

**2016/2017 Statement of Accounts**

**St Edmundsbury Borough Council**



Church in Haverhill

<b>Introduction.....</b>	<b>1</b>
<b>Narrative Report by the Chief Finance Officer.....</b>	<b>2</b>
<b>Certificate of approval for the Statement of Accounts.....</b>	<b>10</b>
<b>Statement of responsibilities for the Statement of Accounts.....</b>	<b>11</b>
Expenditure and Funding Analysis.....	12
Comprehensive Income and Expenditure Statement.....	13
Movement in Reserves Statement.....	14
Balance Sheet .....	15
Cash Flow Statement .....	16
<b>Notes to the Core Financial Statements.....</b>	<b>17</b>
Note 1     Accounting Standards that have been issued but have not yet been adopted .	17
Note 2     Critical judgements in applying Accounting Policies .....	17
Note 3     Future Assumptions and Other Major Sources of Estimation Uncertainty.....	18
Note 4     Material Items of Income and Expense .....	19
Note 5     Events after the Balance Sheet Date .....	19
Note 6     Note to the Expenditure and Funding Analysis .....	20
Note 7     Expenditure and Income Analysed by Nature .....	22
Note 8     Adjustments between Accounting Basis & Funding Basis under Regulations.	23
Note 9     Transfers to / (from) Earmarked Reserves.....	27
Note 10    Other Operating Expenditure .....	29
Note 11    Financing and Investment Income and Expenditure.....	30
Note 12    Taxation and Non-Specific Grant Income .....	30
Note 13    Property, Plant and Equipment.....	31
Note 14    Heritage Assets .....	37
Note 15    Investment Properties.....	38
Note 16    Intangible Assets.....	40
Note 17    Debtors.....	41
Note 18    Cash and Cash Equivalents .....	42
Note 19    Financial Instruments .....	43
Note 20    Creditors .....	46
Note 21    Provisions.....	46
Note 22    Unusable Reserves .....	47
Note 23    Cash Flow Statement – Operating Activities .....	52
Note 24    Cash Flow Statement – Investing Activities .....	53
Note 25    Cash Flow Statement – Financing Activities .....	53
Note 26    Trading Operations .....	54
Note 27    Members Allowances.....	54
Note 28    Officers’ Remuneration.....	56
Note 29    Grant Income .....	60
Note 30    Related Parties .....	61
Note 31    Capital Expenditure and Capital Financing .....	66
Note 32    Leases .....	67
Note 33    Defined Benefit Pension Schemes .....	68
Note 34    Contingent Liabilities.....	74
Note 35    Contingent Assets.....	74
Note 36    Nature and Extent of Risks arising from Financial Instruments .....	75

# Contents

Note 37	Trust Funds .....	78
Note 38	Agency Services .....	79
<b>Collection Fund and Notes.....</b>		<b>80</b>
Collection Fund Comprehensive Income and Expenditure Statement .....		80
Notes to the Collection Fund Comprehensive Income and Expenditure Statement .....		81
Note C1	Council Tax Base .....	81
Note C2	Business Rates .....	81
Note C3	Precepts and Demands.....	82
<b>Accounting Policies.....</b>		<b>83</b>
<b>West Suffolk Annual Governance Statement 2016/17.....</b>		<b>96</b>
<b>Auditors Report .....</b>		<b>104</b>
<b>Glossary .....</b>		<b>105</b>
<b>Further Information.....</b>		<b>111</b>

## Introduction

### St Edmundsbury – About Us

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

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

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

Haverhill expanded significantly in the 1970s due to the construction of new housing and continues to grow, building on its strong business culture and its links with Cambridge, in particular the life sciences and biotechnology sectors based there.

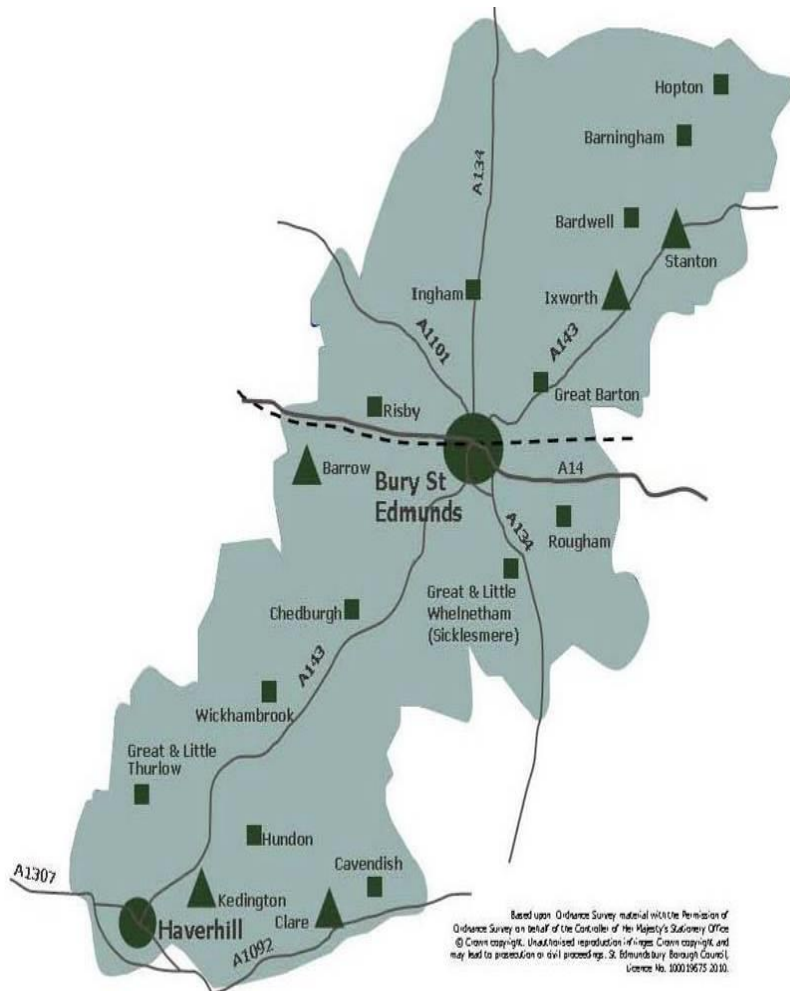
Today, St Edmundsbury has a thriving, diverse economy, embracing a number of business sectors. These include tourism, food and drink, life sciences and advanced manufacturing.

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

The Council is made up of 45 Councillors and is Conservative controlled. It operates under a Leader and Cabinet style of governance.

Further information can be found by following the links below:

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





## Narrative Report by the Chief Finance Officer

### Introduction

I am pleased to introduce the Council's Statement of Accounts for 2016/17. St. Edmundsbury Borough Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, planning and development control and many more.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2016 to 31 March 2017 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:

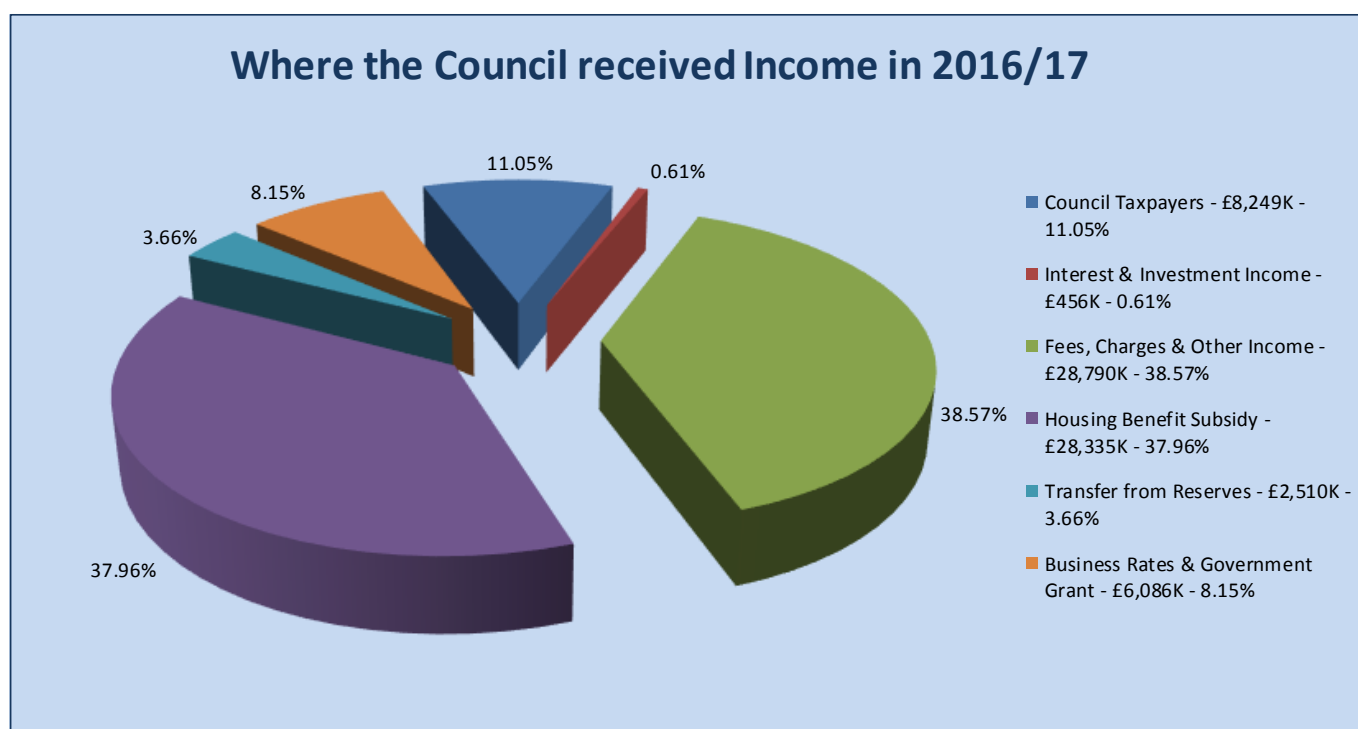
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

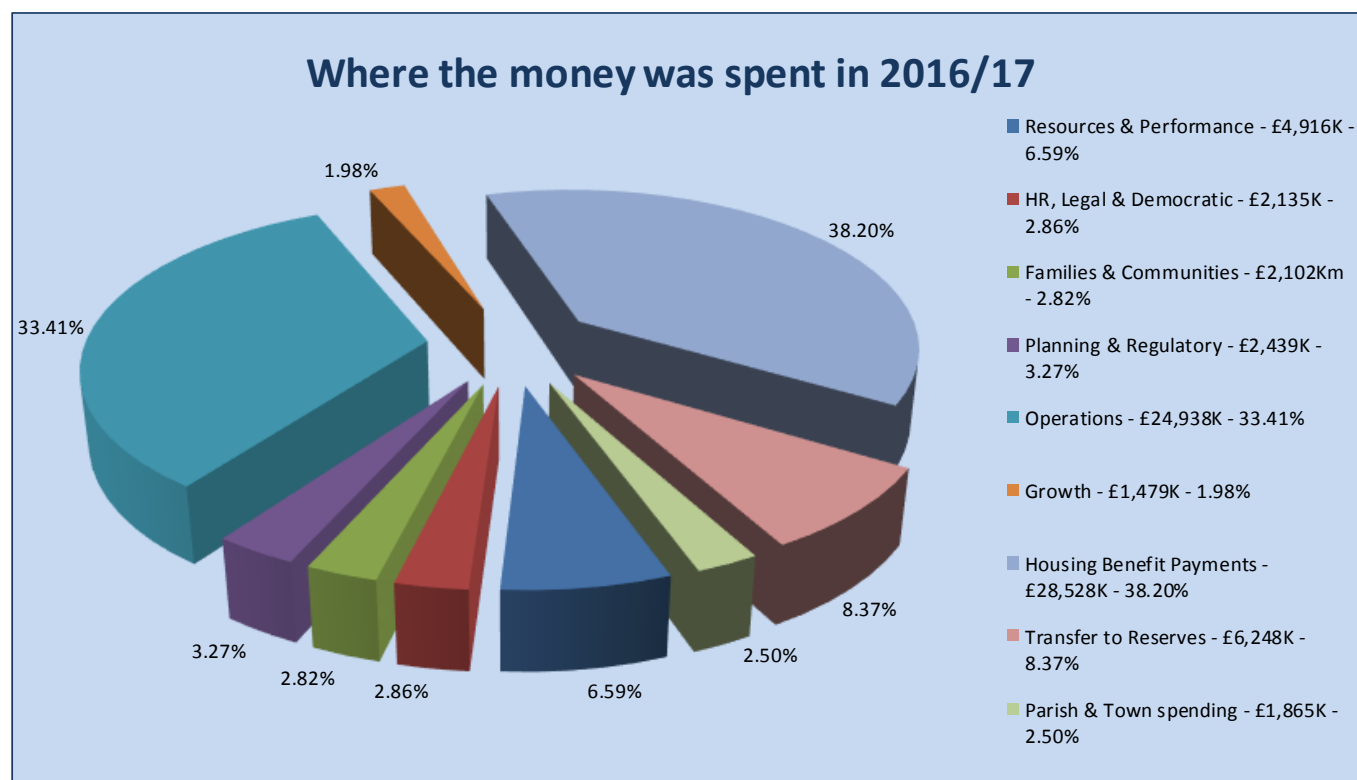
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to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

### Overview of the financial year 2016/17

For the 2016/17 financial year, the Council saw a budgeted decrease of £224k to its general fund reserve, which stands at £3,036k as at 31 March 2017, with an overall level of usable reserves (capital and revenue) of £36.5m.

The following charts show the sources of the Council's income for 2016/17, and how it was spent on services (excluding accounting adjustments required by International Financial Reporting Standards):





During 2016/17, the Council continued to face considerable financial challenges as a result of continued uncertainty in the wider economy and constraints on public sector spending including the reduction in central government grant funding and the changing landscape of local government financing. Additional challenges included declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness.

