with honesty and clarity; and
  - Together – work as one, delivering for all.
- There is an established mechanism for monitoring and rewarding staff performance and behaviours in line with these values. There is also a West Suffolk staff disciplinary and capability procedure, which sets out how poor behaviour will be addressed.

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

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

- All formal meetings of the councils are clerked by Democratic Services staff with members required to make decisions based on written reports. The reports must pay due regard to legal, staffing, financial implications and risks / opportunities.
- The reports and minutes of meetings are published on the West Suffolk website, unless properly restricted from public access by law. There are opportunities for members of the public to ask questions at council meetings.
- The councils have a single Data Quality Policy. We publish our equality data in line with the requirements of the Equality Act 2010.
- During 2015/16 we continued the development of our financial management system to support decision making, for example through the forecasting module. Development work continues on the financial management system to release its full potential for West Suffolk.

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

- The councils' risk management framework includes a suite of tools to support the identification, appraisal, recording and mitigation of risks. These arrangements were fully reviewed during 2015/16 and rolled out to service areas.
- The Strategic Risk Management Group review and update the strategic risk register on a quarterly basis, with a strategic risk update report received quarterly by Performance and Audit Scrutiny Committee.

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

- The West Suffolk Anti-Fraud and Anti-Corruption Policy was approved and adopted within 2014/15. The policy, which includes material on tackling social housing fraud, was published on the intranet and website. Tackling fraud and corruption in the administration of revenues and benefits for West Suffolk is also covered in the Anglia Revenues and Partnerships anti-fraud policy.
- An annual report is published which summarises the work that has taken place during the year to prevent and detect fraud, theft and corruption. This report shows the councils' commitment to minimising the risk of theft, fraud and corruption and to deter any would-be fraudsters. The 2015/16 report concluded that probity at the councils remains at a high level.

## **2.11 Ensuring effective management of change and transformation**

- The Leadership Team (Chief Executive, Directors and Heads of Service) is a small, strategically-focused team, consisting of the first two levels of management in West Suffolk. This group is responsible for leading change in West Suffolk. The Chief Executive is also a member of the Suffolk Chief Officers Leadership Team and the Leaders are members of Suffolk Public Sector Leaders, both of whom oversee change across the whole of the Suffolk "system". This includes the £3.35m of Transformation Challenge Award funding which was secured by Suffolk in November 2014 and the preparation of the East Anglian devolution deal announced at Budget March 2016.
- A number of other Suffolk-wide officer groups are also well established and help to further joined up working between the Suffolk councils.
- A third tier of managers exists at service manager level who deputise for their heads of service and are responsible for the day-to-day operations of their service areas. The service manager level also encourages greater cross-boundary working, enabling a consistent approach to programme management and service delivery across West Suffolk.
- Both councils support the delivery of change, transformation and improvement by focusing on key priorities and deploying a range of approaches and resources to support the identification and delivery of opportunities to improve quality and transform services to meet these. These include carrying out Business Process Re-engineering Reviews with a view to transforming the ways in which services are delivered through analysing processes and implementing major change projects.

- A Project Review Group including the Chief Executive, two Directors, Chief Financial Officer and the Corporate Policy Manager with responsibility for projects was established in February 2016. The Group meet fortnightly to review progress against projects and escalate issues to Leadership Team meetings as appropriate. In addition, project health checks have been introduced by Internal Audit which review the governance of selected projects and check that these are on track and well managed.
  - The Medium Term Financial Strategy and budget setting process also provides an opportunity to review service delivery and to identify and support service transformation and change.
  - A Business Partner model for support services is established within the councils, designed to add value and provide support and expertise to all service areas and project teams.
- 2.12 **Ensuring the authorities' financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact**
- The Head of Resources and Performance is the Section 151 Officer for the purposes of satisfying the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the councils on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
  - The financial management arrangements of West Suffolk conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations.
- 2.13 **Ensuring the authorities' assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact**
- The councils' assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 2.14 **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**
- The Service Manager (Legal) is the Monitoring Officer and is responsible for the administration of the councils' political management structures, including ensuring that the councils have acted lawfully and that agreed standards have been met. In addition, a rotating Deputy Monitoring Officer has been in place to support the Monitoring Officer and also ensure resilience and skill development in this area.
  - The Constitutions for the two councils are regularly updated by the Monitoring Officer to ensure that all decision taking is supported by them.
- 2.15 **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**
- The responsibilities of the Head of the Paid Service for both councils rest with the Chief Executive, who is responsible for the overall corporate and operational management of West Suffolk.
- 2.16 **Undertaking the core functions of an audit committee, as identified in CIPFA's publication 'Audit Committees: Practical Guidance for Local Authorities'**
- The Performance and Audit Scrutiny Committees act as the councils' Audit Committees and have specific responsibility for scrutinising and approving the Statement of Accounts, scrutinising risk and performance management arrangements, audit arrangements, the Annual Governance Statement and budgetary control and monitoring, and assists in development of the budget framework.



