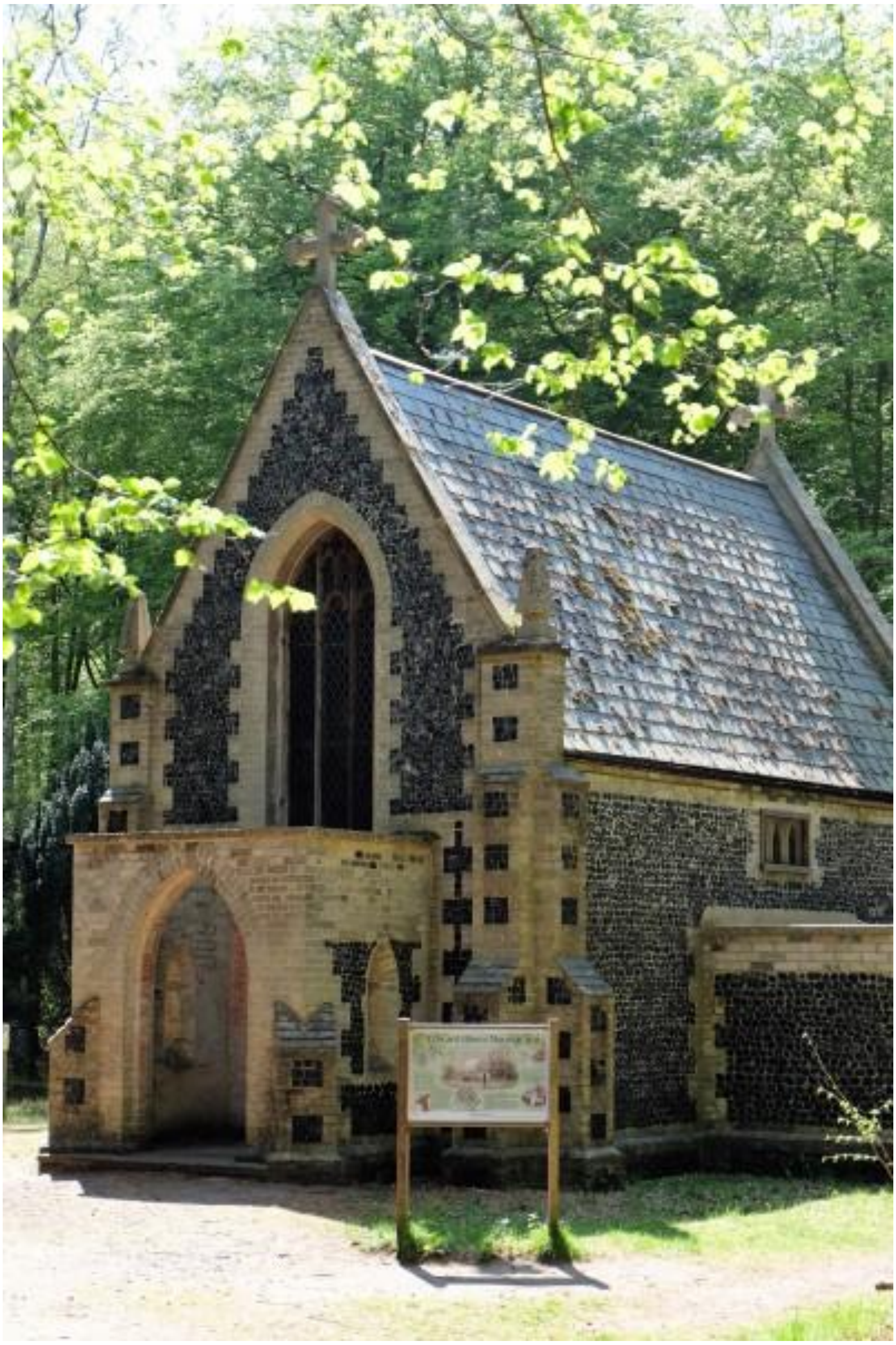
2018/2019 Statement of Accounts

Forest Heath District Council



Brandon Country Park, Bliss Mausoleum

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Introduction

This statement of accounts reflects activity of the former Forest Heath District Council, which, along with St Edmundsbury Borough Council has been entirely superseded by West Suffolk Council, which was created on 1 April 2019.

About the area

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

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

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

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

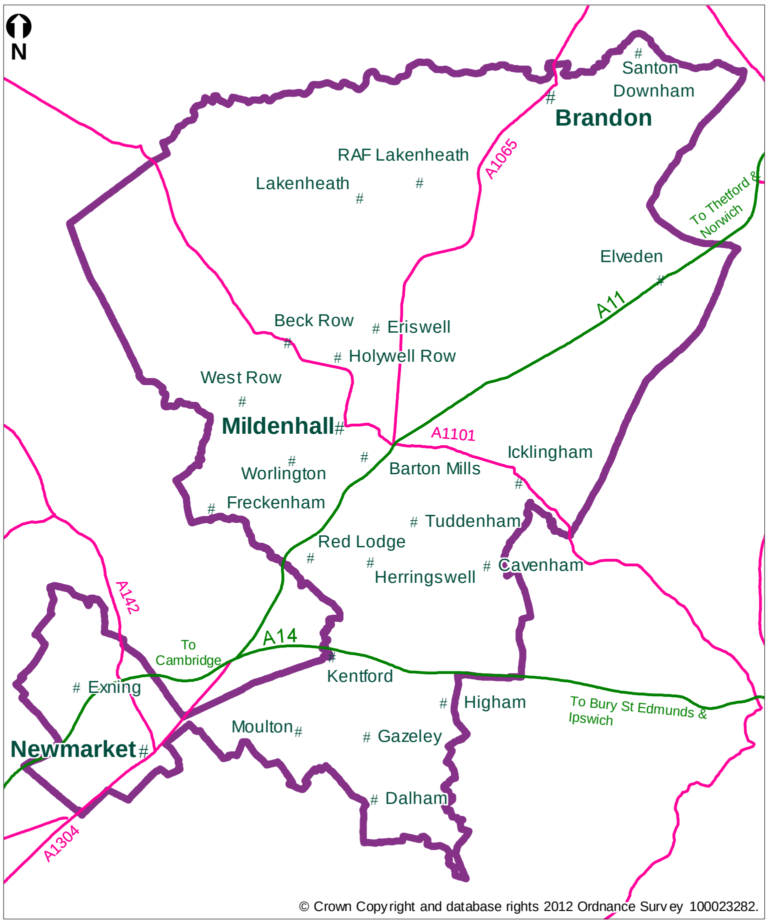
In all of the area’s towns and our rural areas, many residents benefit from a good quality of life. However, some areas have suffered more than others from the impact of the economic downturn, and others are facing issues such as rural isolation; a lack of skills or qualifications amongst young people;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

Forest Heath District Council was made up of 27 Councillors and was Conservative controlled during 2018-19. It operated under a Leader and Cabinet style of governance. Councillors will be elected to the new West Suffolk Council in May 2019. Further details are available here:
www.westsuffolk.gov.uk/singlecouncil

Further information can be found by following the links below:

Suffolk Observatory

West Suffolk Strategic Framework



Narrative Report by the Chief Finance Officer

Introduction

I am pleased to introduce the Council's Statement of Accounts for 2018/19. Forest Heath District Council provides a diverse range of services to its residents. These services include refuse collection, leisure and recreation, housing benefits, car parking, environmental health, economic development, planning and development control and many more which support our families, communities and businesses.

The Statement of Accounts for the Council summarises the transactions that have taken place during the year 1 April 2018 to 31 March 2019 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:

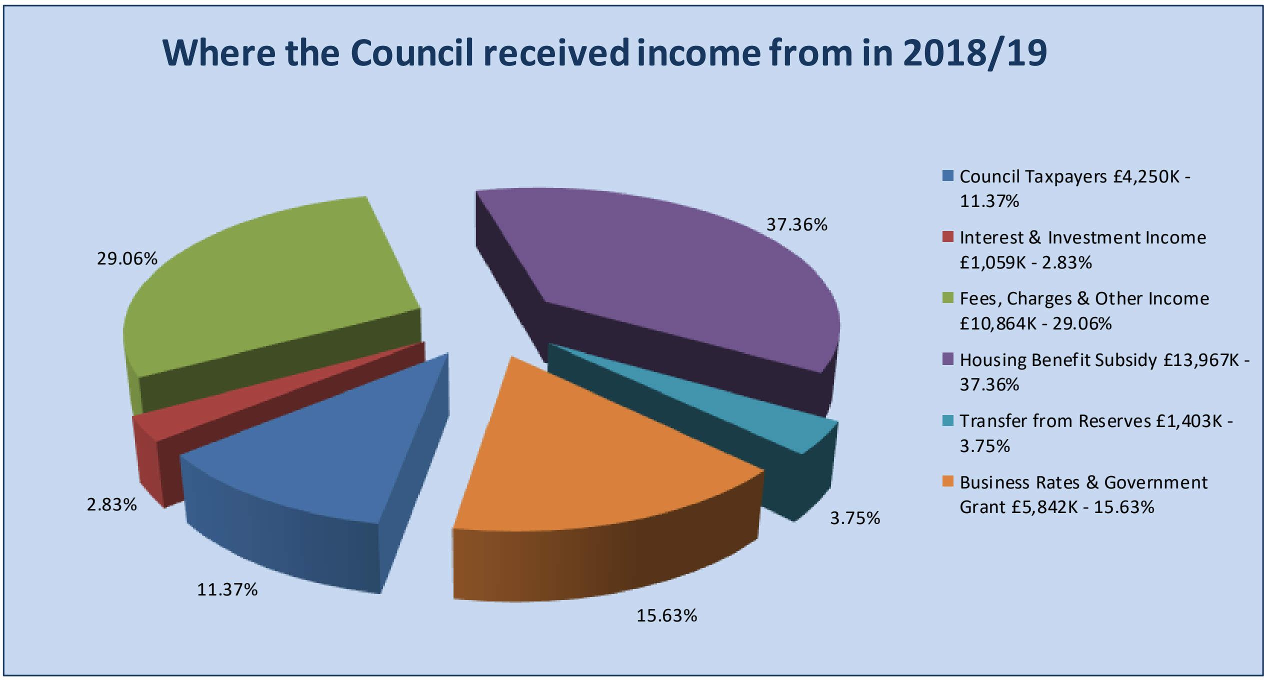
- Did the Council make a surplus or deficit for the financial year?
- What is the size of the Council reserves?
- What does the Council spend its money on?
- Where does the Council receive income from?

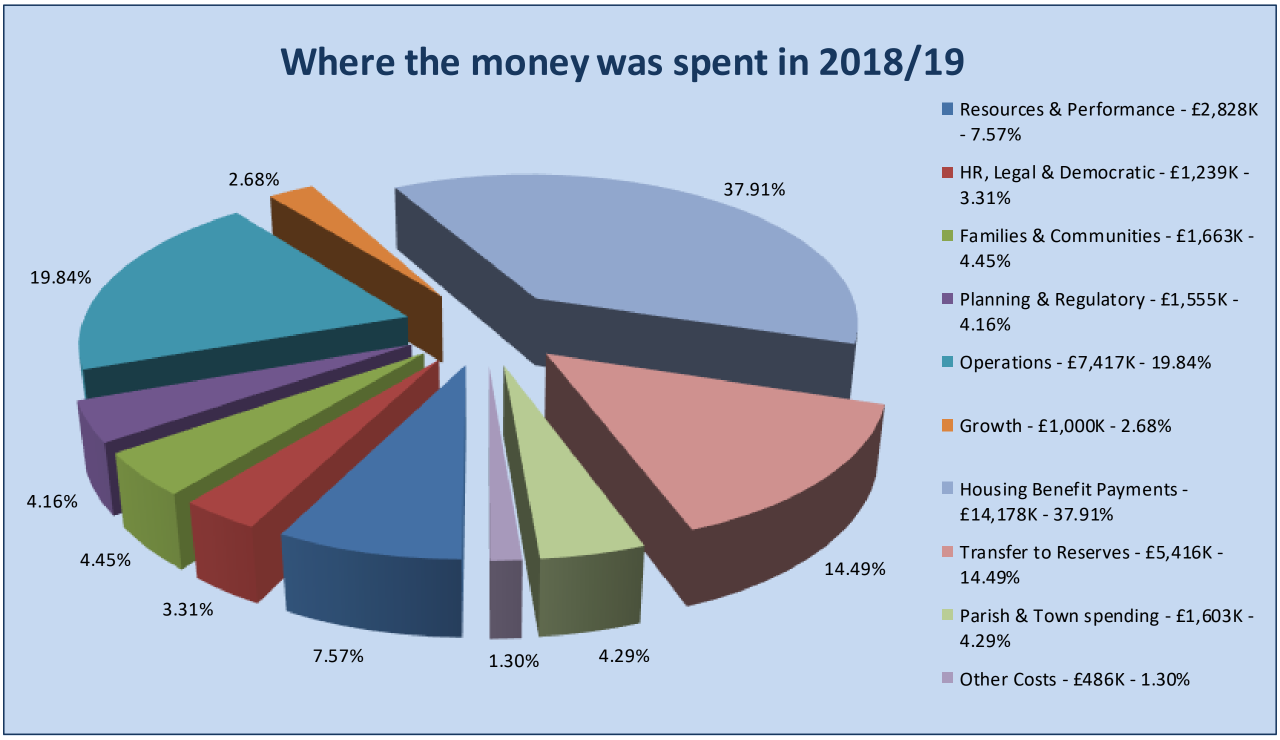
Hopefully the foreword below will answer these questions. There is also a lot more information contained within these financial statements and notes, and these have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the Code of Practice for Local Government to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

Overview of the financial year 2018/19

For the 2018/19 financial year, the Council saw no change to its general fund reserve, which stands at £2.0m as at 31 March 2019, with an overall level of usable reserves (capital and revenue) of £19.8m.