In order to respond to these pressures, the Council has had to make significant savings. The main contributor to delivering these savings has been sharing resources with Forest Heath District Council, which has to date achieved in excess of £4m in savings across both Councils. Details of the shared Leadership Team are set out in Note 28 of the accounts. In addition during this year significant progress was made on income generating projects such as the housing company (Barley Homes).

Details of variances against budget in excess of £50k can be seen in the report reference PAS/SE/17/014, entitled 'Financial Performance Report (Revenue and Capital) Outturn 2016/17' considered by the Performance and Audit Committee on 25 May 2017.

The Council's capital expenditure for 2016/17 totalled around £3.8m, which included disabled facilities grants, street lighting renewals and asset management plan expenditure. The Council spent approximately £1.2m on capital grants within the year. Around £2.4m of the total £3.8m spend for 2016/17 was funded from the Council's usable capital receipts, the remainder being funded from revenue reserves, and grants and contributions.

## Material and Unusual charges or credits within the statements

In 2016/17, Bury St Edmunds Leisure Centre and Moreton Hall Community Centre were valued for the first time by the District Valuer, using the Depreciated Replacement Cost method of valuation, resulting in a net revaluation gain of £12.8m. Further details are given in Note 4 Material Items of Income and Expense.

## Major variances within the Comprehensive Income and Expenditure Statement – between 2015/16 and 2016/17

The Council had a number of variances in its cost of services between 2015/16 and 2016/17, amounting to an overall decrease of around £983k, primarily as a result of net revaluation losses in council properties during 2016/17.

Actuarial losses on pension assets/liabilities have also moved significantly from a credit of £13,966k in 2015/16 to a charge of £2,327k in 2016/17 and this is explained further in Note 33 Defined Benefit Pension Schemes.

# Narrative Report by the Chief Finance Officer

The net impact of these and other minor changes on the Comprehensive Income and Expenditure Statement is an overall decrease in the Total Comprehensive Income from 2015/16 to 2016/17 of £1,607k.

## Explanation of the Statements

The statements included in the accounts are explained below:

- **The Statement of responsibilities for the Statement of Accounts** identifies the officer who is responsible for the proper administration of the authority's financial affairs, including the communication that the accounts present a true and fair view of the financial position of the authority.
- **The Expenditure and Funding Analysis** is a note to the accounts and not a core statement. However, in accordance with the Code of Practice, it has been given due prominence in the accounts and sits ahead of the statements. It demonstrates to council tax payers how the funding available to the authority (ie government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.
- **The Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. From 2016/17 this changes from Service Code of Practice (SerCOP) format to one that reflects the organisations regular reporting to management.
- **The Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- **The Balance Sheet** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council which are reported in two categories. The first category of reserves are usable reserves, ie. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **The Cash Flow Statement** summarises the inflows and outflows of cash arising from revenue and capital transactions with third parties. The statement excludes internal movements of funds between the Council's accounts.
- **The Collection Fund** shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

## Pensions

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

The figures contained in the Statement of Accounts are based on the latest actuarial valuation of the pension fund as at 31 March 2017 by Hymans Robertson LLP, an independent firm of actuaries. This stated that the fund's liabilities were more than its assets. The Council's proportion of this net liability was estimated at £46,818k compared to £43,008k at 31 March 2016. This net increase in liabilities is represented by an increase in liabilities of £20,675k and an increase in assets of £16,865k. The overall increase of £3,810k in the liability is primarily because the financial assumptions at March 2017 were less favourable than those at March 2016.

# Narrative Report by the Chief Finance Officer

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £46,818k 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 decreased its provisions by £268k during the year to £1,508k for the financial year ending 31 March 2017. These provisions are detailed in Note 21 to the accounts.

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

## Significant Cashflows Present and Future

As at 31 March 2016 the Council had made a commitment to contribute towards the Eastern Relief Road project. The commitment has been confirmed during 2016/17 as being £3m. Payment is likely to take place in 2017/18.

## Key Strengths and Resources

### Employees

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

As at March 2017, West Suffolk councils employed 629 staff, with a voluntary staff turnover rate of 9.32% and an average sickness level of 6.77 days per full time equivalent (FTE) member of staff during 2016/17. This absence level was lower than the average of 7.64 days lost per FTE in district/borough councils in the East of England<sup>1</sup>.

St Edmundsbury Borough Council is committed to investing in all West Suffolk staff, through corporate learning opportunities, bespoke training, and individual qualifications. Along with Forest Heath, St Edmundsbury has a particular focus on bringing in and bringing on local school leavers through apprenticeships. For example, West Suffolk have employed 38 young apprentices since 2014, of which 12 are still studying and 17 secured further employment with the councils.

### Land and buildings

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

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

Furthermore, 160,387 KWh of renewable energy was generated on St Edmundsbury Borough Council properties in 2016/17, equivalent to the typical electricity consumption of 43 homes.

### Corporate reputation

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

- St Edmundsbury Borough Council won a Gold Award for excellence in recognition of the management of its address information database.

---

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



## Narrative Report by the Chief Finance Officer

- The Families and Communities team secured £132,000 funding from Suffolk County Council and the DCLG for a two year social prescribing pilot which will work to resolve social needs such as low mood and anxiety in the local community, lessening reliance on primary statutory services.
- Bury St Edmunds Christmas Fayre won the UK's Best Christmas Market award from TripAdvisor's Holiday Lettings. 2016 was the first year that visitors took part in the poll.
- West Stow Anglo-Saxon Museum was awarded full Accreditation status from Arts Council England in March 2016. It was also shortlisted as a finalist in 2016 in the national My Best School Trip Award after being nominated by Bealings School.

### Joint initiatives by West Suffolk councils

- West Suffolk councils, with other Suffolk partners and councils in Suffolk secured just under £100,000 in Government funding to help tackle the issue of rough sleeping in the area. Part of this funding is designated to employing a rough sleeper's prevention and support worker to help people at risk of homelessness and prevent them from ending up on the streets.
- Commercial fleet, managed by Phil Clifford, was shortlisted in the Public Sector and Blue Light Commercial Fleet of the Year category at last year's Commercial Fleet Awards.
- The councils were awarded two Gold Standards for the quality of the Gazetteer address data we maintain and hold at the end of April last year.
- In March 2016 Rachel Almond, Service Manager (Planning Development) was invited to speak at a national planning conference in London about West Suffolk's shared planning service. The Planning Advisory Service was so impressed with our truly shared service that it wants to use West Suffolk as a case study to help other authorities with shared services.
- Both councils took part in #Ourday, a national social media campaign, on Tuesday 15 November to showcase 'a day in the life of West Suffolk councils' with every service being involved in some way.
- Both councils have now balanced their budget for all the years of the Medium Term Financial Strategy (MTFS) up to 2020/21.

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

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

In the year 2016/17, the councils together received 69 formal complaints and 136 compliments. Figures are for West Suffolk as not all compliments can be attributed to an individual council, given service delivery is shared.

### Wider strengths

#### Collaborative working

Forest Heath and St Edmundsbury have continued to make significant savings, through both transforming the way our services are delivered and the way our teams operate. Last year for instance saw our legal services transform through the implementation of our shared legal service, consisting of legal teams across St Edmundsbury, Forest Heath, Babergh and Mid Suffolk Councils. By working with other authorities in Suffolk based at a single site, we are able to operate in a more efficient and productive way through combining resources, leading to greater savings.

Working collaboratively across Suffolk has also led to greater consistency in service delivery across the county. Last year for example, our Public Health and Housing team worked collaboratively with Babergh and Mid Suffolk district councils by sending a member of staff on secondment in order to take the lead on a Suffolk-wide project with the fire service to reduce hazards in flats above shops. Through working closely with our partners in Suffolk, teams were able to share expertise and build understanding leading to greater safety of Suffolk residents.

# Narrative Report by the Chief Finance Officer

## Innovation

The council has continued to be innovative when thinking about how we can make savings and even generate our own income. St Edmundsbury have made significant progress with ambitions to bring new jobs, housing and education through opening the first part of the Eastern Relief Road, an investment which is expected to generate millions of pounds for the local economy once completed. To promote this the council have facilitated a £4m loan facility for the development of the infrastructure in this area.

## Delivery models

The past year has also seen us diversify our delivery models. Formally establishing Barley Homes Group as a company in March 2016 means we can begin the detailed development and planning process in order to give our communities greater choice of housing. In addition, the opening of St Edmundsbury Borough Council's new temporary accommodation unit in June 2016, has lessened our reliance on expensive Bed & Breakfast leading to a more cost effective approach to the way we accommodate homeless families. This has contributed to reduce spending on temporary accommodation, from £98,200 in 2015/16, to £86,677 in 2016/17.

We continue to diversify our delivery models through Anglia Revenues Partnership, which since its creation in 2003, has provided both significant improvements in service delivery & estimated savings in excess of £1.8 million a year. We have also continued to make savings and generate a commercial income through our facilities management company Verse.

## Improving customer access

Our commitment to improving customer access has also continued throughout 2016/17. By introducing direct debit as a new payment channel for the Garden Waste service, we have encouraged channel shift and increased operational efficiency. Early indicators suggest that customers are eager to use this option with almost 7000 people signing up since activation in February 2017. Furthermore, more than 90% of customer queries are being dealt with at the first point of contact and between 2013/14 and 2016/17, telephone call volumes have reduced by 34% and face to face volumes have reduced by 65% as online options become more available.

## Prevention

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

## Performance Indicators

For 2016/17 Balanced Scorecards (one per Assistant Director service area) continue to be the medium for Performance Indicators. They are generated monthly and presented quarterly to Performance and Audit Scrutiny Committee (PASC) together with the Financial Performance Reports. They show key items per service and historical trends providing pertinent information to aid Assistant Directors and Service Managers in operating their areas. These reports are discussed monthly at Leadership Team meetings.

## Material Events after the reporting date

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

## Audit

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

## Looking to the future

The Council continues to face public expenditure cuts and significant reductions in Government funding, with the revenue support grant reduced by 85% over the four year period 2013-17. The 4 year settlement now confirmed from central government identifies that Revenue Support Grant will be phased out by 2019/20. Therefore, we must continue to

## Narrative Report by the Chief Finance Officer

accelerate our ambition to be more self-sustaining both in controlling our net inflationary pressures and the income we generate ourselves whether it be existing or new opportunities with local income generation to support local services.

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 Forest Heath District Council have to date been predominately delivered through the joining up of services and staff structures. However it was always envisaged that further savings could be achieved through the procuring and commissioning of joint service and supply contracts, as these come up for renewal, providing the Council with confidence in its cost base (our known expenditure levels).

By delivering these savings through a shared services approach we have continued to stay ahead of the curve to date 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 2017/18 and future years continuing to recognise 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 became operational in 2016/17. We have also created a Shared Legal Service vehicle with other Suffolk councils and are exploring other shared service opportunities.

We have now set out a medium term budget position (MTFS), which takes us to 2020/21, and must look beyond that date and be ready for what may come. Local government's funding challenges will change, but they will continue. The Government is encouraging Council Tax increases to fund local social care, for example, and much of the income raised from business rates will be kept locally from 2020. The relationship between residents, businesses and their local government services will continue to evolve as we work together to invest in the future.

This MTFS outlines how we will be adopting ways of working that take advantage of new forms of funding, new technologies and new opportunities that are available to councils. This will allow us to ensure we can meet the priorities set out in our West Suffolk Strategic Plan, 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 already in the feasibility stage and are expected to take shape during 2017/18.

The Council is also keeping a close eye on the national picture. In particular we are actively engaging with our Suffolk colleagues, both in local government and the wider public sector, in the work around 100% Business Rates Retention which potentially could lead to major transformations in the way we work, and are funded in the future.



Lackford Lakes

# 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 2016 to 31 March 2017 has been prepared and I confirm that these accounts were approved by St Edmundsbury Borough Council at the meeting held on 20 September 2017.

Signed:

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

Date: 20 September 2017



# Statement of responsibilities for the Statement of Accounts

## Statement of responsibilities for the Statement of Accounts

### The Council's responsibilities

The Council is required to:

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

### The Chief Financial Officer's responsibilities

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

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

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

The Chief Financial Officer has also:

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

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

I certify that the Statement of Accounts has been prepared in accordance with the proper accounting practices and presents a true and fair view of the financial position of the Council as at 31 March 2017 and its income and expenditure for the year then ended.