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

- The Monitoring Officer advises senior management team (Leadership Team and service managers) on new legislation and compliance with the Constitutions. They use their statutory powers to report to Full Council where there has been non-compliance with legislation or with the councils' own procedures.
- Within service areas, staff monitor the introduction of legislation specific to their area of work, for example changes to planning fees or new food safety regulations. Where legislation has a corporate or cross-cutting effect, Legal Services and the Corporate Policy Team will generally co-ordinate dissemination of information and training, for example through the weekly policy alerts which are collated by the Corporate Policy Team and shared with staff and members.
- Policies and procedures governing the councils' operations include both Financial and Contracts Procedure Rules.
- It is the role of the councils' Internal Audit section to review, appraise and report on the effectiveness and efficiency of the system of internal control, risk management and governance and how these arrangements are operating. This is achieved by undertaking audit work across the councils' functions in accordance with a risk-based Audit Plan. Annually, the Service Manager (Internal Audit) drafts a report for presentation at the Performance and Audit Scrutiny Committee which includes his opinion on the adequacy and effectiveness of the councils' risk management systems and internal control environment.

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

- The councils have a Joint Whistleblowing Policy, a copy of which is available on both the website and intranet. It applies to all officers, contractors, partners and those supplying goods and services to the councils.
- The councils have a formal complaints, compliments and comments procedure which allows the public to make complaints regarding the service received from the councils.
- Complaints co-ordinators within services handle and record complaints, compliments and comments, which are reported quarterly to the Performance and Audit Scrutiny Committees through the balanced scorecards, grouped by service area.

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

- Staff training needs are identified through performance reviews and regular dialogue between staff and line management.
- The councils provide a number of corporate training courses each year, and staff have access to individual training and development opportunities. Leadership Team have a small number of 'development sessions' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.
- The underlying theme of the newly elected members induction programme delivered May 2015 to July 2015 was to support members to find the information they needed and establish good working relations with senior officers. An officer/member buddy programme was used to signpost members to training and information they may need. A "market place" networking session for members and senior managers was followed by a programme of training to cover key subjects and committee-specific requirements. Small group and one-to-one ICT training was offered to all members to support the introduction of mobile appliances and access to committee documents online.
- Annually, members are invited to identify their training needs via a survey. The member development programme is agreed by the Joint Member Development Group in consultation with senior managers, to meet national and local priorities. This programme is supplemented by attendance by members and senior officers to specialist external events and seminars.



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

- West Suffolk councils engage routinely with residents, community groups, businesses, organisations, members and staff on a range of matters using a variety of different mechanisms.
- Our approach includes the use of social media tools to provide new avenues of interaction with the public.
- Our website features a clear layout that makes it quicker and easier for customers to apply for things, report issues, make payments or find out information. The website's Open Data pages include a range of datasets that describe the councils' business, including all of those required by the Government's Code of Practice on Local Government Transparency.
- Communication and consultation with staff is carried out through staff briefings, team meetings, and the intranet and through formal consultation with the Trade Union.