The following charts show the sources of the Council's income for 2018/19, and how it was spent on services (excluding accounting adjustments required by International Financial Reporting Standards):





During 2018/19, the Council continued to face considerable financial challenges as a result of continued uncertainty in the wider economy and constraints on public sector spending. This includes the reduction in central government grant funding and the changing landscape of local government financing. Additional challenges included declining interest receipts and increased demand on front line services such as Housing Benefits and homelessness provision.

In order to respond to these pressures, the Council has focussed its resources on supporting its strategic priorities (Growth in the west Suffolk economy, supporting resilient families and communities and increasing provision of appropriate housing in West Suffolk). The Council has also invested in the Mildenhall public sector hub and West Suffolk Operational Hub. The solar farm project, which was completed during 2017/18, continues to generate net income for Forest Heath in line with the original business case.

Details of variances against budget in excess of £50k can be seen in the report reference PAS/WS/19/001, entitled '2018-19 Performance Report – Year End Outturn' considered by the Performance and Audit Scrutiny Committee on 30 May 2019.

The Council's capital expenditure for 2018/19 totalled around £6.2m, which included vehicle and plant purchases, and expenditure on Mildenhall Hub and West Suffolk Operational Hub. The Council spent approximately £0.8m on capital grants within the year. Around £1.7m of the total £6.2m spend for 2018/19 was funded from the Council's revenue reserves, the remainder being funded from grants and contributions, and capital receipts.

During 2018/19 the Council did not undertake any new borrowing, and its total borrowing remains at £4m.

Material and Unusual charges or credits within the statements

Details of material and unusual charges are given in Note 4 Material Items of Income and Expense.

Major variances within the Comprehensive Income and Expenditure Statement – between 2017/18 and 2018/19

The Council had a number of variances in its cost of services between 2017/18 and 2018/19, amounting to an overall increase of around £15.9m. This increase was primarily due to a combination of a revaluation decrease during 2018/19 to Off Street Car Parks (£3.1m), and transactions relating to the Solar Farm during 2017/18 as detailed in Note 4 (£14.1m).

This net cost increase has had a significant impact on the surplus/deficit on provision of services which has changed from a £14.7m surplus in 2017/18 to a £0.5m deficit in 2018/19 (overall movement of £15.2m).

Deficit on revaluation of available for sales financial assets has also changed significantly as a result of the downward revaluation of shares in Greenheath Energy Ltd in 2017/18 as explained further in Note 4.

Actuarial gains/losses on pension assets/liabilities have also moved from a gain of £2.1m in 2017/18 to a loss of £4.1m in 2018/19 and this is explained further in Note 33 Defined Benefit Pension Schemes.

The net impact of these and other minor changes on the Comprehensive Income and Expenditure Statement is an overall movement in Total Comprehensive Income and Expenditure from a net income position of £3.5m in 2017/18 to a net expenditure position of £2.4m in 2018/19 (total movement of £5.9m).

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 2019 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 £22.0m compared to £16.8m at 31 March 2018. This net increase in liabilities is represented by an increase in liabilities of £8.2m offset by an increase in assets of £3.0m. The overall increase of £5.2m in the liability is primarily because the financial assumptions at March 2019 were less favourable than those at March 2018.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £22.0m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

It should be noted that the pension fund's accounts have still to be audited so the figures upon which these accounts have been based might be subject to change.

Further detail in relation to retirement benefits can be found in Note 33 to the accounts.

Significant Provisions, Contingencies or Write-Offs

The Council has increased its provisions by £1.3m during the year to £1.8m for the financial year ending 31 March 2019. These provisions are detailed in Note 21 to the accounts.

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

Significant Cashflows Present and Future

During 2018/19 Forest Heath District Council invested in the ongoing construction of the West Suffolk Operational Hub (£2.7m). Further details are given in Note 4 Material Items of Income and Expense.

Key Strengths and Resources

Employees

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

As at March 2019, West Suffolk councils employed 710 staff, with a voluntary staff turnover rate of 9.69% and an average sickness level of 4.81 days per full time equivalent (FTE) member of staff during 2018/19.

Forest Heath District Council is committed to investing in all West Suffolk staff, through corporate learning opportunities, bespoke training, and individual qualifications. Along with St Edmundsbury, Forest Heath has a particular focus on bringing in and bringing on local school leavers through apprenticeships.

Land and buildings

The value of land and buildings owned by Forest Heath District Council (not including plant and equipment) in 2018/19 was £46.096m.

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

Furthermore, solar panels on Forest Heath District Council buildings generated 176,863kWh of renewable energy in 2018/19, equivalent to the typical electricity consumption of 126 homes.

In July 2016, the council purchased Toggam Solar Farm, which is believed to be the largest local authority-owned solar farm in England. Over the last year, the solar farm has generated around 13.195 million kWh, enough electricity to power 3,300 homes and offset CO2 emissions from 1,500 cars.

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

Corporate reputation

Forest Heath District Council's positive reputation was significantly enhanced nationally and locally during 2018-19 due to the delivery of award winning services, nationally recognised initiatives and supportive coverage of its innovative work. This includes the creation of a new single West Suffolk Council as part of its ongoing transformational work with St Edmundsbury Borough Council. The creation of the new Council is part of both councils work to transform how local government works and drives prosperity for our communities and businesses; managing growth and attracting investment while meeting future financial challenges and opportunities. The new Council, which came into being from the beginning of April 2019, also gives the area a louder voice to champion West Suffolk, while also being the right size to work with local organisations and communities to create place based initiatives.

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

- West Suffolk's car parks have been recognised for their high quality of management by achieving a Park Mark award and disabled Parking Accreditation, following inspection by the police and parking specialists;
- East Town Park, the Abbey Gardens, Nowton Park and West Stow Country Park, all of which are maintained by the West Suffolk Councils' parks team, retained Green Flag awards in 2018 for the seventh year in a row.
- The plant displays in the Abbey Gardens also contributed to Bury St Edmunds' success in this year's Britain in Bloom competition, as well as the regional Anglia in Bloom competition. Bury St Edmunds was awarded a gold in the national competition and gold at the regional competition. Brandon in Bloom was also awarded a silver-gilt in the Town Category and 'Best New Entry'.
- Newmarket Leisure Centre won a national competition and was awarded Local Authority Leisure Trust Gym of the Year at the National Fitness Awards 2018.
- The councils were used as a national case study for better engagement with residents through the use of social media in 2018-19.
- We were awarded a total of £591,344 (£245,782 of which for 2018-19) of Government funding following a successful bid to help reduce rough sleeping across West Suffolk. The councils and our partners met with representatives from the Ministry for Housing, Communities and Local Government to outline initiatives to help support people who are rough sleeping. The funding has been used to provide multi-agency outreach workers with expertise in drug and alcohol as well as mental health issues as well as providing additional accommodation and on-site support.
- Building Control achieved ISO9001 quality assurance status. This is an internationally recognised Quality Management System standard which is being rolled out by Local Authority Building Control across the country.
- The councils hosted a regional housing conference at The Apex in October 2018, bringing together some of the biggest national names in the housing industry to discuss issues around affordability, quality of housing and the need for homes to be adaptable to suit people's changing needs. Over 100 people attended the event which included talks from high profile speakers such as the House of Lords spokesman on social housing and the chairman of Homes England.

The Leader of Forest Heath District Council is the representative for all the district councils on the Greater Cambridge Greater Peterborough Local Enterprise Partnership board, which has raised the council's profile in the region.

Wider strengths

Collaborative working

Forest Heath and St Edmundsbury have continued to make significant savings, through both transforming the way our services are delivered and the way our teams operate. Suffolk is seen nationally as a place that works beyond geographic and organisational boundaries to get the best outcomes for our residents and businesses. This is shown by the success we have had in not only operating the Suffolk Business Rates Pool which brings £0.665m to West Suffolk but the 2018/19 place-based 100% Business Rates Retention pilot which brings our area an extra £2.788m. This is the only scheme of its kind in the UK and sees councils and partners working collectively to target issues in an area, recognising that one size does not fit all and the need to work with communities.

West Suffolk also shares posts with the Clinical Commissioning Group and Suffolk County Council, recognising that improving health and care outcomes is not only crucial for our residents but has an impact on a range of services, including housing, as well as public funding. This closer working aims to help bring seamless delivery and a better understanding of the challenges faced by organisations and the communities, leading to more innovative solutions. West Suffolk Councils also successfully secured £320,000 in a joint bid with Ipswich Borough Council which will enable us to do more work in preventing tenants in the private sector from being made homeless. The bid includes the recruitment of two new tenancy sustainment officers (one working across West Suffolk and the other across Ipswich) and an assistant recovery officer who will work with struggling tenants and their landlords in both council areas. The money will also be used for training and to sustain private sector tenancies across West Suffolk and Ipswich.

Other collaborative working that will support West Suffolk's vision and priorities, as set out in the West Suffolk Strategic Framework, include working in partnership with Suffolk County Council, Babergh & Mid Suffolk district councils, Bury St Edmunds Women's Aid and Anglia Care Trust to deliver accommodation and support to victims of domestic abuse who are either homeless or threatened with homelessness and also have mental health or substance misuse issues.

Innovation

West Suffolk is seen nationally as innovative in transforming local government to get better outcomes and drive the local economy, while managing growth. In 2018/19 the councils agreed and implemented, through an order in the Houses of Parliament, the creation of the new West Suffolk Council. This is one of the first of its kind in the UK requiring and receiving strong public and partner support. The creation of the new Council is part of both councils work to transform how local government works and drives prosperity for our communities and businesses; managing growth and attracting investment while meeting future financial challenges and opportunities. The new Council, which came into being from the beginning of April, also gives the area a louder voice to champion West Suffolk, while also being the right size to work with local organisations and communities to create place based initiatives.

The new ward boundaries for West Suffolk Council were submitted to the Local Government Boundary Commission for England (LGBCE) and finalised in October 2018 following consultation. The wards were shaped by local groups, town and parish councils, as well as members of the public.

The councils also undertook a comprehensive review of civic leadership arrangements and gained views from 494 individuals on what civic leadership should look like in future. The report was shaped by local and national research and evidence and showed people believed civic leadership is wider than just one person and about how councillors and local government should act.

As part of West Suffolk's aim to support the economy and help deliver the right kind of housing, both authorities have approved a new Housing Strategy for 2018-2023 which sets out how West Suffolk will work to ensure that there is a sufficient supply of the right types of housing that our residents can afford.

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

Prevention

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

The Homelessness Reduction Act came into force in April 2018, and we have responded to the fundamental changes to legislation and additional duties introduced by the Act. Through the Act there is now more emphasis on the prevention of homelessness, working with partners and helping individuals to access housing. In West Suffolk we know that housing is particularly difficult to afford, given relatively high house prices, high rents and low wages and we are working to address that situation through the development of our Homelessness Reduction Strategy for the period 2018-2023. As well as focusing on new housing we have also responded to rising homelessness in West Suffolk by investing resources in prevention and securing suitable accommodation and support for those people in crisis.