Signed:

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

Date:

**Councillor I Houlder**  
**Portfolio Holder for Resources**  
**and Performance**

Date:

# Core Financial Statements

## Expenditure and Funding Analysis

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

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

	2016/17			2015/16		
	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement
	£000	£000	£000	£000	£000	£000
Resources & Performance	3,439	(87)	3,352	3,843	(460)	3,383
HR, Legal and Democratic	1,729	(13)	1,716	1,693	148	1,841
Families & Communities	1,748	499	2,247	1,909	169	2,078
Planning and Regulatory	727	329	1,056	694	189	883
Operations	2,052	1,276	3,328	1,787	2,400	4,187
Growth	1,138	55	1,193	1,063	440	1,503
<b>Net Cost of Services</b>	<b>10,833</b>	<b>2,059</b>	<b>12,892</b>	<b>10,989</b>	<b>2,886</b>	<b>13,875</b>
Other income and expenditure	(10,993)	(2,900)	(13,893)	(11,024)	(1,481)	(12,505)
<b>(Surplus) / Deficit</b>	<b>(160)</b>	<b>(841)</b>	<b>(1,001)</b>	<b>(35)</b>	<b>1,405</b>	<b>1,370</b>
<b>Opening General Fund Balance at 31/03/2016</b>	<b>(3,260)</b>			<b>(3,225)</b>		
Add Surplus on General Fund in the year	(160)			(35)		
Less Surplus Transferred to Earmarked Reserves	160			0		
Less Budgeted use of General Fund included in Surplus	224			0		
<b>Closing General Fund Balance at 31/03/2017</b>	<b>(3,036)</b>			<b>(3,260)</b>		

# Core Financial Statements

## Comprehensive Income and Expenditure Statement

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

	Note	2016/17			2015/16 Restated *		
		Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Resources and Performance		33,340	29,988	3,352	33,890	30,507	3,383
Human Resources, Legal and Democratic		2,145	429	1,716	2,112	271	1,841
Families and Communities		2,452	205	2,247	2,460	382	2,078
Planning and Regulatory		3,159	2,103	1,056	2,885	2,002	883
Operations		19,057	15,729	3,328	20,209	16,022	4,187
Growth		1,564	371	1,193	1,918	415	1,503
<b>Cost of Services</b>		<b>61,717</b>	<b>48,825</b>	<b>12,892</b>	<b>63,474</b>	<b>49,599</b>	<b>13,875</b>
Other Operating Expenditure	10	406	0	406	711	0	711
Financing and Investment Income and Expenditure	11	1,506	460	1,046	1,758	452	1,306
Taxation and Non-Specific Grant Income	12	0	15,345	(15,345)	0	14,522	(14,522)
<b>(Surplus)/Deficit on Provision of Services</b>		<b>63,629</b>	<b>64,630</b>	<b>(1,001)</b>	<b>65,943</b>	<b>64,573</b>	<b>1,370</b>
Surplus on revaluation of Property, Plant and Equipment assets	22			(17,144)			(4,996)
Deficit or (Surplus) on revaluation of available for sales financial assets	22			(111)			56
Actuarial losses on pension assets / liabilities	33			2,327			(13,966)
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(14,928)</b>			<b>(18,906)</b>
<b>Total Comprehensive (Income) and Expenditure</b>				<b>(15,929)</b>			<b>(17,536)</b>

\* Restated following the change in requirements in the Code of Practice on Local Authority Accounting 2016-17. The net cost of services was previously presented based on SeRCOP classifications and is now presented based on service directorates, reflecting the Council's management reporting structure.

# Core Financial Statements

## Movement in Reserves Statement

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

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

Prior Year Movements - 2015/16	Note	General Fund & Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000
<b>Balance as at 31 March 2015</b>		<b>16,630</b>	<b>15,113</b>	<b>179</b>	<b>31,922</b>	<b>52,902</b>	<b>84,824</b>
<b>Movements in Reserves during 2015/16</b>							
Total Comprehensive Income and Expenditure		(1,370)	0	0	(1,370)	18,906	17,536
Adjustments between accounting basis and funding basis under regulations	8	3,430	283	743	4,456	(4,456)	0
<b>Increase / (Decrease) in 2015/16</b>		<b>2,060</b>	<b>283</b>	<b>743</b>	<b>3,086</b>	<b>14,450</b>	<b>17,536</b>
<b>Balance as at 31 March 2016 carried forward</b>		<b>18,690</b>	<b>15,396</b>	<b>922</b>	<b>35,008</b>	<b>67,352</b>	<b>102,360</b>

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

# Core Financial Statements

## Balance Sheet

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

	Note	31 March 2017 £000	31 March 2016 £000
Property, Plant and Equipment	13	118,847	101,767
Heritage Assets	14	6,608	6,608
Investment Property	15	110	110
Intangible Assets	16	359	357
Long-term Investments	19	575	463
Long-Term Debtors	17	558	297
<b>Long-Term Assets</b>		<b>127,057</b>	<b>109,602</b>
Short-term Investments	19	34,643	42,153
Assets Held for Sale		140	140
Inventories		156	148
Short-term Debtors	17	5,945	5,330
Cash and Cash Equivalents	18	13,799	3,347
<b>Current Assets</b>		<b>54,683</b>	<b>51,118</b>
Short-Term Creditors	20	(10,582)	(8,963)
Provisions	21	(1,308)	(1,576)
<b>Current Liabilities</b>		<b>(11,890)</b>	<b>(10,539)</b>
Provisions	21	(200)	(200)
Other Long-term Liabilities	33	(46,818)	(43,008)
Grants Receipts in Advance - Capital	29	(4,543)	(4,613)
<b>Long-Term Liabilities</b>		<b>(51,561)</b>	<b>(47,821)</b>
<b>NET ASSETS</b>		<b>118,289</b>	<b>102,360</b>
Usable Reserves		(36,518)	(35,008)
Unusable Reserves	22	(81,771)	(67,352)
<b>TOTAL RESERVES</b>		<b>(118,289)</b>	<b>(102,360)</b>

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017. These financial statements replace the unaudited financial statements certified by the S151 Officer on 12 June 2017

Signed:

Date:

Chief Financial Officer (Section 151 Officer)

St Edmundsbury Borough Council – Statement of Accounts 2016/17

Page - 15



# Core Financial Statements

## Cash Flow Statement

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

		2016/17	2015/16
	Note	£000	£000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		(1,001)	1,370
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(1,743)	(8,225)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(659)	46
<b>Net cash flows from Operating Activities</b>		<b>(3,403)</b>	<b>(6,809)</b>
Investing Activities	24	(6,273)	12,466
Financing Activities	25	(776)	167
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>(10,452)</b>	<b>5,824</b>
Cash and cash equivalents at the beginning of the reporting period	18	(3,347)	(9,171)
<b>Cash and Cash Equivalents at the end of the reporting period</b>	18	<b>(13,799)</b>	<b>(3,347)</b>

## Notes to the Core Financial Statements

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the new or amended standards within the 2017/18 Code.

There are no new standards in the 2017/18 Code which are likely to have a material impact on the accounts.

### **Note 2 Critical judgements in applying Accounting Policies**

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Financial Statements are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to indicate that any of its assets might be impaired as a result of a need to close facilities or reduce levels of service provision.
- On 1<sup>st</sup> April 2005, the Council entered into a 15 year contract with Abbeycroft Leisure for the operation of its two leisure centres, the athletics track and the management of the bookings of other sports facilities. Abbeycroft Leisure is a company limited by guarantee, with charitable status. The Council does not have control of the company and has therefore determined that the company is not a subsidiary of the Council (see also Note 30– Related Parties).
- On 25<sup>th</sup> October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. On 1<sup>st</sup> April 2011 the Council joined Forest Heath, Breckland and East Cambridge District Councils within the Anglia Revenues Partnership (ARP). The partnership was subsequently extended to include Fenland, Suffolk Coastal and Waveney District Councils with effect from 1<sup>st</sup> April 2015. The ARP is also governed on a joint committee basis, the purpose of which is to provide a shared revenues and benefits service for the member Councils. The Council has determined that both of these joint committees are accounted for as 'jointly controlled operations' i.e. each authority accounts for its share of costs and assets (see also Note 30 – Related Parties).
- The Council has undertaken a review of the potential outcome of significant legal claims by or against the Council, full details of which are Note 34 Contingent Liabilities and Note 35 Contingent Assets.

# Notes to the Core Financial Statements

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

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.335m for every year that useful lives had to be reduced.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured.</p> <p>The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 9% increase in the employer's liability. In monetary terms this equates to around £14.695m.</p> <p>A 0.5% increase in the Salary increase rate would result in an additional 1% employer liability totalling approximately £1.946m.</p> <p>A 0.5% increase in the Pension increase rate would result in an additional 7% employer liability totalling approximately £12.559m.</p>
Arrears	At 31 March 2017, the Council had a sundry debt balance of £7.418m. A review of an aged debt analysis suggested that an allowance for doubtful debts in 2016/17 of £1.473m would be appropriate. However, factors such as the current economic climate may impact on the actual level of bad debts experienced by the Council.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.473m to be set aside as an allowance.

# Notes to the Core Financial Statements

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

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

### **Property and Vehicles**

During 2016/17 there were no material purchases or sales of property and vehicles.

In 2016/17 Bury Leisure Centre and Moreton Hall Community Centre were valued for the first time by the District Valuer. The Depreciated Replacement Cost (DRC) method of valuation was used because the assets are of a specialist nature, with no active market for sale. International Accounting Standard 16 requires the DRC valuation to be carried out on the basis of a Modern Equivalent Asset (MEA), instead of identical replacement. An MEA is defined by its ability to deliver a comparable service to the asset being valued but which is of a current design and constructed using current materials and techniques. The revaluations resulted in a revaluation gain, charged to the revaluation reserve, of £11.0m for Bury Leisure Centre and £1.8m for Moreton Hall Community Centre and is reflected in Note 13 Property, Plant and Equipment. This revaluation gain is purely an accounting entry that has no impact on the council taxpayer and the benefit to the community of these assets remains the same.

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

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 12 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



Christmas Fayre Swing

# Notes to the Core Financial Statements

## Note 6 Note to the Expenditure and Funding Analysis

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

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

Previous Year - 2015/16	Adjustments for Capital Purposes (Note a)	Net change for the Pensions Adjustment (Note b)	Other differences (Note c)	Total Adjustments
	£000	£000	£000	£000
Resources & Performance	40	53	(553)	(460)
Human Resources, Legal and Democratic	0	63	85	148
Families & Communities	105	84	(20)	169
Planning and Regulatory	199	93	(103)	189
Operations	3,529	443	(1,571)	2,401
Growth	27	62	350	439
<b>Net Cost of Services</b>	<b>3,900</b>	<b>798</b>	<b>(1,812)</b>	<b>2,886</b>
Other income and expenditure from the Expenditure and Funding Analysis	(1,211)	1,755	(2,025)	(1,481)
<b>Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services</b>	<b>2,689</b>	<b>2,553</b>	<b>(3,837)</b>	<b>1,405</b>



# Notes to the Core Financial Statements

## Note a - Adjustments for Capital Purposes

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

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

## Note b – Net Change for the Pensions Adjustments

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

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

## Note c – Other Differences

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

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

# Notes to the Core Financial Statements

## Note 7 Expenditure and Income Analysed by Nature

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

	Note	2016/17 £000	2015/16 £000
<b>Expenditure</b>			
Employee benefits expenses		17,203	17,645
Other services expenses		11,397	11,909
Parish precept payments	10	1,865	1,659
Other third party payments *		3,492	3,074
Housing benefit payments		28,528	28,921
Depreciation, amortisation and impairment	8	2,603	3,683
(Gain)/Loss on the disposal of assets	10	(1,459)	(948)
<b>Total Expenditure</b>		<b>63,629</b>	<b>65,943</b>
<b>Income</b>			
Fees, charges and other service income		(19,386)	(19,843)
Interest and investment income	11	(456)	(448)
Income from council tax	12	(8,380)	(8,045)
Income from business rates	29	(3,635)	(2,943)
Grants and contributions	29	(32,773)	(33,294)
<b>Total Income</b>		<b>(64,630)</b>	<b>(64,573)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>		<b>(1,001)</b>	<b>1,370</b>

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

# Notes to the Core Financial Statements

## Note 8 Adjustments between Accounting Basis & Funding Basis under Regulations

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

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

Current Year - 2016/17	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	3,950	0	0	(3,950)
Revaluation gains/losses on Property, Plant and Equipment	(1,418)	0	0	1,418
Amortisation of Intangible Assets	71	0	0	(71)
Capital Grants and Contributions applied	(594)	0	136	458
Revenue Expenditure funded from Capital under Statute	1,254	0	0	(1,254)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(1,459)	1,466	0	(7)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Use of Revenue Reserves to finance new capital loans	(10)	0	0	10
Capital Expenditure charged against the General Fund Balance	(1,155)	0	0	1,155
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(85)	85

Continued on the following page.

# Notes to the Core Financial Statements

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

# Notes to the Core Financial Statements

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

Prior Year - 2015/16	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	3,597	0	0	(3,597)
Revaluation losses on Property, Plant and Equipment	21	0	0	(21)
Amortisation of Intangible Assets	65	0	0	(65)
Capital Grants and Contributions applied	(618)	0	743	(125)
Revenue Expenditure funded from Capital under Statute	571	0	0	(571)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(948)	1,230	0	(282)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Capital Expenditure charged against the General Fund Balance	(1,978)	0	0	1,978

Continued on the following page.



# Notes to the Core Financial Statements

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

# Notes to the Core Financial Statements

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

General Fund Reserves	Balance at 1 April 2015 £000	Transfers out 2015/16 £000	Transfers in 2015/16 £000	Balance at 31 March 2016 £000	Transfers out 2016/17 £000	Transfers in 2016/17 £000	Balance at 31 March 2017 £000
Strategic Priorities & MTFS	2,346	(746)	1,251	2,851	(602)	1,953	4,202
Invest to Save Reserve	890	(479)	649	1,060	(448)	904	1,516
Risk/Recession Reserve	39	0	64	103	0	365	468
BRR Equalisation Reserve	588	0	178	766	(177)	37	626
Self Insured Fund	232	0	0	232	(50)	50	232
Computer Equipment	300	(76)	73	297	0	73	370
Office Equipment	829	(450)	40	419	0	40	459
Section 106 - Public Service Village	47	(8)	5	44	0	21	65
HB Equalisation Reserve	1,607	(87)	209	1,729	(329)	16	1,416
Special Pension Reserve	317	0	0	317	(317)	0	0
Interest Equalisation Reserve	187	0	166	353	0	6	359
Professional Fees Reserve	0	0	65	65	(14)	120	171
ARP Reserve	60	(21)	35	74	(51)	405	428
Vehicle & Plant Renewal Fund	2,184	(438)	600	2,346	(427)	600	2,519
Wheeled Bins	113	0	148	261	0	80	341
Building Repairs Reserve	1,915	(1,797)	1,689	1,807	(1,337)	1,846	2,316
Industrial Rent Reserve	0	(84)	1,059	975	(110)	0	865
Commuted Maintenance	686	(107)	0	579	(100)	28	507
Museums - Gershom Parkington Bequest	525	(4)	18	539	(5)	18	552
Museums - Other	65	0	0	65	0	0	65
The Apex Reserve	33	(15)	0	18	(19)	20	19
Abbey Gardens Donation	21	(12)	31	40	(1)	0	39
Rural Areas Action Plan	91	(27)	0	64	(64)	0	0
Planning Reserve	138	(70)	0	68	(49)	90	109
Local Land Charges Reserve	0	0	101	101	(14)	7	94
EI-Historic Building Grants	1	0	0	1	(1)	0	0
S106 Monitoring Officer	14	(17)	6	3	(14)	20	9
Economic Development	51	(5)	0	46	(31)	9	24
Homelessness Legislation	0	(145)	268	123	(117)	97	103
S106 Revenue Reserve	0	0	8	8	0	28	36
Election Reserve	127	(80)	30	77	(15)	30	92
<b>Total</b>	<b>13,406</b>	<b>(4,668)</b>	<b>6,693</b>	<b>15,431</b>	<b>(4,292)</b>	<b>6,863</b>	<b>18,002</b>
<b>Net Movement in the year</b>				<b>2,025</b>			<b>2,571</b>

# Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

*Anglia Revenues Partnership (ARP) reserve* – Government Grant monies received by the Anglia Revenues Partnership (ARP) for specific purposes which are held in reserve due to timings of receipts and usage.