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

- As well as shared services the councils use a variety of service delivery models, and are involved in a number of partnership arrangements, for example with our registered housing providers, leisure trust (Abbeycroft Leisure), Anglia Revenues Partnership and home improvement agency.
- The arrangements are governed by contractual or partnership management agreements, for example:
  - In respect of the leisure trust, as well as day-to-day contact and annual negotiations regarding the management fee, there are quarterly or bi-annual meetings between the chair and vice-chair of Abbeycroft and the two cabinet members, plus officers of both organisations, to look at performance.
  - For the Anglia Revenues Partnership there is a Joint Committee which has formal delegation from the seven partner councils. The Committee approves the Delivery Plan and budget annually along with monitoring and reviewing performance against the Delivery Plan.
  - Verse Facilities Management Ltd is an arms-length 'Teckal' organisation established to provide facilities management services (e.g. cleaning, custodians, caretaking, catering) to the West Suffolk councils. The intention is that the company will also compete for other facilities management business in the area and provide a vehicle for other potential council services to be moved to (subject to a full business case). The shareholding of the company is 60% in favour of Vertas Ltd (themselves 100% owned by Suffolk County Council), 26% St Edmundsbury Borough Council and 14% Forest Heath District Council. The company has four Directors; two from Vertas Ltd, one an officer representing St Edmundsbury Borough Council and one an officer representing Forest Heath District Council. A Councillor Shareholder Advisory Group is in the process of being established to have oversight of the company's activities. Subject to approval, this is likely to comprise four elected members with two from Suffolk County Council and one each from St Edmundsbury Borough Council and Forest Heath District Council.
  - For Barley Homes (Group) Ltd, the councils' Housing Development Company jointly owned with Suffolk County Council, the Company has four Directors, two from Suffolk County Council, one officer representing Forest Heath District Council and one officer representing St Edmundsbury Borough Council. There is also a non-constituted Councillor Shareholders Advisory Group which represents the interests of the three shareholding councils. The Advisory Group reviews and comments on the Annual Business and Delivery Plan, in advance of its formal approval by the respective full Councils, as well as monitoring and reviewing the company's performance against the Delivery Plan. The shareholding of this company is 50% held by Suffolk County Council and 25% by each of the West Suffolk councils.

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

- Governance arrangements for partnerships are subject to on-going review, as appropriate, with funding agreements being reviewed on at least an annual basis. Regular liaison meetings take place with key partners.

**3. Review of effectiveness**

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

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

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

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

**3.4 Based upon the audit work undertaken during the financial year 2015/16, as well as assurances made available to the council by other assurance providers, the Service Manager (Internal Audit) has confirmed that reasonable assurance can be provided that the systems of internal control within these areas of the councils, as well as the risk management systems, are operating adequately and effectively. Similar to previous years, Internal Audit work has however identified a number of areas where existing arrangements could usefully be improved, and agreed actions will be followed up by Internal Audit in the usual way.**

**3.5 The councils are subject to an annual programme of independent external audits and inspections. The external auditor summarises the findings from his audit of the financial statements and the councils' systems which support them and his assessment of arrangements to achieve value for money.**

**3.6 The review of the effectiveness of the governance framework concluded that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.**

**4. Significant governance issues**

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

- seriously prejudiced or prevented achievement of council objectives;
- resulted in a need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the councils' services;
- led to material impact on the accounts;
- received adverse commentary in external inspection reports;
- been reported by the Service Manager (Internal Audit) as significant in his annual audit opinion on the councils' internal control environment;
- attracted significant public interest or had seriously damaged the councils' reputation;