The development of our Homelessness Reduction Strategy is an important part of our approach to preventing and reducing homelessness across West Suffolk. We are focusing on five priority areas: homelessness prevention, tackling rough sleeping, supporting vulnerable households, increasing accommodation options and supporting the implementation of welfare reforms.

Investing in our people

A key strength of West Suffolk councils is the positive and empowering approach that is taken to our staff. By investing in our future workforce and future leadership through apprenticeships, internships and the Suffolk Graduate programme, we are working to ensure local, talented individuals can be brought into the public sector and supported in their development.

Since November 2017, we have been working with a number of partners, neighbouring local authorities and hospitals to develop the Suffolk Workplace Wellbeing Charter. The councils currently hold four levels of excellence and four levels of achievement against the eight standards of wellbeing.
We have also helped develop a Healthy Workplace Award, a new workplace accreditation scheme, which recognises the efforts of organisations across the East of England to improve workplace health, with a commitment to helping organisations focus on the wellbeing of their staff.

Performance Indicators

For 2018/19 Balanced Scorecards (one per strategic priority area) continue to be the medium for Performance Indicators. They are generated monthly and presented quarterly to Performance and Audit Scrutiny Committee (PASC) together with the Financial Performance Reports. They show key items per service and historical trends providing pertinent information to aid Assistant Directors and Service Managers in operating their areas. These reports are discussed monthly at Leadership Team meetings.

Material Events after the reporting date

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

Audit

Following the Government's consultation on the future of local public audit, Ernst and Young LLP were awarded the contract for the audit of Forest Heath District Council's accounts for a five year period commencing with the financial year 2012/13, subsequently extended by a further five years.

Looking to the future – as West Suffolk Council

West Suffolk is proactive in putting actions and plans in place to deliver services in a better way while improving prosperity and outcomes for our communities and businesses. Like all authorities and public bodies nationally the Council faces financial challenges with cuts to public expenditure and significant reductions in Government funding. For example the Government's revenue support grant, traditionally the main income for authorities, will be phased out completely next year. The creation of the new West Suffolk Council is instrumental in not only securing savings and efficiencies to meet this financial challenge but puts us in a better position to serve our residents and businesses and champion the area to gain more funding.

To meet this financial challenge West Suffolk made a decision to invest in and manage growth to boost the local economy, provide jobs and much needed homes. Not only does this brings income but also crucially wider benefits for the communities and businesses we serve. Councillors have backed a growth investment strategy that brings income to support services but also jobs and community wellbeing. Through ground breaking initiatives such as 'Energy for Business' and the solar farm the council is securing long term income while providing green power for business and reducing impact on the climate.

We continue to accelerate our ambition to be more self-sustaining both in controlling our net inflationary pressures and the income we generate ourselves whether it be existing or new opportunities with local income generation to support local services or through investing in initiatives to support much needed housing or employment growth

The Council continues to deliver cost saving efficiencies, the key driver over the last five years being the delivery of the shared services agenda. This delivered in excess of £4 million annually in savings across the two former councils. The transition of St Edmundsbury Borough Council and Forest Heath District Council to West Suffolk Council on 1 April 2019 was agreed by members in September 2017 as the next step in our journey. Not only will this deliver further savings and efficiencies of £800k each year in the Medium term Financial Strategy but as the seventh largest council of its kind help lobby for external funding while being in a better position to manage growth and attract investment.

We are working in different ways. The Council has a range of projects bring public and private partners together that we will be delivering in the near future. These will not only bring savings and efficiencies but greater impact for our communities in better health and education outcomes. Some of the new ways of working will involve decisions about how this Council invests resources as we pursue our strategic priority of growth in the West Suffolk economy. Many of these key strategic projects to aid economic growth and better community outcomes are in underway and a key part of delivery of our West Suffolk Council MTFS for 2019/20 and onwards.

At the same time our Families and Communities work and place-based initiatives are making sure we use finances and resources locally in a more targeted way, working alongside community groups and individuals to produce tailored initiatives. Working across organisational or geographic boundaries to deliver better outcomes for our communities, such as social prescribing, not only brings a whole-system focus on issues to produce better outcomes but also reduces the cost to the public purse as a whole.

We have now set out in our West Suffolk Council Medium Term Financial Strategy, which takes us to 2022/23, but there are some factors within that Strategy which are yet to be confirmed. The Ministry of Housing, Communities and Local Government is currently carrying out a Spending Review and a Fair Funding Review which will re-base funding levels for local authorities. This is planned to be implemented in 2020/21 and the changes resulting from it will have to be managed within the context of our investment strategy. The relationship between residents, businesses and their local government services will continue to evolve as we work together to invest in the future.

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

Certificate of approval for the Statement of Accounts

The Statement of Accounts for the year 1 April 2018 to 31 March 2019 has been prepared and I confirm that these accounts were approved by West Suffolk Council at the meeting held on 25 July 2019.

Signed:

Sarah Broughton

Portfolio Holder for Resources and Performance

Date: 16 August 2019

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 2019 and its income and expenditure for the year then ended.

Signed:

Rachael Mann

R Mann
Chief Financial Officer (Section 151 Officer)

Date: 16 August 2019

Sarah Broughton

Councillor S Broughton
Portfolio Holder for Resources and Performance

Date: 16 August 2019

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.

	2018/19			2017/18		
	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive I & E Statement
	£000	£000	£000	£000	£000	£000
Resources & Performance	2,325	420	**2,745**	2,206	321	**2,527**
HR, Legal and Democratic	934	75	**1,009**	944	2	**946**
Families & Communities	1,150	288	**1,438**	1,079	186	**1,265**
Planning and Regulatory	(776)	794	**18**	(683)	(13,262)	**(13,945)**
Operations	1,407	2,796	**4,203**	1,714	1,262	**2,976**
Growth	734	214	**948**	677	15	**692**
Net Cost of Services	**5,774**	**4,587**	**10,361**	**5,937**	**(11,476)**	**(5,539)**
Other income and expenditure	(5,931)	(3,946)	**(9,877)**	(5,937)	(3,219)	**(9,156)**
(Surplus) / Deficit	**(157)**	**641**	**484**	**0**	**(14,695)**	**(14,695)**
Opening General Fund Balance at 31/03/2018	**(2,000)**			**(2,000)**		
Add Surplus or Deficit on General Fund in the year	**(157)**			**0**		
Less Surplus Transferred to Earmarked Reserves	**157**			**0**		
Closing General Fund Balance at 31/03/2019	**(2,000)**			**(2,000)**		

Comprehensive Income and Expenditure Statement

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

		2018/19			2017/18		
	Note	Gross Expenditure	Gross Income	Net Expenditure / (Income)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
		£000	£000	£000	£000	£000	£000
Resources and Performance		17,603	14,857	**2,746**	17,693	15,166	**2,527**
Human Resources, Legal and Democratic		1,286	277	**1,009**	1,225	279	**946**
Families and Communities		1,898	460	**1,438**	1,777	512	**1,265**
Planning and Regulatory *		2,924	2,906	**18**	2,621	16,566	**(13,945)**
Operations **		8,340	4,137	**4,203**	6,936	3,960	**2,976**
Growth		1,057	109	**948**	907	215	**692**
Cost of Services		**33,108**	**22,746**	**10,362**	**31,159**	**36,698**	**(5,539)**
Other Operating Expenditure	10	1,092	0	**1,092**	1,077	0	**1,077**
Financing and Investment Income and Expenditure	11	436	1,059	**(623)**	(265)	1,010	**(1,275)**
Taxation and Non-Specific Grant Income	12	0	10,347	**(10,347)**	0	8,958	**(8,958)**
(Surplus)/Deficit on Provision of Services		**34,636**	**34,152**	**484**	**31,971**	**46,666**	**(14,695)**
Surplus on revaluation of Property, Plant and Equipment assets	22			**(2,206)**			**(867)**
Deficit on revaluation of available for sales financial assets	22			**0**			**14,078**
Actuarial (gains)/losses on pension assets & liabilities	33			**4,105**			**(2,071)**
Other Comprehensive Expenditure				**1,899**			**11,140**
Total Comprehensive (Income) and Expenditure				**2,383**			**(3,555)**

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

** The increase in Operations net expenditure relates to the revaluation of car parks during 2018/19. Note 4 Material Items of Income and Expense gives further details.

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

Current Year Movements - 2018/19	Note	General Fund & Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2018		**15,726**	**1,242**	**227**	**17,195**	**44,144**	**61,339**
Movements in Reserves during 2018/19							
Total Comprehensive Income and Expenditure		**(484)**	**0**	**0**	**(484)**	**(1,899)**	**(2,383)**
Adjustments between accounting basis and funding basis under regulations	8	2,404	663	10	**3,077**	(3,077)	**0**
Increase / (Decrease) in 2018/19		**1,920**	**663**	**10**	**2,593**	**(4,976)**	**(2,383)**
Balance as at 31 March 2019 carried forward		**17,646**	**1,905**	**237**	**19,788**	**39,168**	**58,956**

Balance Sheet

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

	Note	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment	13	57,312	54,031
Heritage Assets	14	349	353
Investment Property	15	11,864	11,594
Intangible Assets	16	167	217
Long-Term Debtors	17	364	131
Long-Term Assets		**70,056**	**66,326**
Short-term Investments	19	12,494	13,472
Short-term Debtors	17	5,763	4,926
Cash and Cash Equivalents	18	5,284	4,083
Current Assets		**23,541**	**22,481**
Short-term Borrowing	19	(2)	(2)
Short-Term Creditors	20	(5,362)	(5,150)
Provisions	21	(1,784)	(499)
Current Liabilities		**(7,148)**	**(5,651)**
Long-term Borrowing	19	(4,000)	(4,000)
Other Long-term Liabilities	33	(22,047)	(16,785)
Grants Receipts in Advance	29	(1,446)	(1,032)
Long-Term Liabilities		**(27,493)**	**(21,817)**
NET ASSETS		**58,956**	**61,339**
Usable Reserves		(19,788)	(17,195)
Unusable Reserves	22	(39,168)	(44,144)
TOTAL RESERVES		**(58,956)**	**(61,339)**

I certify that the statement of accounts gives a true and fair view of the financial position of the authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019. These financial statements replace the unaudited financial statements certified by the S151 Officer on 30 May 2019.

Signed: **Rachael Mann** Date: 16 August 2019

Chief Financial Officer (Section 151 Officer)

Cash Flow Statement

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

		2018/19	2017/18
	Note	£000	£000
Net (Surplus) / Deficit on the Provision of Services (from the Comprehensive Income and Expenditure Statement)		484	(14,695)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	23	(4,266)	13,028
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(357)	41
Net cash flows from Operating Activities		**(4,139)**	**(1,626)**
Investing Activities	24	3,163	2,353
Financing Activities	25	(225)	1,121
Net (increase) or decrease in cash and cash equivalents		**(1,201)**	**1,848**
Cash and cash equivalents at the beginning of the reporting period	18	(4,083)	(5,931)
Cash and Cash Equivalents at the end of the reporting period	18	**(5,284)**	**(4,083)**

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 2019/20 Code.

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

- IAS 40 Investment Property: Transfers of Investment Property provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- IFRIC 23 Uncertainty over Income Tax Treatments provides additional guidance on income tax treatment where there is uncertainty.
- IFRS 9 Financial instruments: prepayment features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.

None of these changes are expected to have a material impact on the Council’s statements.

Note 2 Critical judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- On 1 July 2008, the Council entered into a 10 year contract for the operation of its leisure centres with Anglia Community Leisure. Anglia Community Leisure is a company limited by guarantee, with charitable objectives (and secured registered charity status on 10th November 2008). From 1 April 2015 the company merged with Abbeycroft Leisure and the new company has been named Abbeycroft Leisure. From 1 October 2018 the company undertook a further merger with South Suffolk Leisure, again retaining the name Abbeycroft Leisure. The Council does not have a control of the company and has therefore determined that the company is not a subsidiary of the Council (Note 30 Related Parties provides more details).