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

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

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

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

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

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

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

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

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

# Notes to the Core Financial Statements

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

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

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

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

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

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

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

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

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

## **Note 10 Other Operating Expenditure**

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

	2016/17 £000	2015/16 £000
Parish Council precepts	1,865	1,659
(Gains) / losses on the disposal of non-current assets	(1,459)	(948)
	<b>406</b>	<b>711</b>

# Notes to the Core Financial Statements

## Note 11 Financing and Investment Income and Expenditure

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

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

	2016/17 £000	2015/16 £000
Interest receivable and similar income	(456)	(448)
Interest transferred to other funds	3	3
Net interest on the net defined benefit liability asset	1,503	1,755
Income and expenditure in relation to investment properties and changes in their fair value	(4)	(4)
	<b>1,046</b>	<b>1,306</b>

## Note 12 Taxation and Non-Specific Grant Income

	2016/17 £000	2015/16 £000
Council tax Income	(8,380)	(8,045)
Non-domestic rates income and expenditure	(3,635)	(2,943)
Revenue Support Grant	(1,187)	(1,894)
Non-service related government grants	(150)	(82)
New Homes Bonus	(1,760)	(1,227)
Council tax freeze grant received in year	0	(68)
Capital Grants and contributions	(233)	(263)
	<b>(15,345)</b>	<b>(14,522)</b>

# Notes to the Core Financial Statements

## Note 13 Property, Plant and Equipment

### Movements on Balances

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

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

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

Continued on the following page.



# Notes to the Core Financial Statements

2015/16 - Previous Financial Year	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b><u>Accumulated Depreciation and Impairment</u></b>								
<b>At 1 April 2015</b>	<b>(18)</b>	<b>(4,177)</b>	<b>(5,461)</b>	<b>(443)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,099)</b>
Depreciation Charge	(18)	(2,982)	(516)	(81)	0	0	0	(3,597)
Revaluation gains - depreciation written out to the Revaluation Reserve	23	1,404	0	0	0	0	0	1,427
Revaluation losses - depreciation written out to the Revaluation Reserve	0	33	0	0	0	0	0	33
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	227	0	0	0	0	0	227
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	51	0	0	0	0	0	51
Derecognition - disposals	0	56	246	0	0	0	0	302
<b>At 31 March 2016</b>	<b>(13)</b>	<b>(5,388)</b>	<b>(5,731)</b>	<b>(524)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(11,656)</b>
<b><u>Net Book Value</u></b>								
<b>At 31 March 2016</b>	<b>1,486</b>	<b>91,728</b>	<b>4,582</b>	<b>1,711</b>	<b>267</b>	<b>1,195</b>	<b>798</b>	<b>101,767</b>
<b>At 31 March 2015</b>	<b>983</b>	<b>90,690</b>	<b>3,056</b>	<b>1,736</b>	<b>266</b>	<b>71</b>	<b>1,039</b>	<b>97,841</b>

# Notes to the Core Financial Statements

The note below details the movements on balances in the current financial year ended 31 March 2017.

2016/17 - Current Financial Year	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b><u>Cost or Valuation</u></b>								
<b>At 1 April 2016</b>	<b>1,499</b>	<b>97,116</b>	<b>10,313</b>	<b>2,235</b>	<b>267</b>	<b>1,195</b>	<b>798</b>	<b>113,423</b>
Additions	0	601	747	1,122	0	0	5	<b>2,475</b>
Revaluation increases recognised in the Revaluation Reserve	0	15,947	0	0	0	214	0	<b>16,161</b>
Revaluation (decreases) recognised in the Revaluation Reserve	0	(769)	0	0	0	0	0	<b>(769)</b>
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	1,461	0	0	0	0	0	<b>1,461</b>
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	0	(646)	0	0	0	0	0	<b>(646)</b>
Derecognition - disposals	0	(8)	(1,033)	0	0	0	0	<b>(1,041)</b>
Assets reclassified (to) / from Assets Under Construction	0	543	240	0	0	0	(783)	<b>0</b>
<b>At 31 March 2017</b>	<b>1,499</b>	<b>114,245</b>	<b>10,267</b>	<b>3,357</b>	<b>267</b>	<b>1,409</b>	<b>20</b>	<b>131,064</b>

Continued on the following page.

# Notes to the Core Financial Statements

2016/17 - Current Financial Year	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
<b><u>Accumulated Depreciation and Impairment</u></b>								
At 1 April 2016	(13)	(5,388)	(5,731)	(524)	0	0	0	(11,656)
Depreciation Charge	(27)	(3,177)	(659)	(87)	0	0	0	(3,950)
Revaluation gains - depreciation written out to the Revaluation Reserve	0	1,697	0	0	0	0	0	1,697
Revaluation losses - depreciation written out to the Revaluation Reserve	0	55	0	0	0	0	0	55
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	0	547	0	0	0	0	0	547
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	0	57	0	0	0	0	0	57
Derecognition - disposals	0	0	1,033	0	0	0	0	1,033
At 31 March 2017	(40)	(6,209)	(5,357)	(611)	0	0	0	(12,217)
<b><u>Net Book Value</u></b>								
At 31 March 2017	1,459	108,036	4,910	2,746	267	1,409	20	118,847
At 31 March 2016	1,486	91,728	4,582	1,711	267	1,195	798	101,767

## Depreciation

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

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

## Impairment

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

There were no significant impairment losses in 2015/16 or 2016/17.

# Notes to the Core Financial Statements

## Capital Commitments

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

St Edmundsbury Borough Council's commitment is in the region of £3m.

## Revaluations

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

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

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

In 2016/17, Bury St Edmunds Leisure Centre and Moreton Hall Community Centre were valued for the first time by the District Valuer, using the Depreciated Replacement Cost method of valuation, resulting in a net revaluation gain of £12.8m. Further details are given in Note 4 Material Items of Income and Expense.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	0	254	4,910	2,746	267	0	20	8,197
<b>Valued at fair value as at:</b>								
31 March 2017	0	32,832	0	0	0	1,409	0	34,241
31 March 2016	787	23,073	0	0	0	0	0	23,860
31 March 2015	672	44,376	0	0	0	0	0	45,048
31 March 2014	0	2,212	0	0	0	0	0	2,212
31 March 2013	0	5,289	0	0	0	0	0	5,289
<b>Total Net Book Value</b>	<b>1,459</b>	<b>108,036</b>	<b>4,910</b>	<b>2,746</b>	<b>267</b>	<b>1,409</b>	<b>20</b>	<b>118,847</b>

# Notes to the Core Financial Statements

## Fair Value Hierarchy

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2017 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 2017 £000
Development Land	0	1,260	0	1,260
Unoccupied Commercial Property	0	149	0	149
<b>Total</b>	<b>0</b>	<b>1,409</b>	<b>0</b>	<b>1,409</b>

## 2016 Comparative Figures

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

There were no transfers between Levels during the year.

## Valuation Techniques used to Determine Level 2 Fair Values

### Significant Observable Inputs - Level 2

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

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

# Notes to the Core Financial Statements

## Note 14 Heritage Assets

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

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

	Fine and Decorative Art	Horology	Civic Insignia	Total Assets
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
At 1 April 2015	3,393	2,682	533	<b>6,608</b>
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Depreciation	0	0	0	<b>0</b>
Revaluations - depreciation adjustment	0	0	0	<b>0</b>
<b>At 31 March 2016</b>	<b>3,393</b>	<b>2,682</b>	<b>533</b>	<b>6,608</b>
At 1 April 2016	3,393	2,682	533	<b>6,608</b>
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	<b>0</b>
Depreciation	0	0	0	<b>0</b>
Revaluations - depreciation adjustment	0	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>3,393</b>	<b>2,682</b>	<b>533</b>	<b>6,608</b>

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

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

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

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

### Additions, Disposals and Impairment of Heritage Assets

There have been no additions to Heritage Assets during 2016/17.

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



# Notes to the Core Financial Statements

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

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
<b>Valuations for illustrative purposes</b>					
Statues and monuments	260	3,393	3,393	3,393	<b>3,393</b>
Civic items	30	2,682	2,682	2,682	<b>2,682</b>
Other heritage assets	80	533	533	533	<b>533</b>
<b>Total Heritage Assets</b>	<b>370</b>	<b>6,608</b>	<b>6,608</b>	<b>6,608</b>	<b>6,608</b>

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

## Note 15 Investment Properties

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

	2016/17	2015/16
	£000	£000
Income from Investment Properties (including net gain / loss from fair value adjustments)	(4)	(4)
<b>Net (gain) / loss</b>	<b>(4)</b>	<b>(4)</b>

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

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

	2016/17	2015/16
	£000	£000
<b>Balance at 1 April</b>	<b>110</b>	<b>110</b>
Net gains / (Losses) from fair value adjustments	0	0
<b>Balance at 31 March</b>	<b>110</b>	<b>110</b>

# Notes to the Core Financial Statements

## Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 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 2017 £000
Development Land		110		110
<b>Total</b>	<b>0</b>	<b>110</b>	<b>0</b>	<b>110</b>

## 2016 Comparative Figures

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

There were no transfers between Levels during the year.

## Valuation Techniques used to Determine Level 2 Fair Values

### Significant Observable Inputs - Level 2

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

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

# Notes to the Core Financial Statements

## Note 16 Intangible Assets

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. Amortisation of £0.072m charged to revenue in 2016/17 was charged to the owner service in the Net Expenditure of Services.

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

	2016/17 Purchased Assets £000	2015/16 Purchased Assets £000
<b>Balance at 1 April</b>		
- Gross carrying amounts	559	539
- Accumulated amortisation	(202)	(154)
<b>Net carrying amount at start of year</b>	<b>357</b>	<b>385</b>
Additions:		
- Purchases	73	38
Other disposals	0	(18)
Amortisation for the period	(71)	(66)
Amortisation written out on disposal	0	18
<b>Net carrying amount at 31 March</b>	<b>359</b>	<b>357</b>
<b>Comprising:</b>		
- Gross carrying amounts	632	559
- Accumulated amortisation	(273)	(202)
	<b>359</b>	<b>357</b>

# Notes to the Core Financial Statements

## Note 17 Debtors

### Short Term Debtors

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

	31 March 2017	31 March 2016
	£000	£000
Central Government Bodies	764	3
Other Local Authorities	1,271	1,653
Housing Associations	1,466	1,205
Council Tax / Business Rate Payers and Housing Benefit Debtors	2,167	2,271
Other Entities and Individuals	277	198
<b>Total Short-term Debtors</b>	<b>5,945</b>	<b>5,330</b>

### Long Term Debtors

	31 March 2017	31 March 2016
	£000	£000
Car leasing scheme	30	28
Deferred sale of surplus properties	19	31
Mortgages and long term loans	509	238
<b>Total Long-term Debtors</b>	<b>558</b>	<b>297</b>

# Notes to the Core Financial Statements

## Note 18 Cash and Cash Equivalents

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

	31 March 2017 £000	31 March 2016 £000
Cash Held by the Council	6	6
Bank Current Accounts	5,792	3,339
Short Term Deposits with Clearing Banks & Building Societies	8,001	2
<b>Total Cash and Cash Equivalents</b>	<b>13,799</b>	<b>3,347</b>

# Notes to the Core Financial Statements

## Note 19 Financial Instruments

### Categories of Financial Instruments

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

	Long-term		Current	
	31 March	31 March	31 March	31 March
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Investments</b>				
Loans and receivables				
- Money market loans (Long-term & Short-term Investments)	575	463	34,643	44,999
- Cash & Cash Equivalents	0	0	13,799	500
<b>Total investments</b>	<b>575</b>	<b>463</b>	<b>48,442</b>	<b>45,499</b>
<b>Debtors</b>				
Loans and receivables	528	269	0	0
Financial assets carried at contract amounts	0	0	1,642	4,816
<b>Total debtors</b>	<b>528</b>	<b>269</b>	<b>1,642</b>	<b>4,816</b>
<b>Creditors</b>				
Financial liabilities carried at contract amounts	0	0	2,777	2,751
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>2,777</b>	<b>2,751</b>

### ***Soft Loans made by the Council***

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

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

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

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

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

#### *Loan to Churchmanor Estates Company for Suffolk Business Park*

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



# Notes to the Core Financial Statements

	Abbeycroft Leisure	Haverhill Community Sports Association	Total
	£000	£000	£000
<b>Balance of outstanding loans granted as at 1 April 2016</b>	<b>55</b>	<b>0</b>	<b>55</b>
Loans advanced in 2016/17	0	300	<b>300</b>
Loans repaid in 2016/17	(31)	0	<b>(31)</b>
<b>Balance at 31 March 2017</b>	<b>24</b>	<b>300</b>	<b>324</b>

## Valuation assumptions

The interest rate at which the fair value of these soft loans have been made is arrived at by taking the Council's prevailing cost of borrowing and adding an allowance for the risk that the loans might not be repaid. As the Council is debt free, the Council's prevailing cost of borrowing is the Public Works Loan Board rate for the duration of the loans, in these cases 1.20% and 1.53% for Abbeycroft Leisure and Haverhill Community Sports Association respectively. The additional allowance for the risk of default is 2.5% for both loans.