- resulted in formal action being taken by the s151 Officer and / or the Monitoring Officer; or
  - members had advised that it should be considered significant for this purpose.
- 4.2 Due to staff turnover and significant national recruitment challenges the councils' Building Control Service used temporary staff for some months. The councils now have a team of well-respected and experienced local surveyors who are rebuilding the service and winning back the market share temporarily lost during the interim. Early indications are that the quality of service and responsive professionalism of our surveyors are attracting users back. The service will continue to be dynamic and forward thinking in this very commercial environment where reputation of service and client relationships is paramount.
- 4.3 The 2015 Local and Parliamentary Elections combinations brought significant challenges to all councils in managing a once in 20-year event. For West Suffolk these challenges were exacerbated by the unexpected loss of a senior member of the election team a few weeks prior to the elections which resulted in the need to support a little more than usual the elections team, through realigning resources including staff, in order to ensure the successful delivery of the elections. The lessons learnt from the 2015 elections were embedded in planning and resourcing the 2016 Police and Crime Commissioner election and the EU referendum.
5. **Focus for 2016/17**
- 5.1 Like all local authorities, Forest Heath and St Edmundsbury Councils are influenced by national government policy, funding and spending announcements. Both continue to operate within a context of significant change both nationally and locally which represent significant challenges. Strong governance arrangements are needed to support the number and scale of challenges being faced.
- 5.2 During 2016/17 a number of key governance areas are planned to be improved and embedded into West Suffolk in support of the changing world of local government, a number of which have already been referred to throughout this document. These areas include:
- key projects and lessons learned will continue to be discussed at the Service Managers meetings however project management oversight will be given an increased focus with meetings of the Project Review Group and Leadership Team to ensure accountability at a senior level and to minimise the impact of interdependencies between projects;
  - development work on the financial management system, releasing its full potential for West Suffolk and recognising the importance of financial data, its availability and reporting abilities;
  - our business partner model, ensuring we have the necessary skills and capacity in the right places at the right time to support the delivery of our strategic objectives; and
  - further development of all our partnership relationships, for example, Barley Homes, Verse and the Anglian Revenues Partnership.
- 5.3 Nationally, Suffolk is respected as a place for innovation, collaboration and delivery. This credibility was endorsed in November 2014 by the Department for Communities and Local Government's award of £3.35 million Transformation Challenge Award (TCA) funding. The principles of the TCA bid are based on long term, transformational change whereby public services become more integrated and able to provide sustainable models of support for those most in need whilst delivering the spending reductions that will be required over the next ten years. At the heart of Suffolk's TCA proposal is more integrated working between Suffolk's public sector partners. This will require fresh approaches to governance.
- 5.4 During 2015/16, the councils worked with other local authorities in East Anglia on a devolution deal with the Government, which would see significant powers and freedoms devolved from Whitehall to local areas, overseen by a Combined Authority.
- 5.5 A key theme running through the work needed to deliver the councils' outcomes is 'behaving more commercially' with the councils no longer able to behave in all areas as if they are monopoly providers of services, as this is no longer sustainable in the current or future funding climate. Corporate behaviours are becoming embedded in a number of areas of council business. Members will continue to receive regular financial training / development sessions.

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

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

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

Signed:

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

Date:

Signed:

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

Date:

Signed:

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

Date:

## Auditors Report

### Independent auditor's report to the Members of Forest Heath District Council

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

## Glossary

### Accounting Code of Practice

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

### Accounting Period

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

### Accruals

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

### Actuarial Gains and Losses

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

### Actuarial Valuation

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

### Actuary

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

### Amortised Cost

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

### Asset

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

### Assets held for Sale

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

# Glossary

## Balance Sheet

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

## Budget

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

## Business Rate Retention Scheme

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

## Capital Expenditure

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

## Capital Financing

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

## Capital Receipts

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

## Chartered Institute of Public Finance and Accountancy (CIPFA)

The principal accountancy body dealing with Local Government finance. More details can be found on the CIPFA website [www.cipfa.org.uk](http://www.cipfa.org.uk).

## Chief Financial Officer (CFO)

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

## Code of Practice on Local Authority Accounting in the United Kingdom

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

## Council Tax Freeze Grant

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

## Creditors

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



## **Contingent Liabilities**

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

## **Debtors**

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

## **Defined Benefit Pension Scheme**

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

## **Deminimis**

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

## **Depreciation**

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

## **Donated Asset**

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

## **Employee Benefits**

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

## **External Auditor**

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

## **Exit Package**

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

## **Fair Value**

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

## **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes

# Glossary

both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

## Financial Timetable

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

## Formula Grant

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

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

## Governance

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

## Grants and Contributions

Assistance in the form of transfers of resources to an authority in return for past or future compliance with certain conditions relating to the operation of activities.

## Heritage Assets

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

## International Accounting Standard (IAS)

Accounting standards developed by the International Accounting Standards Board that are primarily applicable to general purpose company accounts. These standards are adopted by the CIPFA Code of Practice except where the standards conflict with specific statutory requirements.

## International Financial Reporting Standards (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

# Glossary

## **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](http://www.westsuffolk.gov.uk)  
Email: [customer.services@westsuffolk.gov.uk](mailto:customer.services@westsuffolk.gov.uk)

#### Brandon Office

The Brandon Centre  
Bury Road  
Brandon  
Suffolk  
IP27 0BQ

#### Newmarket Office

63 The Guineas  
Newmarket  
Suffolk  
CB8 8HT



Forest Heath District Council Offices, Mildenhall