Notes to the Core Financial Statements

- On 1 April 2006 the Council joined Breckland District Council to set up the Anglia Revenues Partnership (ARP). The partnership was subsequently extended to include East Cambridgeshire, St Edmundsbury, Fenland, Suffolk Coastal and Waveney District Councils with effect from 1 April 2015. The ARP is governed on a joint committee basis, the purpose of which is to provide a shared revenues and benefits service for the member Councils. The Council has determined that this joint committees is accounted for as a 'jointly controlled operation' i.e. each authority accounts for its share of costs and assets (see also Note 30 – Related Parties).

- The Council has undertaken a review of the potential outcome of significant legal claims by or against the Council, full details of which are Note 34 Contingent Liabilities and Note 35 Contingent Assets.

Douglas Park Wildflower Meadow, Mildenhall

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 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £40k for every year that useful lives had to be reduced.
Pensions Liability - General	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide Suffolk County Council which administers the pension fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. The fund's actuaries have advised that a 0.5% decrease in the real discount rate assumption would result in a 10% increase in the employer's liability. In monetary terms this equates to around £8.123m. A 0.5% increase in the Salary increase rate would result in an additional 1% employer liability totalling approximately £1.073m. A 0.5% increase in the Pension increase rate would result in an additional 9% employer liability totalling approximately £6.923m.
Pensions Liability – McCloud and GMP	Hymans Robertson have provided estimates of the impact of the judgements in relation to McCloud and GMP (notes 5 and 33 give further details). The accounts have been amended to reflect these estimates.	The estimated impact of McCloud on the pension liability is £121k (0.15% of gross liability). The estimated impact of GMP on the pension liability is £135k (0.17% of gross liability).
Arrears	At 31 March 2019, the Authority had a balance of sundry debtors of £6.701m. A review of significant balances suggested that an allowance for doubtful debts of £937k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £937k to set aside as an allowance.

Note 4 Material Items of Income and Expense

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

Land and Property

During 2018/19 the council spent £643k on the Mildenhall Hub project. This project aims to bring together a range of public services (including education, health, leisure and local government) on one site in Sheldrick Way, Mildenhall, making access easier and cutting operational running costs. The project involves many partners including Suffolk County Council, Academy Transformation Trust, Abbeycroft Leisure, NHS, Suffolk Libraries Service, Citizens Advice Bureau, DWP and the site will include a school, leisure centre, council office, library etc. More information about this project can be found at www.mildenhallhub.info

The council contributed £2.7m towards the West Suffolk Operational Hub project during 2018/19. When finished this project will provide shared depot facilities for the new West Suffolk Council, in conjunction with Suffolk County Council.

The council purchased 113 High Street, and 3 the Avenue, Newmarket, in 2018/19 at a cost of £743k. These properties consist of 10 bedsits and 2 business units. The purchase was made in order to help provide temporary accommodation for people that need homes, to reduce the need for bed and breakfast.

In 2018/19 the Guineas Car Park was valued for the first time by the Council's appointed valuer Wilks, Head and Eve, using the Existing Use Value (EUV) method. A net revaluation loss of £3.77m resulted from the assumptions used for the valuation being less favourable than those used at the previous valuation.

Solar Farm

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

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

During 2018/19 the Council entered into the process of voluntary liquidation of the Company, and this is due to be finalised on 18 July 2019.

Note 5 Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 16 August 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Single Council

There is one non-adjusted Post Balance Sheet Event to disclose in relation to the decision made by Full Council at its 27th September 2017 meeting, along with St Edmundsbury Borough Council at its 28th September 2017 meeting, to dissolve both Councils and create a new Council for West Suffolk from 1st April 2019.

On the 2nd May 2018, the House of Lords and House of Commons debated the West Suffolk (Local Government Changes) Order 2018 and the West Suffolk (Modification of Boundary Change Enactments) Regulations 2018. Both the Order and Regulations were approved by the House of Lords and the House of Commons and entered a period of call-in.

On the 24th May 2018 the Order became part of legislation and was available on www.legislation.gov.uk. From the 30th May 2018 until 22nd May 2019, Forest Heath District Council and St Edmundsbury Borough Council entered into a shadow period, in which the Shadow Authority and Shadow Executive made decisions on behalf of West Suffolk Council until it came into effect on 1st April 2019.

On the 1st April 2019, under the West Suffolk (Local Government Changes) Order 2018, the Forest Heath and St Edmundsbury districts were abolished as local government areas and the new West Suffolk Council was created. At the same time, under The Local Government (Boundary Changes) Regulations 2018, all functions, property, rights and liabilities, continuity of decisions, as well as responsibility for the preparation and approval of the predecessor councils' accounts, transferred across to West Suffolk Council.

In addition, the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 stipulates in paragraph 3.4.2.23: "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption that the financial statements shall be prepared on a going concern basis of accounting."

Therefore, in light of the above legislation and code guidance, it is appropriate to prepare the accounts on a going concern basis.

Pension Scheme – McCloud Ruling

There is one adjusted Post Balance Sheet Event for the 2018/19 Accounts in relation to a legal judgement, commonly described as the McCloud ruling.

In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judicial schemes, as part of the reforms, amounted to unlawful discrimination with regards to age discrimination. The Government appealed the ruling but this was subsequently rejected by the Supreme Court on 27 June 2019. This ruling has implications for the Local Government Pension Scheme (LGPS).

Hymans Robertson LLP, a firm of consulting actuaries, is engaged to provide actuarial valuations of the council's pension fund as at 31 March 2019. Following the Supreme Court ruling, Hymans have issued the council with a revised IAS19 Report, reflecting the impact of the ruling to the Employer's past service cost. The accounts have been updated to reflect these changes.

The 31 March 2019 pension liability for the Council can be seen in detail in note 33.

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 - 2018/19	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustment (Note b) £000	Other differences (Note c) £000	Total Adjustments £000
Resources & Performance	216	374	(170)	**420**
Human Resources, Legal and Democratic	0	47	28	**75**
Families & Communities	118	56	114	**288**
Planning and Regulatory	776	63	(45)	**794**
Operations	3,116	121	(441)	**2,796**
Growth	23	34	157	**214**
Net Cost of Services	**4,249**	**695**	**(357)**	**4,587**
Other income and expenditure from the Expenditure and Funding Analysis	(1,069)	462	(3,339)	**(3,946)**
Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services	**3,180**	**1,157**	**(3,696)**	**641**

Previous Year - 2017/18	Adjustments for Capital Purposes (Note a) £000	Net change for the Pensions Adjustment (Note b) £000	Other differences (Note c)	Total Adjustments £000
Resources & Performance	27	129	165	**321**
Human Resources, Legal and Democratic	0	41	(39)	**2**
Families & Communities	74	51	61	**186**
Planning and Regulatory	696	67	(14,025)	**(13,262)**
Operations	1,699	106	(543)	**1,262**
Growth	0	31	(16)	**15**
Net Cost of Services	**2,496**	**425**	**(14,397)**	**(11,476)**
Other income and expenditure from the Expenditure and Funding Analysis	(1,778)	472	(1,913)	**(3,219)**
Difference between General Fund surplus/deficit and CIES surplus/deficit on the Provision of Services	**718**	**897**	**(16,310)**	**(14,695)**

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.

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	2018/19 £000	2017/18 £000
Expenditure			
Employee benefits expenses		**8,796**	7,966
Other services expenses		**4,997**	5,661
Parish precept payments	10	**1,602**	1,530
Other third party payments *		**1,801**	1,300
Housing benefit payments		**14,177**	14,371
Depreciation, amortisation and revaluation	8	**3,603**	1,427
Interest payments	11	**170**	169
(Gain)/Loss on the disposal of assets	10	**(510)**	(453)
Total Expenditure		**34,636**	**31,971**
Income			
Fees, charges and other service income **		**(8,393)**	(22,279)
Interest and investment income	11	**(194)**	(125)
Income from council tax	12	**(4,319)**	(4,106)
Income from business rates ***	29	**(5,280)**	(2,733)
Grants and contributions		**(15,966)**	(17,423)
Total Income		**(34,152)**	**(46,666)**
(Surplus)/Deficit on the Provision of Services		**484**	**(14,695)**

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

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

*** During 2018/19 the Council was part of the Suffolk 100% Business Rate Retention Scheme Pilot. For this year only, Suffolk was allowed to retain all of the income from business rates growth instead of passing 50% on to central government. However, as a Pilot authority, the Council did not receive any Revenue Support Grant or other Non-service related grants.

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 2019 are as follows:

Current Year - 2018/19	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £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	2,142	0	0	(2,142)
Revaluation losses on Property, Plant and Equipment	1,677	0	0	(1,677)
Movements in the Market Value of Investment Properties	(268)	0	0	268
Amortisation of Intangible Assets	52	0	0	(52)
Capital Grants and Contributions applied	(630)	0	10	620
Revenue Expenditure funded from Capital under Statute	988	0	0	(988)
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	(510)	625	0	(115)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(270)	0	0	270
Use of revenue reserves to finance new capital loans				
Capital Expenditure charged against the General Fund Balance	(1,709)	0	0	1,709

Continued on the following page.

Current Year - 2018/19 (continued)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(471)	0	471
Transfer from Capital Adjustment Account on receipt of capital loan repayment	0	509	0	(509)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,466	0	0	(2,466)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,309)	0	0	1,309
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(225)	0	0	225
Total Adjustments	**2,404**	**663**	**10**	**(3,077)**

The transactions for the previous year ended 31 March 2018 are as follows:

Prior Year - 2017/18	Usable Reserves General Fund Balance £000	Usable Reserves Capital Receipts Reserve £000	Usable Reserves Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account				
Reversals of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for Depreciation and Impairment of non-current assets	1,884	0	0	(1,884)
Revaluation losses on Property, Plant and Equipment	451	0	0	(451)
Movements in the Market Value of Investment Properties	(962)	0	0	962
Amortisation of Intangible Assets	53	0	0	(53)
Capital Grants and Contributions applied	(704)	0	0	704
Revenue Expenditure funded from Capital under Statute	663	0	0	(663)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(453)	454	0	(1)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of Capital Investment	(214)	0	0	214
Capital Expenditure charged against the General Fund Balance	(15,532)	0	0	15,532
Adjustments primarily involving the Capital Grants Unapplied Account				
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	0	0	(16)	16

Continued on the following page.

Prior Year - 2017/18 (continued)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts Reserve to finance new Capital Expenditure	0	(101)	0	101
Use of the Capital Receipts Reserve to finance new Capital Loans	0	(54)	0	54
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,107	0	0	(2,107)
Employer's Pension Contributions and direct payments to pensioners payable in the year	(1,211)	0	0	1,211
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,121	0	0	(1,121)
Total Adjustments	**(12,797)**	**299**	**(16)**	**12,514**

Note 9 Transfers to / (from) Earmarked Reserves

General Fund Reserves	Balance at 1 April 2017 £000	Transfers out 2017/18 £000	Transfers in 2017/18 £000	Balance at 31 March 2018 £000	Transfers out 2018/19 £000	Transfers in 2018/19 £000	Balance at 31 March 2019 £000
Strategic Priorities & MTFS *	**8,317**	(15,464)	15,469	**8,322**	(1,782)	890	**7,430**
Invest to Save Reserve	**380**	(128)	130	**382**	(60)	420	**742**
Risk/Recession Reserve	**421**	(251)	0	**170**	(81)	0	**89**
BRR Equalisation Reserve	**36**	(500)	1,511	**1,047**	(178)	1,346	**2,215**
BRR Pilot Place-Based Reserve	**0**	0	0	**0**	0	992	**992**
Investing in our Growth Agenda	**0**	(59)	1,000	**941**	(100)	0	**841**
Capital Project Financing Reserve	**0**	0	252	**252**	0	323	**575**
Self Insured Fund	**112**	(51)	75	**136**	0	50	**186**
Computer Equipment	**157**	(16)	35	**176**	(31)	54	**199**
HB Equalisation Reserve	**161**	(131)	100	**130**	(130)	0	**0**
Professional Fees Reserve	**75**	0	40	**115**	0	40	**155**
ARP Reserve	**413**	(100)	30	**343**	(21)	38	**360**
Vehicle & Plant Renewal Fund	**444**	(492)	330	**282**	(282)	365	**365**
Waste Management Reserve	**112**	(13)	0	**99**	(9)	0	**90**
Leisure Building Repairs Reserve	**0**	0	28	**28**	0	5	**33**
Building Repairs Reserve	**26**	(403)	507	**130**	(367)	471	**234**
Industrial Units - Service Charges	**0**	0	1	**1**	0	8	**9**
Car Park Development Fund	**56**	(56)	0	**0**	0	0	**0**
Commuted Maintenance Reserve	**503**	(11)	15	**507**	(11)	9	**505**
Newmarket Stallion Statue	**23**	(2)	0	**21**	0	0	**21**
Leisure Reserve	**28**	(28)	0	**0**	0	0	**0**
Communities against Drugs	**30**	0	0	**30**	0	0	**30**
Planning Reserve	**25**	(128)	234	**131**	(210)	110	**31**
Planning Delivery Grant	**88**	(16)	0	**72**	(10)	0	**62**
Local Land Charges Reserve	**54**	(54)	0	**0**	0	0	**0**
Planning Policy Statement Climate Change	**2**	(2)	0	**0**	0	0	**0**
S106 Monitoring Officer Reserve	**35**	(20)	7	**22**	(21)	20	**21**
Implementing Smoke Free Legislation	**8**	(8)	0	**0**	0	0	**0**
Homelessness Legislation	**129**	(79)	134	**184**	(134)	235	**285**
S106 Revenue Reserve	**127**	(25)	50	**152**	(40)	0	**112**
Election Reserve	**44**	(11)	20	**53**	(6)	17	**64**
Staff Training Reserve	**22**	(22)	0	**0**	0	0	**0**
Total	**11,828**	**(18,070)**	**19,968**	**13,726**	**(3,473)**	**5,393**	**15,646**
Net Movement in the year				**1,898**			**1,920**