## Income, Expense, Gains and Losses

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

	2016/17				2015/16			
	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest income	0	(453)	0	<b>(453)</b>	0	(445)	0	<b>(445)</b>
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(445)</b>	<b>0</b>	<b>(445)</b>
Gains on revaluation	0	0	0	<b>0</b>	0	0	0	<b>0</b>
Losses on revaluation	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>(Surplus)/Deficit on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net (gains) / loss for the year</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(453)</b>	<b>0</b>	<b>(445)</b>	<b>0</b>	<b>(445)</b>

# Notes to the Core Financial Statements

## Fair Values of Assets and Liabilities

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

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Financial liabilities	2,777	2,777	2,751	2,751
<b>Total liabilities</b>	<b>2,777</b>	<b>2,777</b>	<b>2,751</b>	<b>2,751</b>
Money market loans:				
- Short-term investments	34,643	34,689	44,999	45,046
- Long-term investments	575	575	463	463
Cash & Cash Equivalents	13,799	13,799	500	500
Financial assets (debtors)	1,642	1,642	4,816	4,816
Loans and Receivables	528	528	269	269
<b>Total assets</b>	<b>51,187</b>	<b>51,233</b>	<b>51,047</b>	<b>51,094</b>

In overall terms, the fair value of the investments is £0.046m more than the book value at 31 March 2017.

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future profit (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

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

Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Further details of debtors and creditors are found in Note 17 and Note 20.

# Notes to the Core Financial Statements

## Note 20 Creditors

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

	31 March 2017	31 March 2016
	£000	£000
Central Government Bodies	2,167	1,797
Other Local Authorities	4,484	3,539
Trade Creditors	1,596	1,275
Receipts in Advance	1,348	1,322
Other Entities and Individuals	987	1,030
<b>Total Short-term Creditors</b>	<b>10,582</b>	<b>8,963</b>

## Note 21 Provisions

The table below shows the movements in the Council's provisions during the 2016/17 financial year:

	Long Term Provision	Short Term Provision
	£000	£000
<b>Balance as at 1 April 2016</b>	<b>(200)</b>	<b>(1,576)</b>
Additional Provisions made in 2016/17	0	(120)
Amounts used in 2016/17	0	388
<b>Balance as at 31st March 2017</b>	<b>(200)</b>	<b>(1,308)</b>

### Long term provisions

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

### Short term provisions

The provision of £1,308k is composed of:

- £199k relating to a structural defect claim in respect of a previously owned asset
- £1,109k relating to National Non-Domestic Rate appeals.

The latter is a provision under the system of business rate retention and relates to St Edmundsbury's share of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31st March 2017. St Edmundsbury has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB.

# Notes to the Core Financial Statements

## Note 22 Unusable Reserves

The balances on the Council's unusable reserves as at 31 March 2017 are as follows:

	31 March 2017 £000	31 March 2016 £000
Revaluation Reserve	45,811	29,749
Available for Sale Financial Instruments Reserve	524	413
Capital Adjustment Account	81,446	80,121
Pensions Reserve	(46,818)	(43,008)
Deferred Capital Receipts Reserve	170	215
Collection Fund Adjustment Account	838	62
Accumulated Absences Account	(200)	(200)
<b>Total Unusable Reserves</b>	<b>81,771</b>	<b>67,352</b>

### Revaluation Reserve

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

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

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

	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>29,749</b>	<b>25,693</b>
Upward revaluation of Assets	17,858	5,275
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(714)	(279)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service</b>	<b>17,144</b>	<b>4,996</b>
Difference between fair value depreciation and historical cost depreciation	(1,074)	(929)
Accumulated gains on assets sold or scrapped	(8)	(11)
<b>Balance at 31 March</b>	<b>45,811</b>	<b>29,749</b>

# Notes to the Core Financial Statements

## Available for Sale Financial Instruments Reserve

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

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

	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>413</b>	<b>469</b>
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services	111	(56)
<b>Balance at 31 March</b>	<b>524</b>	<b>413</b>

## Capital Adjustment Account

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

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

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

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

# Notes to the Core Financial Statements

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

	31 March 2017 £000	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>		<b>80,121</b>	<b>80,885</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	(3,950)		(3,597)
- Revaluation gains/(losses) on Property, Plant and Equipment	1,418		(21)
- Amortisation of Intangible Assets	(71)		(65)
- Revenue expenditure funded from capital under statute	(1,254)		(571)
- Amounts of of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(7)		(277)
		<b>(3,864)</b>	<b>(4,531)</b>
Adjusting amounts written out of the Revaluation Reserve		1,082	940
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(2,782)</b>	<b>(3,591)</b>
<b>Capital Financing applied in the year:</b>			
- Use of the Capital Receipts Reserve to finance new capital expenditure	2,105		1,004
- Use of the Capital Receipts Reserve to finance new capital loans	325		0
- Use of Revenue Reserves to finance new capital loans	10		0
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	458		(125)
- Application of grants to capital financing from the Capital Grants Unapplied Account	85		0
Capital Expenditure charged against the General Fund Balance	1,155		1,978
		<b>4,138</b>	<b>2,857</b>
Loan Principal Repayments		(31)	(30)
<b>Balance at 31 March</b>		<b>81,446</b>	<b>80,121</b>



# Notes to the Core Financial Statements

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Further details on the charge for the year are in Note 33 - Defined Benefit Pension Scheme.

The movements in the Pensions Reserve were as follows:

	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>(43,008)</b>	<b>(54,421)</b>
Remeasurements of the net defined benefit liability / (asset)	(2,327)	13,966
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,363)	(4,976)
Employer's pensions contributions and direct payments to pensioners payable in the year	2,880	2,423
<b>Balance at 31 March</b>	<b>(46,818)</b>	<b>(43,008)</b>

## Deferred Capital Receipts Reserve

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

	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>215</b>	<b>247</b>
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	0	(5)
Loan Principal Repayments	(45)	(27)
<b>Balance at 31 March</b>	<b>170</b>	<b>215</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 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>62</b>	<b>229</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	(57)	76
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	833	(243)
<b>Balance at 31 March</b>	<b>838</b>	<b>62</b>

## Accumulated Absences Account

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

	31 March 2017 £000	31 March 2016 £000
<b>Balance at 1 April</b>	<b>(200)</b>	<b>(200)</b>
<b>Balance at 31 March</b>	<b>(200)</b>	<b>(200)</b>

# Notes to the Core Financial Statements

## **Note 23 Cash Flow Statement – Operating Activities**

The cash flows for operating activities include the following items:

	2016/17	2015/16
	£000	£000
Interest received	(456)	(448)
	<b>(456)</b>	<b>(448)</b>

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

	2016/17	2015/16
	£000	£000
Depreciation	(3,950)	(3,597)
Amortisation	(71)	(65)
Impairment and upward / (downward) valuations	1,418	(21)
(Increase) / decrease in Revenue Creditors	(782)	(1,054)
(Increase) / decrease in Provisions	267	(517)
Increase / (decrease) in Revenue Debtors and Payments in Advance	614	(1,189)
Increase / (decrease) in Inventories	9	(10)
Movement in Pensions Liability	(1,483)	(2,553)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	1,459	948
Other non-cash items charged to the net surplus or deficit on the provision of services	776	(167)
	<b>(1,743)</b>	<b>(8,225)</b>

# Notes to the Core Financial Statements

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

	2016/17	2015/16
	£000	£000
Capital grants credited to surplus / (deficit) on the provision of services	594	618
Any other items for which the cash effects are investing or financing cash flows	(1,253)	(572)
	<b>(659)</b>	<b>46</b>

## Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2016/17	2015/16
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	1,711	2,894
Purchase of short-term and long-term investments	(7,053)	11,124
Other payments for investing activities	1,405	630
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,205)	(809)
Proceeds from short-term and long-term investments	(456)	(448)
Other receipts from investing activities	(675)	(925)
<b>Net cash flows from investing activities</b>	<b>(6,273)</b>	<b>12,466</b>

## Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2016/17	2015/16
	£000	£000
Billing authorities - council tax and national non-domestic rates adjustments	(776)	167
<b>Net cash flows from Financing activities</b>	<b>(776)</b>	<b>167</b>

# Notes to the Core Financial Statements

## Note 26 Trading Operations

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

		2016/17 £000	2016/17 £000	2015/16 £000	2015/16 £000
<b><u>Industrial, Business Units &amp; Shops</u></b>	Turnover	(2,760)		(3,822)	
	Expenditure	1,442		2,407	
	<b>(Surplus) / Deficit</b>		<b>(1,318)</b>		<b>(1,415)</b>
<b><u>Trade Refuse</u></b>	Turnover	(1,562)		(1,458)	
	Expenditure	1,336		1,197	
	<b>(Surplus) / Deficit</b>		<b>(226)</b>		<b>(261)</b>
<b><u>Markets</u></b>	Turnover	(392)		(426)	
	Expenditure	344		337	
	<b>(Surplus) / Deficit</b>		<b>(48)</b>		<b>(89)</b>
<b>Net Surplus on Trading Operations</b>			<b>(1,592)</b>		<b>(1,765)</b>

## Note 27 Members Allowances

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

	2016/17 £000	2015/16 £000
Allowances	308	303
Expenses	24	24
<b>Total Members Allowances and Expenses</b>	<b>332</b>	<b>327</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)



Landscaping Apprentice



# Notes to the Core Financial Statements

## Note 28 Officers' Remuneration

### Senior Officers' Remuneration

The remuneration of those senior officers on the payroll of St Edmundsbury Borough Council is as follows:

	Year	Salary, Fees and Allow- ances £	Expenses Allow- ance £	Benefits in kind £	Pension Contrib- ution £	Compen- sation for Loss of Office £	Total £
Chief Executive	2016/17	129,066	0	5,317	32,824	0	167,207
	2015/16	111,050	0	4,972	26,338	0	142,360
Director	2016/17	83,804	0	2,677	21,452	0	107,933
	2015/16	81,288	0	2,135	19,279	0	102,702
Director (from 04/01/2016)	2016/17	79,494	0	1,742	20,348	0	101,584
	2015/16	19,047	206	80	4,517	0	23,850
Director (to 25/10/2015)	2015/16	47,578	699	0	10,708	0	58,985
Assistant Director HR, Legal & Democratic (from 01/02/2017)	2016/17	12,163	0	554	2,977	0	15,694
Head of HR, Legal & Democratic Services (to 31/01/2017)	2016/17	56,871	0	2,771	14,557	0	74,199
	2015/16	65,804	0	2,093	15,607	0	83,504
Assistant Director Families and Communities (from 01/02/2017)	2016/17	12,163	207	0	2,977	0	15,347
Head of Families and Communities (to 31/01/2017)	2016/17	56,871	1,033	0	14,557	0	72,461
	2015/16	63,654	1,239	0	15,097	0	79,990
Assistant Director Operations (from 01/02/2017)	2016/17	12,163	0	725	3,113	0	16,001
Head of Operations (to 31/01/2017)	2016/17	61,215	0	3,627	15,669	0	80,511
	2015/16	70,965	0	4,011	16,831	0	91,807
Assistant Director Growth (from 01/02/2017) - no postholder in 2016/17	2016/17	0	0	0	0	0	0

#### Note – S151 Officer:

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

# Notes to the Core Financial Statements

## General Notes

- **Expenses allowances** include the lump sum payment made in relation to essential car users and the taxable element of mileage allowance payments (where applicable).
- **Benefits in kind** relate predominantly to HMRC's prescribed calculation, which is based on the employee's lease car list price (defined by HMRC) and its CO2 emissions, to create a taxable benefit value for income tax purposes. Benefits in kind values are not paid for by the Council or the employee. They are simply a mechanism for calculating the employee's income tax liability. The Council operates a cost neutral car leasing scheme.
- **Pension contribution** is the payment made by the Council into Suffolk County Council's pension fund, not directly to the employee.
- The Council has an agreed staff pay policy, which sets out how staff pay is determined. It places a particular focus on the remuneration of Chief Officers and the lowest paid staff, including the relationship between the two.

## Remuneration Bands – Other Officers

The Council's other employees (i.e. those not included in the table above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions but including termination payments) were paid the following amounts:

Remuneration Band	2016/17 Number of Employees	2015/16 Number of Employees
£50,000 to £54,999	8	9
£55,000 to £59,999	4	2
£110,000 to £114,999	0	1

## Shared Service Leadership Team (LT)

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

A joint Chief Executive was appointed in April 2012, employed by SEBC, who subsequently carried out a review and restructure of the senior management team across the two councils. This resulted in the appointment of a new joint Leadership Team (LT) comprising of the Chief Executive, two Directors (appointed October 2012), and nine Heads of Service (appointed November 2012). This new LT resulted in ongoing savings amounting to £870k in a full year. The review of senior management continued into 2014/15, resulting in a further reduction in the number of Heads of Service from nine to six and a strengthening in the service management level below LT.

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

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

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



# Notes to the Core Financial Statements

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

		2016/17	2016/17	2015/16	2015/16
		SEBC	FHDC	SEBC	FHDC
		Cost	Cost	Cost	Cost
		£	£	£	£
Shared Leadership Team (LT)	Note				
Chief Executive		178,582		150,431	
Director		115,701		109,472	
Director (from 04/01/2016)		109,693		25,651	
Director (to 25/10/2015)		0		61,189	
Head of Resources and Performance (S151 Officer)	1		80,890		78,411
Assistant Director Resources and Performance (S151 Officer)	2		17,140		0
Head of HR, Legal & Democratic Services	1	78,344		88,180	
Assistant Director HR, Legal & Democratic Services	2	16,632		0	
Head of Families and Communities	1	78,486		85,423	
Assistant Director Families and Communities	2	16,660		0	
Head of Operations	1	84,399		95,307	
Assistant Director Operations	2	16,768		0	
Head of Planning and Growth	3		59,143		92,620
Temporary Head of Planning	4		15,197		0
Assistant Director Planning and Regulatory	3		0		0
Assistant Director Growth	3	0		0	
Head of Housing	5		65,233		83,352
<b>Total expenditure included in Officers' Remuneration disclosure</b>		<b>695,265</b>	<b>237,603</b>	<b>615,653</b>	<b>254,383</b>
<b>Net adjustment between the councils</b>		<b>-228,831</b>	<b>228,831</b>	<b>-180,635</b>	<b>180,635</b>
<b>Expenditure included in the Comprehensive Income and Expenditure Statement</b>		<b>466,434</b>	<b>466,434</b>	<b>435,018</b>	<b>435,018</b>

## Notes on the Shared Leadership Team:

- 1 The posts of Head of Resources and Performance (S151 Officer), Head of HR, Legal & Democratic Services, Head of Families and Communities, and Head of Operations were disestablished with effect from 31 January 2017.
- 2 The posts of Assistant Director Resources and Performance (S151 Officer), Assistant Director HR, Legal & Democratic Services, Assistant Director Families and Communities, and Assistant Director Operations were created with effect from 1 February 2017.