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

Strategic Priorities & MTFS Reserve (formerly New Homes Bonus Reserve)	Monies received in respect of the New Homes Bonus Grant which have been set aside to support the delivery of the Council's strategic priorities and medium term financial strategy.
Invest to Save Reserve	Monies set aside for investment in new technologies and streamlined working practices to provide longer term efficiencies and savings.
Risk / Recession Reserve	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like.
BRR Equalisation Reserve	To neutralise the impact of any year on year fluctuations in growth or reduction of business rate income, under the new business rates retention scheme.
BRR Pilot Place Based Reserve	To hold the benefit from the Suffolk 100% Business Rate Retention Pilot in 2018/19. To be utilised against projects as agreed by the District and County Leaders in West Suffolk.
Investing in Our Growth Agenda	To support the delivery of the Council's growth agenda.
Capital Project Financing Reserve	To facilitate the capital financing requirements of the Council and to account for fluctuations and timing differences in the expected spend profile and project financing costs.
Self-Insured Fund	Monies set aside to meet potential future Insurance Excess payments.
Computer Equipment	To meet future computer hardware and software requirements.
Housing Benefit (HB) Equalisation Reserve	To cover year on year adjustments made to the level of subsidy grant received from the Department for Works and Pensions.
Professional Fees Reserve	To meet future professional fee obligations.
ARP (formerly ARP Partnership) Reserve	Government Grant monies received by the Anglia Revenues Partnership (ARP) for specific purposes which are held in reserve due to timings of receipts and usage.
Vehicle & Plant Renewal Fund	Monies set aside for the purchase of replacement vehicles and plant.
Waste Management Reserve	Monies set aside for the purchase of replacement bins and equipment used for trade and domestic refuse collection.
Leisure Building / Building Repairs Reserves	Monies set aside for significant repairs and improvements to public buildings and investment properties, including energy conservation measures.
Industrial Units – Service Charges	Monies received from industrial service charges which are to be used in line with the lease agreement.
Car Park Development Fund	Monies set aside for future Car Park repairs and service improvements
Commuted Maintenance	Monies received which have been set aside for future Public Open Space development and maintenance.
Newmarket Stallion Reserve	Monies set aside to fund future maintenance cost of the Newmarket Stallion statue.
Leisure Reserve	Monies set aside to fund sports and recreation.

Communities against Drugs Reserve	Monies set aside from grants received set aside for future spend on Crime Reduction and associated initiatives.
Planning Reserve	Monies set aside to fund the Local Development Framework (LDF).
Planning Delivery Grant Reserve	Grant funding received from central government set aside for development of the Planning service.
Local Land Charges Reserve	Monies set aside in respect of the land charges service.
Planning Policy Statement Climate Change	Government Grant monies received to assist Local Authorities with the Planning Policy Statement on Climate Change, set aside for future spend in this area.
S106 Monitoring Officer Reserve	Monies set aside in order to fund the post of Monitoring Officer in the Planning Department.
Implementing Smoke Free Legislation	Monies set aside to fund legislation requirements.
Homelessness Reserve	Monies set aside to fund future Homelessness legislation requirements.
S106 Revenue Reserve	Monies received in respect of S106 agreements held for future revenue spend.
Election Reserve	Is to finance the cost of local elections.
Staff Training Reserve	Monies set aside to finance staff training.

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.

	2018/19 £000	2017/18 £000
Parish Council precepts	1,602	1,530
(Gains) on the disposal of non-current assets	(510)	(453)
	1,092	**1,077**

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".

	2018/19 £000	2017/18 £000
Interest payable and similar charges	170	169
Interest receivable and similar income	(194)	(125)
Change in impairment allowance for doubtful debts	8	0
Net interest on the net defined benefit liability asset	462	472
Income and expenditure in relation to investment properties and changes in their fair value	(1,069)	(1,791)
	(623)	**(1,275)**

Note 12 Taxation and Non-Specific Grant Income

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

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

	2018/19 £000	2017/18 £000
Council tax Income	(4,319)	(4,106)
Business rates income and expenditure *	(5,280)	(2,733)
Revenue Support Grant *	0	(661)
Non-service related government grants *	0	(18)
New Homes Bonus	(718)	(1,282)
Capital Grants and contributions	(30)	(158)
	(10,347)	**(8,958)**

* During 2018/19 the Council was part of the Suffolk 100% Business Rate Retention Scheme Pilot. For this year only, Suffolk was allowed to retain all of the income from business rates growth instead of passing 50% on to central government. However, as a Pilot authority, the Council did not receive any Revenue Support Grant or other Non-service related grants.

Newmarket Races, 1000 Guineas

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 2018.

2017/18 - Previous Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2017	**52,652**	**3,414**	**866**	**202**	**0**	**82**	**57,216**
Additions	85	746	0	0	0	937	**1,768**
Revaluation increases recognised in the Revaluation Reserve	391	0	0	0	5	0	**396**
Revaluation (decreases) recognised in the Revaluation Reserve	(126)	0	0	0	0	0	**(126)**
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	84	0	0	0	52	0	**136**
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(645)	0	0	0	(46)	0	**(691)**
Derecognition - disposals	0	(184)	0	0	0	0	**(184)**
Assets reclassified between PPE categories	(1,319)	87	0	0	1,319	(87)	**0**
At 31 March 2018	**51,122**	**4,063**	**866**	**202**	**1,330**	**932**	**58,515**

Continued on the following page.

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

The note below details the movements on balances in the current financial year ended 31 March 2019.

2018/19 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Cost or Valuation							
At 1 April 2018	**51,122**	**4,063**	**866**	**202**	**1,330**	**932**	**58,515**
Additions	875	424	0	0	0	3,699	**4,998**
Revaluation increases recognised in the Revaluation Reserve	1,675	0	17	0	0	0	**1,692**
Revaluation (decreases) recognised in the Revaluation Reserve	(1,388)	0	0	0	0	0	**(1,388)**
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	610	0	0	0	0	0	**610**
Revaluation (decreases) recognised in the Surplus / Deficit on the Provision of Services	(3,859)	0	0	0	0	0	**(3,859)**
Derecognition - disposals	(57)	(95)	0	0	0	0	**(152)**
At 31 March 2019	**48,978**	**4,392**	**883**	**202**	**1,330**	**4,631**	**60,416**

Continued on the following page.

2018/19 - Current Financial Year	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Accumulated Depreciation and Impairment							
At 1 April 2018	**(2,589)**	**(1,604)**	**(291)**	**0**	**0**	**0**	**(4,484)**
Depreciation Charge	(1,584)	(498)	(56)	0	0	0	**(2,138)**
Revaluation gains - depreciation written out to the Revaluation Reserve	1,605	0	20	0	0	0	**1,625**
Revaluation losses - depreciation written out to the Revaluation Reserve	261	0	0	0	0	0	**261**
Revaluation gains - depreciation written out to the Surplus / Deficit on the Provision of Services	1,126	0	0	0	0	0	**1,126**
Revaluation losses - depreciation written out to the Surplus / Deficit on the Provision of Services	448	0	0	0	0	0	**448**
Derecognition - disposals	15	45	0	0	0	0	**60**
At 31 March 2019	**(718)**	**(2,057)**	**(327)**	**0**	**0**	**0**	**(3,102)**
Net Book Value							
At 31 March 2019	**48,260**	**2,335**	**556**	**202**	**1,330**	**4,631**	**57,314**
At 31 March 2018	**48,533**	**2,459**	**575**	**202**	**1,330**	**932**	**54,031**

Depreciation

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

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

Impairments

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

There were no significant impairment losses in 2017/18. In 2018/19 the Guineas Car Park was valued for the first time by the Council’s appointed valuer Wilks, Head and Eve, using the Existing Use Value (EUV) method. A net revaluation loss of £3.77m resulted from the assumptions used for the valuation being less favourable than those used at the previous valuation.

Capital Commitments

At 31 March 2019, the Council had the following capital commitments:

West Suffolk Operational Hub (WSOH) - £0.46m

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

A letter of intent was issued to Morgan Sindall for the design and construction of the WSOH on 9 March 2018. The contract is between Suffolk County Council and Morgan Sindall, but Forest Heath District Council and St Edmundsbury Borough Council have a nexus to the contract via a Procurement Agreement between the three councils.

The remaining contract sum is £8,391,100. The split on this is:

Suffolk County Council - £3,883,450
St Edmundsbury Borough Council - £4,051,700
Forest Heath District Council - £455,950

Mildenhall Hub – £23.1m

Mildenhall Hub aims to bring together a range of public services (including education, health, leisure and local government) on one site in Sheldrick Way, Mildenhall, making access easier and cutting operational running costs. The project involves many partners including Suffolk County Council, Academy Transformation Trust, Abbeycroft Leisure, NHS, Suffolk Libraries Service, Citizens Advice Bureau, DWP and the site will include a school, leisure centre, council office, library etc.

Letters of intent have been issued to RG Carter's for the design and construction of the Mildenhall Hub. The contract is between Forest Heath District Council and RG Carter, and the other partners have a separate procurement agreement between them to share the costs.

The full contract sum is currently £39,061,107. Forest Heath's share is £23,631,970 (including payments already made).

Revaluations

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

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

In 2017/18 and 2018/19 the valuations were prepared by Wilks, Head & Eve 3rd Floor, 55 New Oxford Street, London WC1A 1BS.

	Other Land and Buildings £000	Vehicles, Plant, Funriture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost	212	2,335	347	90	0	4,631	**7,615**
Valued at fair value as at:							
31 January 2019*	23,642	0	36	0	0	0	**23,678**
31 January 2018*	4,221	0	0	0	0	0	**4,221**
31 March 2017	6,973	0	0	0	1,330	0	**8,303**
31 March 2016	3,289	0	0	0	0	0	**3,289**
31 March 2015	9,923	0	172	0	0	0	**10,095**
31 March 2014	0	0	0	112	0	0	**112**
Total Net Book Value	**48,260**	**2,335**	**555**	**202**	**1,330**	**4,631**	**57,313**

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

Fair Value Hierarchy

Details of the Council's surplus assets and information about the fair value hierarchy as at 31 March 2019 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 2019 £000
Development Land	0	1,330	0	**1,330**
Total	**0**	**1,330**	**0**	**1,330**

2017/18 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 2018 £000
Development Land	0	1,330	0	**1,330**
Total	**0**	**1,330**	**0**	**1,330**

Development land was transferred into Surplus assets during 2017/18. There were no transfers between Levels during the year.

Valuation Techniques used to Determine Level 2 Fair Values

Significant Observable Inputs - Level 2

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

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

Note 14 Heritage Assets

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

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

	Statues and Monuments £000	Civic Regalia £000	Other Heritage Assets £000	Total Assets £000
Cost or Valuation				
At 1 April 2017	257	30	70	**357**
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Depreciation	(1)	0	(3)	**(4)**
Revaluations - depreciation adjustment	0	0	0	**0**
At 31 March 2018	**256**	**30**	**67**	**353**
At 1 April 2018	256	30	67	**353**
Impairment/revaluation losses/(reversals) recognised in the Revaluation Reserve	0	0	0	**0**
Depreciation	(1)	0	(3)	**(4)**
Revaluations - depreciation adjustment	0	0	0	**0**
At 31 March 2019	**255**	**30**	**64**	**349**

Heritage Assets

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

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

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

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

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

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

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

Disposals of Heritage Assets

There were no disposals of any of the Council's Heritage Assets during either 2017/18 or 2018/19.

Five Year Summary of Transactions on Heritage Assets

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

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

	2014/15	2015/16	2016/17	2017/18	2018/19
	£000	£000	£000	£000	£000
Valuations for illustrative purposes					
Statues and monuments	259	258	257	256	**255**
Civic items	30	30	30	30	**30**
Other heritage assets	76	73	70	67	**64**
Total Heritage Assets	**365**	**361**	**357**	**353**	**349**

Note 15 Investment Properties

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

	2018/19 £000	2017/18 £000
Income from Investment Properties (including net gain / loss from fair value adjustments) *	**(1,124)**	(1,838)
Direct Operating expenses arising from Investment Properties	**65**	47
Net (gain) / loss	**(1,059)**	**(1,791)**

*The rental income from Investment Properties for 2018/19 totalled £879k (£862k in 2017/18).

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

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

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

	2018/19 £000	2017/18 £000
Balance at 1 April	**11,594**	**10,632**
Additions	**2**	0
Net gains / (Losses) from fair value adjustments	**268**	962
Balance at 31 March	**11,864**	**11,594**

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 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 2019 £000
Shops & Shopping Precincts	0	11,864	0	**11,864**
Total	**0**	**11,864**	**0**	**11,864**

2017/18 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 2018 £000
Shops & Shopping Precincts	0	11,594	0	**11,594**
Total	**0**	**11,594**	**0**	**11,594**

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.

Note 16 Intangible Assets

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

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

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

	2018/19 Purchased Assets £000	2017/18 Purchased Assets £000
Balance at 1 April		
- Gross carrying amounts	**610**	631
- Accumulated amortisation	**(393)**	(362)
Net carrying amount at start of year	**217**	**269**
Additions:		
- Purchases	**9**	1
Disposals	**(55)**	(23)
Revaluation increases or decreases	**27**	0
Impairment losses recognised/reversed directly in the Revaluation Reserve	**(10)**	0
Amortisation for the period	**(52)**	(53)
Amortisation written out on disposal	**31**	23
Net carrying amount at 31 March	**167**	**217**
Comprising:		
- Gross carrying amounts	**580**	610
- Accumulated amortisation	**(413)**	(393)
	167	**217**

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 2019 £000	31 March 2018 £000
Central Government Bodies	805	672
Other Local Authorities	1,439	899
Housing Associations	558	436
Council Tax / Business Rate Payers and Housing Benefit Debtors	1,806	1,601
Trade Debtors	409	761
Other Entities and Individuals	746	557
Total Short-term Debtors	**5,763**	**4,926**

Long Term Debtors

	31 March 2019 £000	31 March 2018 £000
Mortgages and long term loans	355	119
Car leasing scheme	9	12
Total Long-term Debtors	**364**	**131**

Note 18 Cash and Cash Equivalents

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

	31 March 2019 £000	31 March 2018 £000
Bank Current/Instant Access Accounts	2,782	4,083
Short Term Deposits with Clearing Banks & Building Societies	2,502	0
Total Cash and Cash Equivalents	**5,284**	**4,083**

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

Note 19 Financial Instruments

Categories of Financial Instruments

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

	Long-term 31 March 2019 £000	Current 31 March 2019 £000
IFRS 9 BASIS (2018-2019)		
Investments		
Amortised Cost		
- Money market loans (Long-term & Short-term Investments)	0	12,494
- Cash & Cash Equivalents	0	5,284
Total Investments	**0**	**17,778**
Debtors		
Amortised Cost	364	2,989
Total Debtors	**364**	**2,989**
Borrowings		
Financial liabilities at amortised cost	4,000	2
Total Borrowings	**4,000**	**2**
Creditors		
Financial liabilities at amortised cost	1,446	899
Total Creditors	**1,446**	**899**

	Long-term 31 March 2018 £000	Current 31 March 2018 £000
PRE IFRS9 BASIS (2017-2018)		
Investments		
Loans and receivables		
- Money market loans (Long-term & Short-term Investments)	0	13,472
- Cash & Cash Equivalents	0	4,083
Total Investments	**0**	**17,555**
Debtors		
Loans and receivables	119	500
Financial assets carried at contract amounts	0	1,153
Total Debtors	**119**	**1,653**
Borrowings		
Financial liabilities at amortised cost	4,000	2
Total Borrowings	**4,000**	**2**
Creditors		
Financial liabilities at amortised cost	1,032	1,876
Total Creditors	**1,032**	**1,876**

Soft Loans made by the Council

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

Loan to Discover Newmarket Community Interest Company

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

The Home of Horseracing Trust

The loan to The Home of Horseracing Trust is in relation to the Home of Horseracing Museum project and was granted to enable the Trust to make payments in respect of the capital project – the loan was at a rate of 2.5% above base rate. The loan was repaid in full during 2018/19.

	Discover Newmarket £000	The Home of Horseracing Trust £000	Total £000
Balance of outstanding loans granted as at 1 April 2018	30	500	**530**
Loans advanced in 2018/19	0	0	**0**
Loans repaid in 2018/19	0	(500)	**(500)**
Balance at 31 March 2019	**30**	**0**	**30**

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.

	2018/19				2017/18			
	Financial liabilities measured at amortised cost £000	Financial Assets: Amortised cost £000	Financial Assets: FVTPL £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Amortised cost £000	Financial Assets: FVTPL £000	Total £000
Interest expense	170	0	0	**170**	169	0	0	**169**
Total expense in Surplus or Deficit on the Provision of Services	**170**	**0**	**0**	**170**	**169**	**0**	**0**	**169**
Interest income	0	(180)	0	**(180)**	0	(125)	0	**(125)**
Total income in Surplus or Deficit on the Provision of Services	**0**	**(180)**	**0**	**(180)**	**0**	**(125)**	**0**	**(125)**
Net (gains) / loss for the year	**170**	**(180)**	**0**	**(10)**	**169**	**(125)**	**0**	**44**

Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31 March 2019		31 March 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Liabilities Held @ Amortised Cost				
Financial liabilities	4,307	4,307	2,910	2,910
Long-term creditors / Borrowings	5,446	6,247	4,000	6,529
Total liabilities	**9,753**	**10,554**	**6,910**	**9,439**
Financial Assets Held @ Amortised Cost				
Money market loans:				
- Short-term investments	12,494	12,488	13,472	13,472
Cash & Cash Equivalents	5,284	5,284	4,083	4,083
Financial assets (debtors)	3,082	3,082	1,153	1,153
Trade and other debtors	364	364	619	619
Total assets	**21,224**	**21,218**	**19,327**	**19,327**

In overall terms, the fair value of the investments is £0.006m less than the book value at 31 March 2019.

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

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. It should be noted that the figures quoted do not include those arising from statute.

Note 20 Creditors

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

	31 March 2019 £000	31 March 2018 £000
Central Government Bodies	0	736
Other Local Authorities	2,569	1,984
Trade Creditors	899	1,250
Receipts in Advance	837	554
Other Entities and Individuals	1,058	626
Total Short-term Creditors	**5,363**	**5,150**

Note 21 Provisions

The table below shows the movements in the Council's provisions during the 2018/19 financial year:

	Short Term Provision £000
Balance as at 1 April 2018	**(499)**
100% Pilot Provision Movement	**(499)**
Additional Provisions made in 2018/19	**(918)**
Amounts used in 2018/19	**132**
Balance as at 31 March 2019	**(1,784)**

The provisions amount of £1,784k is in respect of non-domestic (business) rates appeals.

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

During 2018/19 the Council was part of the Suffolk 100% Business Rate Retention Scheme Pilot. For this year only, Suffolk was allowed to retain all of the income from business rates growth instead of passing 50% on to central government.

Note 22 Unusable Reserves

The balances on the Council's unusable reserves as at 31 March 2019 are as follows:

	31 March 2019 £000	31 March 2018 £000
Revaluation Reserve	**8,283**	6,326
Available for Sale Financial Instruments Reserve *	**0**	(14,473)
Capital Adjustment Account	**52,829**	69,198
Pensions Reserve	**(22,047)**	(16,785)
Deferred Capital Receipts Reserve	**14**	14
Collection Fund Adjustment Account	**89**	(136)
Total Unusable Reserves	**39,168**	**44,144**

* Under IFRS 9 Financial Instruments, a new accounting standard adopted from 1 April 2018, the Available for Sale Financial Instruments Reserve no longer exists. Balances held at 31 March 2018 have to be reclassified in accordance with IFRS 9, and an adjustment made to the opening balance at 1 April 2018. The balance in the reserve has been reclassified as Fair Value through Other Comprehensive Income, and transferred to the Capital Adjustment Account.

Revaluation Reserve

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

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

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

The movements in the Revaluation Reserve were as follows:

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**6,326**	**5,617**
Upward revaluation of Assets	3,344	960
Upward / (downward) revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,138)	(94)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Service	**2,206**	**866**
Difference between fair value depreciation and historical cost depreciation	(249)	(157)
Accumulated gains on assets sold or scrapped	0	0
Balance at 31 March	**8,283**	**6,326**

Available for Sale Financial Instruments Reserve

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

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

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

	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**(14,473)**	**(395)**
Adustment to opening balance re IFRS9 *	14,473	0
	0	**(395)**
(Downward) / Upward revaluation of investments not charged to the Surplus / Deficit on the Provision of Services **	0	(14,078)
Balance at 31 March	**0**	**(14,473)**

* Under IFRS 9 Financial Instruments, a new accounting standard adopted from 1 April 2018, the Available for Sale Financial Instruments Reserve no longer exists. Balances held at 31 March 2018 have to be reclassified in accordance with IFRS 9, and an adjustment made to the opening balance at 1 April 2018. The balance in the reserve has been reclassified as Fair Value through Other Comprehensive Income, and transferred to the Capital Adjustment Account.

** The revaluation of investments during 2017/18 in the table above relates to Greenheath Energy Ltd (solar farm purchase). Further details can be found in Note 4 Material Items of Income and Expense and Note 30 Related Parties.

Capital Adjustment Account

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

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

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

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

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

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

	31 March 2019 £000	31 March 2019 £000	31 March 2018 £000
Balance at 1 April		**69,198**	**54,509**
Adustment to opening balance re IFRS9 *		(14,473)	0
		54,725	**54,509**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement			
- Charges for depreciation and impairment of non-current assets	(2,142)		(1,884)
- Revaluation gains/(losses) on Property, Plant and Equipment	(1,677)		(451)
- Amortisation of Intangible Assets	(52)		(53)
- Revenue expenditure funded from capital under statute	(988)		(663)
- 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	(115)		(1)
		(4,974)	**(3,052)**
Adjusting amounts written out of the Revaluation Reserve		249	158
Net written out amount of the cost of non-current assets consumed in the year		**(4,725)**	**(2,894)**
Capital Financing applied in the year:			
- Use of the Capital Receipts Reserve to finance new capital expenditure	471		101
- Use of the Capital Receipts Reserve to finance new capital loans	0		54
- Use of Revenue Reserves to finance new capital loans	(509)		0
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	620		704
- Application of grants to capital financing from the Capital Grants Unapplied Account	0		16
Capital Expenditure charged against the General Fund Balance	1,709		15,532
		2,291	**16,407**
Minimum Revenue Provision		270	214
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		268	962
Balance at 31 March		**52,829**	**69,198**

* Under IFRS 9 Financial Instruments, a new accounting standard adopted from 1 April 2018, the Available for Sale Financial Instruments Reserve no longer exists. Balances held at 31 March 2018 have to be reclassified in accordance with IFRS 9, and an adjustment made to the opening balance at 1 April 2018. The balance in the reserve has been reclassified as Fair Value through Other Comprehensive Income, and transferred to the Capital Adjustment Account.