# Notes to the Core Financial Statements

- 3 The post of Head of Planning and Growth was disestablished with effect from 31 January 2017 and replaced with the posts of Assistant Director Planning & Regulatory, and Assistant Director Growth from 1 February 2017. The 2 Assistant Director posts were not filled during 2016/17.
- 4 The Temporary Head of Planning post replaced the Head of Planning & Growth post with effect from 7 November 2016 and was disestablished with effect from 31 January 2017.
- 5 The post of Head of Housing was disestablished with effect from 31 December 2016.

## Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies (a)		Number of other departures agreed (b)		Total number of exit packages by cost band (a) + (b)		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	Nos	Nos	Nos	Nos	Nos	Nos	£	£
£0 - £20,000	3	5	2	1	5	6	26,111	20,632
£20,001 - £40,000	1	1	0	0	1	1	20,356	21,218
£80,001 - £100,000	0	1	0	0	0	1	0	81,512
<b>Total</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>8</b>	<b>46,467</b>	<b>123,362</b>

## Termination Benefits

The Council terminated the contracts of 6 employees in 2016/17 with termination payments of £46k in total (2015/16 £123k).

The total cost of £46k in the table above is the gross amount of exit packages paid by the Authority to its employees. This total cost includes £9k for exit packages that have been committed to as part of the Council's Shared Services agenda with Forest Heath DC, of which £3k was recharged to Forest Heath DC on an agreed cost sharing basis. Forest Heath DC has incurred similar costs for exit packages under the Shared Services agenda, and St Edmundsbury BC is in turn, paying an agreed cost share amounting in total to £22k. 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 £65k.

# 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 2016/17:

	2016/17 £000	2015/16 £000
<b>Credited to Taxation and Non-specific Grant Income and Expenditure</b>		
<b>Non-ringfenced Government Grants</b>		
Revenue Support Grant	1,187	1,894
National Non-domestic Rates	3,635	2,943
New Homes Bonus	1,760	1,227
Council Tax Freeze Grant	0	68
Non-service related government grants	150	82
<b>Capital Grants and Contributions</b>		
Other Grants and contributions	233	263
<b>Total credited to Taxation and Non-specific Grant Income and Expenditure</b>	<b>6,965</b>	<b>6,477</b>
<b>Credited to Services</b>		
<b>Revenue Grants and Contributions</b>		
Housing Benefits Subsidy	28,328	28,591
Housing Benefits and Council Tax Administration Subsidy	431	483
National Non-domestic Rates Administration Grant	162	163
Other Grants and Contributions	161	170
<b>Capital Grants and Contributions</b>		
Disabled Facilities Grant	361	355
<b>Total credited to services</b>	<b>29,443</b>	<b>29,762</b>

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

	2016/17 £000	2015/16 £000
<b>Capital Grants and Contributions Received in Advance</b>		
Growth Area Initiative Grant (DCLG)	2,751	2,709
Other Grants	734	607
Developer Contribution - ASDA	535	535
Developer Contribution - Centros Miller	66	108
Developer Contributions - Other	457	654
<b>Total</b>	<b>4,543</b>	<b>4,613</b>

# Notes to the Core Financial Statements

## **Note 30 Related Parties**

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Details on grants received from government departments are set out in Note 12 - Taxation and Non Specific Grant Income and Note 29 - Grant Income.

### **Forest Heath District Council**

St Edmundsbury Borough Council and Forest Heath District Council 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 2014/15, resulting in a further reduction in the number of Heads of Service and a strengthening in the service management level below LT. In 2016/17 the Heads of Service were replaced with Assistant Directors. Further information 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 2016/17 is shown in Note 27 - Members' Allowances.

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

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

# Notes to the Core Financial Statements

- Suffolk Joint Emergency Planning Policy Panel
- Suffolk Police and Crime Panel
- Suffolk Waste Partnership
- Suffolk West Citizens' Advice Bureau (formerly Bury St Edmunds Citizens' Advice Bureau and Haverhill Citizens' Advice Bureau)
- Theatre Royal Management Board
- West Stow Anglo-Saxon Village Trust
- Western Suffolk Community Safety Partnership
- Verse Facilities Management Ltd

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

During 2016/17 there were no transactions of a material nature to either the Council or related third parties involving members of the Council serving in a personal capacity.

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

## Anglia Revenues Partnership Trading Limited

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

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

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

Going forward, the company will be financed initially by the proceeds of the share subscriptions and by loans made to it on 25 January 2017 by each of the shareholders (£10,000 each). There have been no further financial transactions during 2016/17.

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

	2016/17	2015/16
	£000	£000
<b>ARP Trading Ltd - Results Statement</b>		
Turnover	0	0
Loss on Ordinary Activities before Taxation	1	2
Loss on Ordinary Activities after Taxation	1	2
Net Assets	(1)	108

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

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

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

# Notes to the Core Financial Statements

## Anglia Revenues Partnership – Joint Committee

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

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

	2016/17	2015/16
	£000	£000
<b>Income and expenditure in respect of related party transactions during the year</b>		
Expenses	1,514	1,523
Income	(134)	(201)
	<b>1,380</b>	<b>1,322</b>

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

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

## Abbeycroft Leisure

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

The contract involved the transfer of leisure centre staff and leasing the leisure centres and athletics track to the trust at a peppercorn rent in return for a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid quarterly in advance. The Council is consulted on the business plans of Abbeycroft Leisure prior to the agreement of a management fee to the Company. A management fee amounting to £212,000 was paid to the trust in 2016/17 compared to £232,000 in 2015/16.

During 2012/13 the Council advanced a loan to the Trust amounting to £150,000 repayable over 5 years. The amount outstanding at 31 March 2017 was £23,623.

Abbeycroft Leisure has worked in partnership with Anglia Community Leisure (ACL) since February 2013. This project commenced with the appointment of a joint CEO and progressed to a sharing of a management team and other staff resources, along with some service and systems alignment. Both Boards subsequently agreed to a merger effective from 1 April 2015. The merged single entity has been named Abbeycroft Leisure.

The new board allows for 12 trustees. In light of the continuing development of this organisation and the fact that it operates contracts beyond the local authorities' areas, as well as their own facilities, the automatic right for St Edmundsbury Borough Council or Forest Heath District Council to appoint board members (or send observers) has been removed under the merger.

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

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

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

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

# Notes to the Core Financial Statements

## 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 £47,261k in 2016/17 (£45,457k in 2015/16) on their behalf. At 31 March 2017 the Council held council tax creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £1,358k.

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

## Suffolk County Council – West Suffolk House Joint Committee

On 25th October 2007, St Edmundsbury Borough Council and Suffolk County Council established a joint committee for the purpose of overseeing the construction and operation of a new joint office building in Bury St Edmunds, West Suffolk House. The agreement between the Councils provides for each authority sharing costs on a 50/50 basis. The amounts of the Council's share of expenditure incurred by the West Suffolk House Joint Committee are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet. The Council's net contribution to the operational costs of the building during 2016/17 was £453k (2015/16 £461k).

## 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:

	2016/17	2015/16
	£000	£000
<b>Verse Facilities Management Ltd - Results Statement</b>		
Turnover	1,107	486
Profit on Ordinary Activities before Taxation	80	5
Profit on Ordinary Activities after Taxation	80	5
Net Assets	80	0

Note: The 2015/16 results represent the first part year of trading (incorporated 6 August 2015). The 2016/17 results are draft figures based on the company's management accounts as at March 2017.

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

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



# Notes to the Core Financial Statements

## Barley Homes (Group) Limited

Barley Homes (Group) Limited is a company limited by shares and wholly owned by Suffolk County Council (50%), St Edmundsbury Borough Council (25%) and Forest Heath District Council (25%). The company, which was incorporated on 15 March 2016, will act commercially, building homes for sale and private rent (including 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.

On 27 January 2017, St Edmundsbury advanced a loan of £25,000 to the company and this loan is reflected in the council's accounts for 2016/17. There were no other financial transactions during 2016/17.



Jubilee Walk, Haverhill



# Notes to the Core Financial Statements

## **Note 31 Capital Expenditure and Capital Financing**

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

	2016/17 Purchased Assets £000	2015/16 Purchased Assets £000
<b>Opening Capital Financing Requirement</b>	<b>(833)</b>	<b>(833)</b>
<b>Capital investment</b>		
Property, Plant and Equipment	2,475	2,964
Intangible Assets	74	38
Revenue expenditure funded from capital under statute	1,254	571
Capital Loans	335	27
Loans Repaid to Capital	(31)	(743)
<b>Sources of Finance</b>		
Capital receipts	(2,399)	(1,004)
Government grants and other contributions	(543)	125
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(1,165)	(1,978)
<b>Closing Capital Financing Requirement</b>	<b>(833)</b>	<b>(833)</b>
<b>Explanation of movements in year</b>		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	0	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	0	0
	<b>0</b>	<b>0</b>

# Notes to the Core Financial Statements

## Note 32 Leases

### Council as Lessor

#### *Operating Leases*

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

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

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

	2016/17	2015/16
	£000	£000
Not later than one year	2,423	2,679
Later than one year and not later than five years	7,528	7,321
Later than five years	89,697	95,254
<b>Balance as at 31 March carried forward</b>	<b>99,648</b>	<b>105,254</b>



Angel Hill, Bury St. Edmunds

# Notes to the Core Financial Statements

## **Note 33 Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

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

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

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

Band	2016/17		2015/16	
	Percentage Contribution	Salary Range	Percentage Contribution	Salary Range
1	5.5%	Up to £13,600	5.5%	Up to £13,600
2	5.8%	£13,601 to £21,200	5.8%	£13,601 to £21,200
3	6.5%	£21,201 to £34,400	6.5%	£21,201 to £34,400
4	6.8%	£34,401 to £43,500	6.8%	£34,401 to £43,500
5	8.5%	£43,501 to £60,700	8.5%	£43,501 to £60,700
6	9.9%	£60,701 to £86,000	9.9%	£60,701 to £86,000
7	10.5%	£86,001 to £101,200	10.5%	£86,001 to £101,200
8	11.4%	£101,201 to £151,800	11.4%	£101,201 to £151,800
9	12.5%	Over £151,800	12.5%	Over £151,800

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

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

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

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

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

# Notes to the Core Financial Statements

## Transactions relating to Post-Employment Benefits

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

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

	2016/17	2015/16
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services:</b>		
<b>Service Cost Comprising:</b>		
- current service cost	2,849	3,199
- past service costs (including curtailments)	11	22
<b>Financing and Investment Income and Expenditure</b>		
Net Interest Expense	1,503	1,755
<b>Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,363</b>	<b>4,976</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)	(14,853)	1,654
- Actuarial gains and losses arising on changes in demographic assumptions	(1,429)	0
- Actuarial gains and losses arising on changes in financial assumptions	24,543	(13,377)
- Other (if applicable)	(5,934)	(2,243)
Sub-total: Actuarial gains and losses	2,327	(13,966)
<b>Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,690</b>	<b>(8,990)</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	(4,363)	(4,976)
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>	<b>2,327</b>	<b>(13,966)</b>
Employers' contributions payable to scheme	2,880	2,423

# 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:

	2016/17	2015/16
	£000	£000
Present value of the defined benefit obligation	(167,853)	(147,178)
Fair value of plan assets	121,035	104,170
<b>Net liability arising from defined benefit obligation</b>	<b>(46,818)</b>	<b>(43,008)</b>

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

	2016/17	2015/16
	£000	£000
<b>Opening fair value of scheme assets</b>	<b>104,170</b>	<b>104,621</b>
Interest income	3,616	3,314
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	14,853	(1,654)
Contributions from employer	2,760	2,301
Contributions from employees into the scheme	723	697
Contributions in respect of unfunded benefits	120	122
Benefits paid	(5,087)	(5,109)
Unfunded benefits paid	(120)	(122)
<b>Closing fair value of scheme assets</b>	<b>121,035</b>	<b>104,170</b>



# Notes to the Core Financial Statements

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

	2016/17	2015/16
	£000	£000
<b>Opening balance at 1 April</b>	<b>147,178</b>	<b>159,042</b>
Current service cost	2,849	3,199
Interest cost	5,119	5,069
Contributions from scheme participants	723	697
Remeasurement (gains) and losses		
- Actuarial gains / losses arising from changes in demographic assumptions	(1,429)	0
- Actuarial gains / losses arising from changes in financial assumptions	24,543	(13,377)
- Other (if applicable)	(5,934)	(2,243)
Past service cost	11	22
Benefits paid	(5,087)	(5,109)
Unfunded benefits paid	(120)	(122)
<b>Closing fair value of scheme liabilities</b>	<b>167,853</b>	<b>147,178</b>