Pensions Reserve

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

The movements in the Pensions Reserve were as follows:

`	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**(16,785)**	**(17,960)**
Remeasurements of the net defined benefit liability / (asset)	(4,105)	2,071
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,466)	(2,107)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,309	1,211
Balance at 31 March	**(22,047)**	**(16,785)**

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

Deferred Capital Receipts Reserve

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

`	31 March 2019 £000	31 March 2018 £000
Balance at 1 April	**14**	**14**
Balance at 31 March	**14**	**14**

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 2019 £000	31 March 2018 £000
Balance at 1 April	**(136)**	**985**
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	32	(3)
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	193	(1,118)
Balance at 31 March	**89**	**(136)**

Brandon

Note 23 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £000	2017/18 £000
Interest paid	170	169
Interest received	(180)	(125)
Dividends Received *	(14)	0
	(24)	**44**

* The dividend receipt was in relation to Verse Facilities Management Ltd. Further details are in Note 30 Related Parties.

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

	2018/19 £000	2017/18 £000
Depreciation	(2,142)	(1,885)
Amortisation	(52)	(53)
Impairment and upward / (downward) valuations	(1,677)	(451)
(Increase) / decrease in Revenue Creditors	281	616
Adjustment re: the reversal of the 2016/17 Greenheath Energy Ltd intercompany creditor *	0	14,078
(Increase) / decrease in Provisions	(1,285)	(120)
Increase / (decrease) in Revenue Debtors and Payments in Advance	762	1,445
Movement in Pensions Liability	(1,157)	(896)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised (property, plant & equipment, investment property and intangible assets)	510	453
Movement in investment property values	269	962
Other non-cash items charged to the net surplus or deficit on the provision of services	225	(1,121)
	(4,266)	**13,028**

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

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

	2018/19 £000	2017/18 £000
Capital grants credited to surplus / (deficit) on the provision of services	631	704
Any other items for which the cash effects are investing or financing cash flows	(988)	(663)
	(357)	**41**

Note 24 Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	4,700	1,697
Purchase of short-term and long-term investments	(799)	1,079
Other payments for investing activities	1,784	663
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(502)	(414)
Proceeds from short-term and long-term investments	(180)	(125)
Other receipts from investing activities	(1,840)	(547)
Net cash flows from investing activities	**3,163**	**2,353**

Note 25 Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2018/19 £000	2017/18 £000
Billing authorities - council tax and national non-domestic rates adjustments	(225)	1,121
Net cash flows from Financing activities	**(225)**	**1,121**

Note 26 Trading Operations

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

		2018/19	2018/19	2017/18	2017/18
		£000	£000	£000	£000
Industrial & Business Units	Turnover	(1,341)		(1,342)	
	Expenditure	1,238		1,399	
	(Surplus) / Deficit		**(103)**		**57**
Trade Refuse	Turnover	(699)		(573)	
	Expenditure	522		511	
	(Surplus) / Deficit		**(177)**		**(62)**
Markets	Turnover	(60)		(20)	
	Expenditure	193		107	
	(Surplus) / Deficit		**133**		**87**
Net (Surplus) / Deficit on Trading Operations			**(147)**		**82**

Industrial and Business Sites

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

Trade Refuse

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

Markets

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

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

Note 27 Members Allowances

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

	2018/19 £000	2017/18 £000
Allowances	207	198
Expenses	15	16
Total Members Allowances and Expenses	**222**	**214**

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

www.westsuffolk.gov.uk

Newmarket Nights

Note 28 Officers' Remuneration

Senior Officers' Remuneration

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

	Year	Salary, Fees and Allow-ances £	Expenses Allow-ance £	Benefits in kind £	Pension Contrib-ution £	Compen-sation for Loss of Office £	Total £
Assistant Director Resources & Performance (S151 Officer) *	**2018/19**	**56,745**	**0**	**5,641**	**23,528**	**0**	**85,914**
	2017/18	78,786	0	4,676	23,776	0	107,238
Assistant Director Planning & Regulatory	**2018/19**	**75,582**	**1,239**	**0**	**22,014**	**0**	**98,835**
	2017/18	60,865	1,023	0	18,164	0	80,052

***** The post-holder was on maternity leave during 2018/19.

Note – Head of Paid Service:

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

General Notes

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

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	2018/19 Number of Employees	2017/18 Number of Employees
£50,000 to £54,999	**4**	4
£55,000 to £59,999 *	**3**	0
£65,000 to £69,999	**1**	1

* One of the post-holders works for Anglia Revenues Partnership. Whilst they are employed by Forest Heath District Council, their salary costs are shared across the seven councils who make up the partnership.

Shared Service Leadership Team (LT)

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

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

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

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

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

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

Shared Leadership Team (LT)	Note	2018/19 FHDC Cost £	2018/19 SEBC Cost £	2017/18 FHDC Cost £	2017/18 SEBC Cost £
Chief Executive			174,674		169,878
Director			122,014		118,470
Director			121,444		115,975
Assistant Director Resources & Performance (S151 Officer)	1	**85,318**		**107,620**	
Assistant Director HR, Legal & Democratic Service	1		75,540		103,946
Assistant Director Families & Communities			106,856		104,123
Assistant Director Operations			106,438		103,599
Assistant Director Plannning & Regulatory Services		**107,035**		**86,631**	
Assistant Director Growth			100,136		93,194
Total expenditure included in Officers' Remuneration disclosure		**192,353**	807,102	**194,251**	809,185
Net adjustment between the councils		**307,374**	-307,374	**307,467**	-307,467
Expenditure included in the Comprehensive Income and Expenditure Statement		**499,727**	499,728	**501,718**	501,718

Notes on the Shared Leadership Team:

1 The post-holders were on maternity leave for part of 2018/19.

Exit Packages

There were no compulsory redundancies or other agreed departures in either 2018/19 or 2017/18.

Termination Benefits

The Council did not terminate the contract of any employees in 2017/18 or 2018/19.

Note 29 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and the preceding financial year.

	2018/19 £000	2017/18 £000
Credited to Taxation and Non-specific Grant Income and Expenditure		
Non-ringfenced Government Grants		
Revenue Support Grant *	0	661
Business Rates *	5,280	2,733
New Homes Bonus	718	1,282
Non-service related government grants *	0	18
Capital Grants and Contributions		
Home of Horseracing	0	39
S106 Grants	0	86
Mildenhall Hub Contributions	4	33
One Public Estate	26	0
Total credited to Taxation and Non-specific Grant Income and Expenditure	**6,028**	**4,852**
Credited to Services		
Revenue Grants and Contributions		
Housing Benefits Subsidy	13,967	14,207
Housing Benefits and Council Tax Administration Subsidy	225	254
Business Rates Administration Grant	90	91
Other Grants and Contributions	336	206
Capital Grants and Contributions		
Disabled Facilities Grant	529	285
S106 & Other Grants	72	261
Total credited to services	**15,219**	**15,304**

* During 2018/19 the Council was part of the Suffolk 100% Business Rate Retention Scheme Pilot. For this year only, Suffolk was allowed to retain all of the income from business rates growth instead of passing 50% on to central government. However, as a Pilot authority, the Council did not receive any Revenue Support Grant or other Non-service related grants.

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

	2018/19	2017/18
	£000	£000
Capital Grants and Contributions Received in Advance		
Developer Contribution - Turnpike Road, Red Lodge (Taylor Wimpey)	104	127
Developer Contribution - Kennet Park, Kentford	95	108
Developer Contribution - The Street, Beck Row (Persimmon)	59	59
Developer Contribution - Tesco Fordham Rd	119	121
Developer Contribution - Red Lodge (Crest Nicholson)	201	186
Developer Contribution - Lors Homes	14	61
Developer Contribution - Mildenhall Road, West Row	180	0
Developer Contribution - Lakenheath Hall	219	0
Developer Conttribtions - Bloor Homes	100	100
Developer Conttribtions - Other	204	174
Mildenhall Hub Grant	0	30
One Public Estate Grant	5	5
Other Grants	76	61
Newmarket Skate Park Grant	70	0
Total	**1,446**	**1,032**

Note 30 Related Parties

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

Central Government

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

St Edmundsbury Borough Council

Forest Heath District Council and St Edmundsbury Borough Council are each other's preferred partners for Shared Services. The two councils appointed a shared Leadership Team (LT) during 2012/13 and completed the shared service agenda during 2013/14 with the implementation of a joint staff structure working across both councils. A review of joint senior management continued into 2014/15, resulting in a further reduction in the number of Heads of Service and a strengthening in the service management level below LT. During 2016/17 the Heads of Service were replaced with Assistant Directors. Further information relating to the shared Leadership Team is available in Note 28 - Officers Remuneration.

During 2017/18, the councils made representations to central government to form a new West Suffolk council to replace the existing Forest Heath District and St Edmundsbury Borough. Both the House of Lords and House of Commons backed the proposals, and the orders to create the new West Suffolk Council was signed by the Secretary of State. A new shadow authority for West Suffolk was established during 2018/19 and included councillors from both Forest Heath District and St Edmundsbury Borough Councils. The shadow authority worked to make the transition to the new council as smooth as possible, ready for it to be created in April 2019 and elections held in May 2019. The proposal, which will drive prosperity, jobs and meet future challenges, is expected to generate around £800,000 in savings and efficiencies, and help protect the additional £4 million of annual savings already produced by sharing services.

Members and Senior Staff

Members of the Council have direct control over its financial and operating policies. The total of members' allowances paid in 2018/19 is shown in Note 27 – Members' Allowances.

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

The bodies on which they serve as a representative of the Council are listed below:

- Aspal Close Working Group
- Association for Suffolk Museums Management Committee
- Barley Homes (Group) Ltd Shareholder Advisory Group
- Brandon Heritage Centre Trust
- Brandon Remembrance Playing Fields Management Committee
- Breaking New Ground (previously Brecks Partnership)
- District Councils' Network Assembly (LGA)
- East of England Local Government Association - (EELGA) - Regional Assembly
- Home of Horseracing Trust
- Internal Drainage Board – Burnt Fen
- Internal Drainage Board - Lakenheath
- Internal Drainage Board - Mildenhall
- Local Government Association General Assembly
- Love Newmarket Business Improvement District (BID)
- Mildenhall Community Association
- Mildenhall Dome Joint Management Committee
- Mildenhall Museum - Trustees
- National Horseracing Museum
- Newmarket Citizens Advice
- Our Greenest County Board (SCC)
- Rural Services Network (SPARSE)
- Suffolk County Council – Health and Wellbeing Board
- Suffolk Flood Management Joint Scrutiny Committee
- Suffolk Health Overview and Scrutiny Committee
- Suffolk Joint Emergency Planning Policy Panel
- Suffolk Police and Crime Panel
- Suffolk Waste Partnership
- Suffolk West Citizens Advice Bureau (Brandon and Mildenhall)
- Western Suffolk Community Safety Partnership
- Verse Facilities Management Ltd

During 2018/19 the Council made grant payments totalling £107k (2017/18 - £112k) to organisations on which members served. Transactions with Barley Homes (Group) Ltd and Verse Facilities are disclosed separately below.

During 2017/18 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 (2017/18 – £190k).

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 in the form of a dividend payment representing their proportional shares.

Going forward, the intention was that the company would 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). However, the decision was subsequently taken to cease trading and the company was made dormant, and the loans repaid, in June 2018.

There is a requirement for the company to prepare dormant accounts each year, but apart from the initial shareholding (£1,750) there will be no other transactions.

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:

	2018/19 £000	2017/18 £000
Income and expenditure in respect of related party transactions during the year		
Expenses	935	900
Income	(77)	(61)
	858	**839**

Further information regarding the Anglia Revenues Partnership can be found on its website:
www.angliarevenues.gov.uk

Abbeycroft Leisure (formerly Anglia Community Leisure)

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

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

The contract involved the transfer of leisure centre staff and leasing the leisure centres to the Trust at a peppercorn rent in return for the provision of leisure services operations and the payment of a management fee to contribute to running costs. The management fee is agreed annually in advance, and is paid monthly in advance. The Council is consulted on the business plans of ACL prior to the agreement of a management fee to the Trust. A management fee amounting to £353k was paid to the trust in 2018/19 (2017/18 £414k). This management fee is included in the Council's Comprehensive Income and Expenditure Statement under the Operations heading.

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

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

During 2018/19, the company undertook a further merger with South Suffolk Leisure, again retaining the name Abbeycroft Leisure.