CCTV Control Room

# Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	2016/17	2016/17	2016/17	2016/17	2015/16	2015/16	2015/16	2015/16
	Quoted	Quoted		Percent-	Quoted	Quoted		Percent-
	prices in	prices	Total	age of	prices in	prices	Total	age of
	active	not		Total	active	not		Total
	markets	in active		Assets	markets	in active		Assets
Asset Category	£000	£000	£000	%	£000	£000	£000	%
<b><u>Equity Securities:</u></b>								
- Consumer	10,579	0	10,579	9%	8,107	0	8,107	8%
- Manufacturing	3,286	0	3,286	3%	3,121	0	3,121	3%
- Energy and Utilities	2,206	0	2,206	2%	1,145	0	1,145	1%
- Financial Instruments	4,122	0	4,122	3%	4,326	0	4,326	4%
- Health and Care	3,448	0	3,448	3%	3,519	0	3,519	3%
- Information Technology	4,321	0	4,321	4%	2,797	0	2,797	3%
- Other	1,506	0	1,506	1%	1,164	0	1,164	1%
	29,468	0	29,468	25%	24,179	0	24,179	23%
<b><u>Debt Securities:</u></b>								
- Corporate Bonds (Investment Grade)	17,680	0	17,680	15%	16,577	0	16,577	16%
- UK Government	0	0	0	0%	0	0	0	0%
- Other	5,112	0	5,112	4%	3,864	0	3,864	4%
	22,792	0	22,792	19%	20,441	0	20,441	20%
<b><u>Private Equity:</u></b>								
All	0	3,904	3,904	3%	0	3,230	3,230	3%
<b><u>Real Estate:</u></b>								
UK Property	11,274	0	11,274	9%	11,410	0	11,410	11%
<b><u>Investment Funds and Unit Trusts:</u></b>								
Equities	36,241	0	36,241	30%	3,925	0	3,925	4%
Bonds	0		0		0	2,633	2,633	3%
Hedge Funds	3,693	0	3,693	3%	0	0	0	0%
Commodities		0	0		28,006	0	28,006	26%
Infrastructure		2,760	2,760	2%	6,864	2,519	9,383	9%
Other	6,560	1,813	8,373	7%	0	0	0	0%
	46,494	4,573	51,067	42%	38,795	5,152	43,947	42%
<b><u>Derivatives:</u></b>								
Foreign Exchange	36	0	36	0%	93	0	93	0%
<b><u>Cash and Cash Equivalents:</u></b>								
All	2,494	0	2,494	2%	871	0	871	1%
<b>Totals</b>	<b>112,558</b>	<b>8,477</b>	<b>121,035</b>	<b>100%</b>	<b>95,789</b>	<b>8,382</b>	<b>104,171</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 2017.

The significant assumptions used by the actuary have been:

	2016/17	2015/16
<b>Mortality assumptions:</b>		
<b>Longevity at age 65 for current pensioners:</b>		
- Men	<b>21.9 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>23.9 years</b>	24.3 years
- Women	<b>26.4 years</b>	26.9 years
<b>Financial assumptions:</b>		
Rate of increase in pensions	<b>2.4%</b>	2.2%
Rate of increase in salaries	<b>2.7%</b>	4.2%
Rate for discounting scheme liabilities	<b>2.5%</b>	3.5%

## Sensitivity Analysis

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability %	Approximate monetary amount £000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	9%	14,695
Rate of increase in salaries (increase or decrease by 0.5%)	1%	1,946
Rate of increase in pensions (increase or decrease by 0.5%)	7%	12,559



# Notes to the Core Financial Statements

## Impact on the Council's Cash Flows

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

The Council anticipated paying £2,978k expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16.6 years for 2016/17 (17.3 years 2015/16).

## Note 34 Contingent Liabilities

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

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

To date the council has received claims from Trusts which, if awarded, could cost the council £976k with an ongoing annual impact of £152k.

## Note 35 Contingent Assets

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

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

# Notes to the Core Financial Statements

## Note 36 Nature and Extent of Risks arising from Financial Instruments

### Key Risks

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

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

### Overall procedures for managing risk

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

### Credit risk

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

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

The Council's lending criteria for 2016/17 was set out in the Annual Treasury Management and Investment Strategy 2016/17, which was approved by the Council in February 2016. The following table shows the credit criteria applicable as at 31 March 2017.

Sector Colour Code Key	Maximum Duration / Investment Values*
<b>Lending Criteria - Rated Banks and Investment Scheme</b>	
<b>Sector Colour Code Key</b>	<b>Credit Criteria</b>
Purple	Max £13m for max of 2 years (subject to max 50% of portfolio)
Orange	£12m for max of 2 years (subject to max 40% of portfolio)
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£9m for max of 6 months (subject to max 30% of portfolio)
Blue (nationalised / substantially owned by the UK government )	£18m for max of 2 years
<b>Lending Criteria – Rated Building Societies</b>	
<b>Sector Colour Code Key</b>	<b>Credit Criteria</b>
Red	£11m for max of 1 year (subject to max 35% of portfolio)
Green	£7m for max of 1 year (subject to max 30% of portfolio)
<b>Lending Criteria – Non-Rated Building Societies **</b>	
<b>Asset Base</b>	<b>Credit Criteria</b>
Asset base > £2,500m	£6m for maximum of 6 months
Asset base > £1,000m	£5m for maximum of 6 months

# Notes to the Core Financial Statements

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

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

The full Annual Treasury Management and Investment Strategy for 2016/17 is available on the Council's website.

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

	Amount at 31 March 2017 £000s	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £000s	Estimated maximum exposure at 31 March 2016 £000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	48,442	0.960	0.497	24,076	23,534

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

Of the £1.300m total sundry debt outstanding at 31 March 2017, £0.440m has exceeded its due date for payment, and is analysed by age as follows:

	2016/17 £000	2015/16 £000
Less than three months	152	120
Three to six months	38	19
Six months to one year	41	54
More than one year	209	193
	<b>440</b>	<b>386</b>

# Notes to the Core Financial Statements

## Liquidity risk

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

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

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

## Market risk

### Maturity risk

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

The approved treasury limits for investments placed for more than one year in duration are also a key parameter used to address this risk. As at 31 March 2017, the Council had no investments placed for a period of more than one year.

### Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management and Investment Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

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

### Price risk

The Council does not generally invest in equity shares but does have historic shareholdings to the value of £0.575m. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As a general guide a 5% movement (positive or negative) in the value of these shares would result in a £0.029m gain or loss.

### Foreign exchange risk

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

# Notes to the Core Financial Statements

## Note 37 Trust Funds

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

	Balance at 31 March 2016 £	Income £	Expenditure £	Balance at 31 March 2017 £
West Stow Anglo-Saxon Village Trust	(2,787)	(21)	637	(2,171)
Gershom Parkington Memorial Trust	(11,680)	(89)	0	(11,769)
94th Bomb Group Memorial Association	(16,219)	(124)	138	(16,205)
<b>Totals</b>	<b>(30,686)</b>	<b>(234)</b>	<b>775</b>	<b>(30,145)</b>

There are no formal investments for the trust funds, but national interest is credited from the General Fund, based on the budgeted average rate of interest earned on the Council's own investments of 0.77%. This amounted to:

	Interest Income 2016/17 £	Interest Income 2015/16 £
West Stow Anglo-Saxon Village Trust	(21)	(34)
Gershom Parkington Memorial Trust	(89)	(89)
94th Bomb Group Memorial Association	(124)	(125)
<b>Total</b>	<b>(234)</b>	<b>(248)</b>

### West Stow Anglo Saxon Village Trust

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

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

### Gershom Parkington Memorial Trust

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

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

# Notes to the Core Financial Statements

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

## 94th Bomb Group Memorial Association Fund

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

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

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

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

## Note 38 Agency Services

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

	2016/17	2016/17	2015/16	2015/16
	£000	£000	£000	£000
<b><u>Work undertaken on behalf of Suffolk County Council</u></b>				
<b>On-Street Car Parking</b>				
Income from parking fees		(817)		(887)
Expenditure:				
Running Expenses	15		31	
Administration	228		250	
		243		281
<b>Net Surplus paid to Suffolk County Council</b>		<b>(574)</b>		<b>(606)</b>

# 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.

	2016-17			2015/16		
	Council			Council		
	Tax	NNDR	Total	Tax	NNDR	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
<b>Income Receivable</b>						
Council Tax receivable	(56,871)	0	<b>(56,871)</b>	(55,056)	0	<b>(55,056)</b>
National Non-Domestic Rates receivable	0	(48,547)	<b>(48,547)</b>	0	(47,372)	<b>(47,372)</b>
Transitional Protection receivable	0	38	<b>38</b>	0	127	<b>127</b>
<b>Repayment of previous years deficit</b>						
St Edmundsbury Borough Council	0	(331)	<b>(331)</b>	0	(240)	<b>(240)</b>
Suffolk County Council	0	(83)	<b>(83)</b>	0	(60)	<b>(60)</b>
Central Government	0	(414)	<b>(414)</b>	0	(300)	<b>(300)</b>
<b>Total Income</b>	<b>(56,871)</b>	<b>(49,337)</b>	<b>(106,208)</b>	<b>(55,056)</b>	<b>(47,845)</b>	<b>(102,901)</b>
<b>Expenditure</b>						
<b>Repayment of previous years surplus</b>						
St Edmundsbury Borough Council	188	0	<b>188</b>	167	0	<b>167</b>
Suffolk County Council	949	0	<b>949</b>	853	0	<b>853</b>
Suffolk Police Authority	143	0	<b>143</b>	126	0	<b>126</b>
<b>Precepts</b>						
St Edmundsbury Borough Council	8,249	18,907	<b>27,156</b>	7,801	18,483	<b>26,284</b>
Central Government	0	23,633	<b>23,633</b>	0	23,103	<b>23,103</b>
Suffolk County Council	41,063	4,727	<b>45,790</b>	39,494	4,621	<b>44,115</b>
Suffolk Police Authority	6,198	0	<b>6,198</b>	5,963	0	<b>5,963</b>
	<b>56,790</b>	<b>47,267</b>	<b>104,057</b>	<b>54,404</b>	<b>46,207</b>	<b>100,611</b>
<b>Charges to the Collection Fund</b>						
Write-off of uncollectable amounts	60	86	<b>146</b>	177	162	<b>339</b>
Increase/(Decrease) in Bad Debts Provision	422	147	<b>569</b>	(30)	28	<b>(2)</b>
Increase/(Decrease) in Appeals Provision	0	(668)	<b>(668)</b>	0	1,292	<b>1,292</b>
Cost of Collection	0	162	<b>162</b>	0	162	<b>162</b>
Renewal Energy Income retained by Council	0	262	<b>262</b>	0	260	<b>260</b>
	<b>482</b>	<b>(11)</b>	<b>471</b>	<b>147</b>	<b>1,904</b>	<b>2,051</b>
<b>(Surplus) / Deficit for the year</b>	<b>401</b>	<b>(2,081)</b>	<b>(1,680)</b>	<b>(505)</b>	<b>266</b>	<b>(239)</b>
<b>Fund balance as at 1 April</b>	<b>(1,813)</b>	<b>511</b>	<b>(1,302)</b>	<b>(1,308)</b>	<b>245</b>	<b>(1,063)</b>
<b>(Surplus) / Deficit carried forward</b>	<b>(1,412)</b>	<b>(1,570)</b>	<b>(2,982)</b>	<b>(1,813)</b>	<b>511</b>	<b>(1,302)</b>

# Collection Fund and Notes

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

### Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	4,311	1,950
Band B	between £40,001 and £52,000	15,594	10,278
Band C	between £52,001 and £68,000	8,522	7,071
Band D	between £68,001 and £88,000	6,655	6,392
Band E	between £88,001 and £120,000	4,111	4,901
Band F	between £120,001 and £160,000	1,826	2,592
Band G	between £160,001 and £320,000	1,426	2,345
Band H	over £320,000	105	208
<b>Council Tax Base</b>		<b>42,550</b>	<b>35,737</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 £1,553.30 (2015/16 £1,519.17).

### Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 49.7p in 2016/17 (49.3p in 2015/16) and 48.4p for small businesses in 2016/17 (48.0p in 2015/16) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of the business premises by the relevant amount.

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

The total non-domestic rateable value for the Council's area at 31st March 2017 was £111,903,609 (31st March 2016: £111,561,764).



# Collection Fund and Notes

## Note C3 Precepts and Demands

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

	2016/17 Precept/Demand £000	Share of balance 31 March 2017 £000	2016/17 Total £000	2015/16 Total £000
<b>Council Tax</b>				
Suffolk County Council	41,063	(1,044)	<b>40,019</b>	38,151
Suffolk Police Authority	6,198	(158)	<b>6,040</b>	5,760
St Edmundsbury Borough Council	8,249	(210)	<b>8,039</b>	7,534
	<b>55,510</b>	<b>(1,412)</b>	<b>54,098</b>	<b>51,445</b>
<b>NNDR</b>				
Suffolk County Council	4,727	(157)	<b>4,570</b>	4,672
Central Government	23,633	(785)	<b>22,848</b>	23,359
St Edmundsbury Borough Council	18,907	(628)	<b>18,279</b>	18,687
	<b>47,267</b>	<b>(1,570)</b>	<b>45,697</b>	<b>46,718</b>



Village Green, Cavendish

## Accounting Policies

### I. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS).

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

### II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. As the Council is debt free, no interest is payable on borrowings.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

### III. Deferred Income

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

### IV. Cash and Cash Equivalents

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

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

### V. Exceptional Items

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

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

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

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

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

## **VII. Charges to Revenue for Non-Current Assets**

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

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

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

## **VIII. Employee Benefits**

### Benefits Payable during Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

## *The Local Government Pension Scheme*

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- The rate employed for the 2016/17 accounts is the yield available on long dated, high quality corporate bonds, as measured by the "Hymans Robertson" corporate bond yield curve, which is constructed based on the constituents of the iBoxx AA corporate bond index.

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

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

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

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

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

## Discretionary Benefits

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

## **IX. Events After the Reporting Period**

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

- those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events



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

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

## **X. Exceptional Items**

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

## **XI. Financial Instruments - Financial Liabilities**

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

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

During 2016/17 the Council retained its debt free status.

## **XII. Financial Instruments - Financial Assets**

Financial assets are classified into two types:

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

### Loans and Receivables

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

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

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

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

## Available-for-Sale Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

## **XIV. Heritage Assets**

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

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

# Accounting Policies

- **Civic Regalia** – including civic and ceremonial items

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

## Heritage buildings and monuments

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

## The Museum Collections

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

## Civic Regalia

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

## Heritage Assets – General

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



Council does not normally purchase or dispose of significant heritage asset items. On rare occasions where items may be disposed of the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

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

## **XV. Intangible Assets**

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

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

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

## **XVI. Interests in Companies and Other Entities**

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

## **XVII. Inventories**

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

## **XVIII. Investment Properties**

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

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

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

## **XIX. Joint Operations and Jointly Controlled Assets**

Joint operations are activities undertaken by the Council in conjunction with other parties that involve the use of the assets and resources of the parties rather than the establishment of a separate entity.

# Accounting Policies

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

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

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

## **XX. Leases**

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

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

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

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

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

#### *Operating Leases*

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

### The Council as Lessor

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the

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

Lease rentals receivable are apportioned between:

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

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

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

## *Operating Leases*

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

## **XXI. Overheads and Support Services**

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

## **XXII. Property, Plant and Equipment**

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

### Recognition

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

The following de minimis levels are applied:

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

# Accounting Policies

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

## Impairment

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

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

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

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

## Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

## Depreciation

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

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

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

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

## **XXIII. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

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

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



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

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

## Contingent Liabilities

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

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

## Contingent Assets

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

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

## **XXIV. Reserves**

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

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

## **XXV. Revenue Expenditure Funded from Capital under Statute**

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

## **XXVI. VAT**

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



Den, Nowton Park



## West Suffolk Annual Governance Statement 2016/17

### Summary

The West Suffolk Annual Governance Statement reports on the extent to which Forest Heath District Council and St Edmundsbury Borough Council have complied with their corporate code of governance and have monitored the effectiveness of their governance arrangements during 2016/17. It also sets out planned future changes.

### 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 local communities' 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 It is the view of the councils that they:
- 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 on the councils' website.

### 2. The Governance Framework

- 2.1 This section describes the key elements of the West Suffolk Councils' governance arrangements in 2016/17 using CIPFA's Delivering Good Governance in Local Government Framework 2016 Edition.
- 2.2 **Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning**
- 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. During the development of the 2014-16 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).

In 2016/17 the Strategic Plan priorities were continued whilst discussions regarding devolution to Norfolk and Suffolk took place.

### 2.3 Translating the vision into courses of action for the authority, its partnerships and collaborations

- 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.

The Strategic Plan and Medium Term Financial Strategy are supported by a range of more detailed strategies and plans which are available on the councils' website.

## 2.4 **Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes 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 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 performance management at both operational and strategic levels.
- The scorecards have stimulated productive conversations at Leadership Team and Performance and Audit Scrutiny Committees as part of an overall package of performance management information. They have been reviewed by Assistant Directors in conjunction with Portfolio Holders in preparation for the new financial year.

## 2.5 **Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of 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.

## 2.6 **Developing codes of conduct which define standards of behaviour for members and staff, and policies for dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively**

- 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.
- 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.

## **2.7 Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers 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 councils have a Data Quality Policy.

## **2.8 Documenting a commitment to openness and acting in the public interest**

- 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.
- 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 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.

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

- The councils' risk management framework includes a suite of tools to support the identification, appraisal, recording and mitigation of risks.
- 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 both Performance and Audit Scrutiny Committees.
- A Project Review Group including the Chief Executive, two Directors, Chief Financial Officer and the Service Manager (Corporate Policy) with responsibility for projects was established in February 2016. The Group meet monthly to review progress against projects and escalate issues to Leadership Team meetings as appropriate. Leadership Team review project performance on a risk basis, using a RAG rating system monthly. In addition, project health checks can be undertaken by Internal Audit which review the governance of selected projects and check that these are on track and well managed. In March 2017 the Council started the move towards a place based programme management approach, with a transformation programme for those projects focused on efficiency and internal processes.

## **2.10 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practices on Managing the Risk of Fraud and Corruption (CIPFA, 2014)**

- The West Suffolk Anti-Fraud and Anti-Corruption Policy was approved and adopted in 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 Partnership's anti-fraud policy.
- An annual fraud 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 2016/17 report concluded that probity at the councils remains at a high level.

## **2.11 Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact**

# Annual Governance Statement

- The Assistant Director (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.

## **2.12 Ensuring that 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).

## **2.13 Ensuring that the authorities provide timely support, information and responses to external auditors and properly consider audit findings and recommendations**

- All audit queries are responded to as a priority, and the Resources and Performance Team will aim to ensure that issues are addressed and fully resolved before they become official findings, and that audit reports are therefore clear. There were no issues in the 2015/16 final accounts. Planning and lessons learnt meetings are undertaken each year with external audit, and the relationship is mutually cultivated.

## **2.14 Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

- The Service Manager (Democratic Services) 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. The Service Manager (Shared Legal) acts as the Deputy Monitoring Officer.
- 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.
- During 2016/17 the councils' Leadership Team was restructured to reflect the stronger emphasis on growth and to ensure there was sufficient leadership capacity to deliver the councils priorities.
- Also, during 2016/17 Heads of Service's titles were changed to Assistant Directors to correctly reflect their position in the organisation and compare with other external stakeholders.

## **2.16 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013)**

- 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 assist in development of the budget framework.

## **2.17 Ensuring an effective scrutiny function is in place**

- The Councils have two separate scrutiny functions – Performance and Audit and Scrutiny Committees, to evaluate the Council's financial and non-financial performance and risk management arrangements, and the Overview and Scrutiny Committees, who hold the Cabinet to account through scrutinising decisions made or offering pre-scrutiny to decisions that are due to be made.

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

- The Monitoring Officer and Service Manager (Shared Legal) advise 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 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 an audit 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.

## **2.19 Providing induction and identifying the developments 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.
- 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 at 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.
- 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 Incorporating good governance in respect of partnerships and other joint working and ensuring that they are reflected across the authorities' overall governance structures**

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

# Annual Governance Statement

- A number of Suffolk-wide officer groups are well established and help to further joined up working between the Suffolk councils.
- 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:
  - o 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.
  - o 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.
  - o Verse Facilities Management Ltd is an arms-length 'Teckel' organisation established to provide facilities management services (e.g. cleaning, custodians, caretaking, catering) to the West Suffolk councils. A Councillor Shareholder Advisory Group will be established to have oversight of the company's activities.
  - o For Barley Homes (Group) Ltd, the Councils' Housing Development Company jointly owned with Suffolk County Council, there is a non-constituted Joint Advisory Committee, which represents the interests of the three shareholding councils.

## 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 2016/17, as well as assurances made available to the councils by other assurance providers, the Service Manager (Internal Audit) has confirmed that reasonable assurance can be provided that the systems of internal control within these areas of the councils, as well as the risk management systems, are operating adequately and effectively. Similar to previous years, Internal Audit work has however identified a number of areas where existing arrangements could usefully be improved, and agreed actions will be followed up by Internal Audit in the usual way.

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;



# Annual Governance Statement

- 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 The 2015/16 Annual Governance Statement made reference to the councils Building Control Team within the significant governance issues section. Since this time the councils new building control team has continued to develop a strong local reputation for their quality of service. The decline in market share has stopped and the team are making progress in winning back some of the market share lost during the interim. The service continues to be dynamic and forward thinking in this very commercial environment where reputation of service and client relationships is paramount.

## 5. Focus for 2017/18

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 2017/18 a number of key governance areas are planned to be improved and embedded into West Suffolk councils in response to the changing shape of local government, a number of which have already been referred to throughout this document. These areas include:

- The councils' Information Governance Working Group is looking at implementation of the General Data Protection Regulation which comes into force in the UK in 2018.
- A new Information Strategy is being developed which will seek to recognise the strategic value of information to the councils and promote and facilitate good information management practice. The strategy will define how we use information currently; how we should be using information in the future; and how this can deliver key outcomes to our staff, our operations and our customers/consumers all supported through smart use of technology.
- The councils are looking to develop a combined self-assessment audit tool to cover safeguarding arrangements for children, young people, and vulnerable adults.
- The councils will continue to engage with Government and local partners to consider how best to organise ourselves following the end of the formal devolution negotiations for Norfolk and Suffolk. This will include responding to proposed changes in local government finance, in particular waiting for further Government announcements on business rates retention. In the meantime, the councils will continue to improve our intelligence and insight around business rates as a key source of income in order to inform economic development decision making and improve our financial forecasting.
- In particular, in May 2017, the Leaders of both councils indicated their wish to explore the potential for a single council in future. A draft business case was agreed by the councils in June and is now subject to public engagement. The final business case will be considered by the councils in September 2017. As a result, a Future Governance Steering Group has been formed to support members in considering the most significant aspects of the governance of a future council, and the principles on which it would operate.
- Building on the success of work in recent years to establish alternative delivery models for council initiatives (for example, joint ventures, shared service partnerships, development company), the councils will continue to explore new delivery models, thereby ensuring an appropriate balance of risk, accountability and flexibility in delivering outcomes for residents.
- The councils will be continuing to move towards financial self-sufficiency, in particular through investment in local assets. This will build on the new approach to investment agreed by both Cabinets in March 2017,



# Annual Governance Statement

which centres on the role of both Cabinets in leading decision-making in relation to investment, based on an overarching investment strategy.

- 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 through the new programme based approach. Each programme will be led by a member of Leadership Team as SRO (Senior Responsible Officer) and Leadership Team will operate as the Programme Board to ensure accountability at a senior level and to minimise the impact of interdependencies between projects and programmes.
- Recruitment in the public sector generally is becoming more difficult and has been identified as a possible future risk; the current challenge is where jobs are interchangeable with a buoyant private sector. As identified in the Strategic Risk Register salaries will need to be set at a level that will continue to both attract and retain highly effective staff with the right skills sets for our roles in a challenging labour market. The introduction of IR35 (which only applies to the public sector) has put further pressure on local government employers in regard to recruiting and retaining interims for key project areas and specific pieces of work and the impact of this new legislation will be kept under review.
- 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.

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

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

Signed:

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

Date:

Signed:

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

Date:

Signed:

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

Date:

## Auditors Report

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

To be inserted at the conclusion of the audit September 2017.

## Glossary

### Accounting Code of Practice

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

### Accounting Period

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

### Accruals

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

### Actuarial Gains and Losses

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

### Actuarial Valuation

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

### Actuary

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

### Amortised Cost

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

### Asset

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

### Assets held for Sale

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

### Balance Sheet

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

### Budget

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

## **Business Rate Retention Scheme**

A 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.

# Glossary

## Depreciation

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

## Donated Asset

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

## Employee Benefits

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

## External Auditor

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

## Exit Package

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

## Fair Value

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

## Financial Instruments

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

## Financial Timetable

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

## Formula Grant

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

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

# Glossary

## Governance

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

## Grants and Contributions

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

## Heritage Assets

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

## International Accounting Standard (IAS)

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

## International Financial Reporting Standards (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

## Joint Arrangement that is not an entity (JANE)

A contractual arrangement under which the participants engage in joint activities that do not create an entity, because it would not be delivering a service or carrying on a trade or business of its own.

## Joint Venture

An entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other bidding arrangement.

## Local Authority Scotland Accounts Advisory Committee (LASAAC)

The principal accounting body dealing with Local Government finance in Scotland.

## Liability

An obligation of an entity arising from past transactions or events, the settlement of which may result in the transfer or use of assets, provision of services or other yielding of economic benefits in the future

## Long Term Borrowing

Loans that have been raised to finance capital spending which have still to be repaid.

## Materiality

The threshold or level that determines whether or not an item is relevant to the financial statements presenting a true and fair view. An item of information is material to the financial statements of an entity if its misstatement or omission might reasonably be expected to influence the economic decisions of users of the statements.

## New Homes Bonus

Funding for Councils which was introduced from April 2011 which was designed to be an incentive to promote Housing growth. The government will match fund the additional Council Tax raised for new homes and properties brought back into use, with an additional amount included for affordable homes.

## Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year.

## Pension Schemes

### 1. Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement Benefits do not include termination benefits payable as a result of:

- a) An employer's decision to terminate an employee's employment before the normal retirement date; or
- b) An employee's decision to accept redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### 2. Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

## Revenue Expenditure and Income

Expenditure and income arising from the day to day operations of the Council.

## Revenue Support Grant

A grant received from the government to support the day to day running costs of the Council. In conjunction with the Council's share of National Non-domestic Rates received from the national pool it is also known as formula grant.

## Section 106 Contributions

Section 106 of the Planning Act 1990 allows a local planning authority to secure an obligation from any person interested in land, with the purpose of (amongst other things) "requiring a sum or sums to be paid to the authority on a specified date or dates or periodically." The purpose of these sums is generally to enable the Council to mitigate the impact of any developments on the locality, typically on items such as infrastructure and open spaces.

All financial contributions secured by a section 106 agreement are ring fenced, and they are normally to be used within a specific timescale, failing which the developer may be entitled to repayment with interest, depending upon the terms of the particular agreement.

## Section 151 Officer

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 officer also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

## Senior Officer

A senior officer (England & Wales) is an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 (England); £60,000 (Wales) per year (to be calculated pro rata for a part-time employee) and who is:

- a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- b) the head of staff for a relevant body which does not have a designated head of paid service; or



c) any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

## **SOLACE (Society of Local Authority Chief Executives)**

The representative body for senior strategic managers working in local government, in particular Chief Executives.

## **Termination Benefits**

Employee benefits payable as a result of either:

- a) an entity's decision to terminate employment before the normal employment date, or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.



Litter Pick, RAF Honington

### Further Information

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

#### Main Office

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

Telephone: 01284 763233

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

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

#### Haverhill Office

Haverhill House  
Lower Downs Slade  
Haverhill  
Suffolk  
CB9 9EE



West Suffolk House, Bury St Edmunds