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

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

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

www.acleisure.com

Suffolk County Council and Suffolk Police Authority

The Council has a statutory agency agreement with Suffolk County Council and the Suffolk Police Authority to collect council tax on their behalf to meet their precepts. Under this arrangement the Council has collected £25,714k in 2018/19 (£23,908k in 2017/18) on their behalf. At 31 March 2019 the Council held council tax creditors on behalf of Suffolk County Council and the Suffolk Police Authority totalling £529k (£202k in 2017/18).

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

Verse Facilities Management Limited

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

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

The financial share of the company is split 60:26:14 between the shareholders and a dividend payment of £14,000 was received by Forest Heath in 2018/19. This receipt is reflected in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Account.

Group accounts have not been prepared for this entity as the sums involved are immaterial. Instead the trading results of the Company are reported through this note to the accounts:

	2018/19 £000	2017/18 £000
Verse Facilities Management Ltd - Results Statement		
Turnover	1,670	1,279
Profit on Ordinary Activities after Taxation	120	89
Net Assets	210	89

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

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

Barley Homes (Group) Limited

Barley Homes (Group) Limited is a company limited by shares and was wholly owned by Suffolk County Council (50%), St Edmundsbury Borough Council (25%) and Forest Heath District Council (25%). Suffolk County Council subsequently withdrew from the arrangement with effect from 1 October 2018, leaving St Edmundsbury and Forest Heath each 50% shareholders.

The company, which was incorporated on 15 March 2016, will act commercially, building homes for sale and private rent (including delivery of housing schemes in line with Planning Policy).

This arrangement is a legal entity conducted under joint control with up to 7 directors (each having equal voting rights. Only 2 shareholder appointments have been made to date (1 from each council) with a resultant voting rights split of 50:50.

Both councils have a full working capital loan agreement with Barley Homes, allowing the company to draw down the loans as needed subject to a maximum advance of £300k per council. As at 31 March 2018, the Company had drawn down £78.5k from each council. During 2018/19 the Company drew down the remainder of the loans. These transactions are reflected in the Council's accounts for 2017/18 and 2018/19.

In addition to the working capital loans, both councils also have a Facilities Agreement with Barley Homes amounting to £3.75m per council. This loan facility, agreed in December 2018, is to be used for the purposes of capital development of housing sites (including land purchase). As at 31 March 2019, the Company had drawn down £25k from each council.

Group accounts have not been prepared for this entity as the sums involved are immaterial. Instead the unaudited results of the Company are reported through this note to the accounts:

	2018/19 £000	2017/18 £000
Barley Homes Group Limited - Results Statement		
Turnover	0	0
Loss on Ordinary Activities after Taxation	284	233
Net Liabilities	(630)	(346)

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

Greenheath Energy Limited

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

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

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

During 2018/19 the Council entered into the process of voluntary liquidation of the Company, and this is due to be finalised on 18 July 2019.

Note 31 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

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

	2018/19 Purchased Assets £000	2017/18 Purchased Assets £000
Opening Capital Financing Requirement	**5,765**	**5,292**
Capital investment		
Property, Plant and Equipment	**4,998**	1,769
Intangible Assets	**9**	2
Revenue expenditure funded from capital under statute	**988**	663
Loans and advances treated as capital expenditure	**246**	583
Sources of Finance		
Capital receipts	**(471)**	(155)
Government grants and other contributions	**(620)**	(720)
Sums set aside from revenue		
Direct revenue contributions *	**(1,708)**	(15,533)
Greenheath Energy Ltd - Intercompany creditor *	**0**	14,078
Minimum Revenue Provision	**(270)**	(214)
Closing Capital Financing Requirement	**8,937**	**5,765**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrowing (supported by government financial assistance)	**0**	0
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	**3,172**	473
	3,172	**473**

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

Note 32 Leases

Council as Lessee

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

Finance Leases

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

Operating Leases

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

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

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

	2018/19 £000	2017/18 £000
Not later than one year	59	65
Later than one year and not later than five years	198	203
Later than five years	3,922	3,970
Balance as at 31 March carried forward	**4,179**	**4,238**

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

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

Council as Lessor

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

Finance Leases

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

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

Operating Leases

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

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

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

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

	2018/19 £000	2017/18 £000
Not later than one year	1,641	1,573
Later than one year and not later than five years	3,237	3,413
Later than five years	10,397	10,841
Balance as at 31 March carried forward	**15,275**	**15,827**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the leases were entered into. There were £539k contingent rents receivable in 2018/19 (£583k in 2017/18) by the Authority for a percentage of rents received from retail tenants occupying Mildenhall town centre shopping precinct and land used for the Guineas shopping centre at Newmarket.

Mildenhall Bus Station

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:

	2018/19		2017/18	
Band	Percentage Contribution	Salary Range	Percentage Contribution	Salary Range
1	**5.5%**	**Up to £14,100**	5.5%	Up to £13,700
2	**5.8%**	**£14,101 to £22,000**	5.8%	£13,701 to £21,400
3	**6.5%**	**£22,001 to £35,700**	6.5%	£21,401 to £34,700
4	**6.8%**	**£35,701 to £45,200**	6.8%	£34,701 to £43,900
5	**8.5%**	**£45,201 to £63,100**	8.5%	£43,901 to £61,300
6	**9.9%**	**£63,101 to £89,400**	9.9%	£61,301 to £86,800
7	**10.5%**	**£89,401 to £105,200**	10.5%	£86,801 to £102,200
8	**11.4%**	**£105,201 to £157,800**	11.4%	£102,201 to £153,300
9	**12.5%**	**Over £157,801**	12.5%	Over £153,300

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

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

www.suffolk.gov.uk

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

www.lge.gov.uk

McCloud/GMP Rulings

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The Government requested leave to appeal to the Supreme Court and this appeal was subsequently rejected on 27 June 2019. The implications of the ruling are expected to apply to the LGPS.

In addition, a High Court judge has ruled that UK defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The GMP, which accrued in the LGPS from 6 April 1978 to 5 April 1997, represents the minimum pension an occupational pension scheme must provide a scheme member as an alternative to the State Earnings Related Pension Scheme (SERPS). GMPs are inherently unequal due to a number of factors, including the differing retirement ages for men and women, and female GMPs accruing at a higher rate.

Hymans Robertson LLP is the firm of consulting actuaries engaged to provide actuarial valuations of the council's pension fund as at 31 March 2019. Following the above rulings, Hymans have issued the council with a revised IAS19 Report, reflecting the impact of the rulings on the Employer's past service cost. The accounts have been updated to reflect these changes.

Transactions relating to Post-Employment Benefits

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

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

	2018/19 £000	2017/18 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Service Cost Comprising:		
- current service cost	1,749	1,635
- past service costs (including curtailments)	255	0
Financing and Investment Income and Expenditure		
Net Interest Expense	462	472
Total Post-employment benefits charged to the Surplus or Deficit on the Provision of Services	**2,466**	**2,107**
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(1,774)	(720)
- Actuarial gains and losses arising on changes in financial assumptions	5,879	(1,351)
Sub-total: Actuarial gains and losses	4,105	(2,071)
Total Post-employment benefits charged to the Comprehensive Income and Expenditure Statement	**6,571**	36
Movement in Reserves Statement		
- reversal of net credits / (charges) made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(2,466)	(2,107)
Actual amount charged against General Fund Balance for pensions in year	**4,105**	**(2,071)**
Employers' contributions payable to scheme	**1,309**	**1,211**

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:

	2018/19 £000	2017/18 £000
Present value of the defined benefit obligation	(80,377)	(72,132)
Fair value of plan assets	58,330	55,347
Net liability arising from defined benefit obligation	**(22,047)**	**(16,785)**

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

	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	**55,347**	**53,744**
Interest income	1,490	1,390
Remeasurement gains / (loss)		
- The return on plan assets, excluding the amount included in the net interest expense	1,774	720
Contributions from employer	1,309	1,211
Contributions from employees into the scheme	292	266
Benefits paid	(1,882)	(1,984)
Closing fair value of scheme assets	**58,330**	**55,347**

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

	2018/19 £000	2017/18 £000
Opening balance at 1 April	**72,132**	**71,704**
Current service cost	1,749	1,635
Interest cost	1,952	1,862
Contributions from scheme participants	292	266
- Actuarial gains / losses arising from changes in financial assumptions	5,879	(1,351)
Past service cost	255	0
Benefits paid	(1,882)	(1,984)
Closing fair value of scheme liabilities	**80,377**	**72,132**

Local Government Pension Scheme assets comprised:

Asset Category	2018/19 Quoted prices in active markets £000	2018/19 Quoted prices not in active markets £000	2018/19 Total £000	2018/19 Percent-age of Total Assets %	2017/18 Quoted prices in active markets £000	2017/18 Quoted prices not in active markets £000	2017/18 Total £000	2017/18 Percent-age of Total Assets %
Equity Securities:								
- Consumer	3,805	0	**3,805**	**7%**	4,009	0	**4,009**	**7%**
- Manufacturing	1,772	0	**1,772**	**3%**	1,422	0	**1,422**	**3%**
- Energy and Utilities	926	0	**926**	**2%**	838	0	**838**	**2%**
- Financial Instruments	1,740	0	**1,740**	**3%**	1,846	0	**1,846**	**3%**
- Health and Care	1,001	0	**1,001**	**2%**	858	0	**858**	**2%**
- Information Technology	1,819	0	**1,819**	**3%**	1,618	0	**1,618**	**3%**
- Other	508	0	**508**	**1%**	578	0	**578**	**1%**
	11,571	**0**	**11,571**	**21%**	**11,169**	**0**	**11,169**	**21%**
Debt Securities:								
- Corporate Bonds (Investment Grade)	13,135	0	**13,135**	**22%**	13,417	0	**13,417**	**23%**
- UK Government	0	0	**0**	**0%**	2,104	0	**2,104**	**4%**
	13,135	**0**	**13,135**	**22%**	**15,521**	**0**	**15,521**	**27%**
Private Equity:								
All	**597**	**1,804**	**2,401**	**4%**	**0**	**1,995**	**1,995**	**4%**
Real Estate:								
UK Property	**5,953**	**0**	**5,953**	**10%**	**5,366**	**0**	**5,366**	**10%**
Investment Funds and Unit Trusts:								
Equities	12,804	0	**12,804**	**22%**	12,833	0	**12,833**	**22%**
Bonds	2,270	0	**2,270**	**4%**	0	0	**0**	**0%**
Hedge Funds	5,596	0	**5,596**	**10%**	2,257	0	**2,257**	**4%**
Commodities	0	0	**0**	**0%**	0	0	**0**	**0%**
Infrastructure	0	2,595	**2,595**	**4%**	0	1,443	**1,443**	**3%**
Other		1,154	**1,154**	**2%**	3,081	1,109	**4,190**	**8%**
	20,670	**3,749**	**24,419**	**42%**	**18,171**	**2,552**	**20,723**	**37%**
Derivatives:								
Foreign Exchange	**28**	**0**	**28**	**0%**	**-2**	**0**	**-2**	**0%**
Cash and Cash Equivalents:								
All	**822**	**0**	**822**	**1%**	**575**	**0**	**575**	**1%**
Totals (rounded)	**52,776**	**5,553**	**58,329**	**100%**	**50,800**	**4,547**	**55,347**	**100%**

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 2019.

The significant assumptions used by the actuary have been:

	2018/19	2017/18
Mortality assumptions:		
Longevity at age 65 for current pensioners:		
- Men	**21.9 Years**	21.9 Years
- Women	**24.4 Years**	24.4 Years
Longevity at age 65 for future pensioners:		
- Men	**23.9 Years**	23.9 Years
- Women	**26.4 Years**	26.4 Years
Financial assumptions:		
Rate of increase in pensions	**2.5%**	2.4%
Rate of increase in salaries	**2.8%**	2.7%
Rate for discounting scheme liabilities	**2.4%**	2.7%

Sensitivity Analysis

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

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

Impact on the Defined Benefit Obligation in the Scheme	Approximate % increase to Employer Liability %	Approximate monetary amount £000
Rate for discounting scheme liabilities (increase or decrease by 0.5%)	10%	8,123
Rate of increase in salaries (increase or decrease by 0.5%)	1%	1,073
Rate of increase in pensions (increase or decrease by 0.5%)	9%	6,923

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 2019. The next formal triennial valuation is due to be completed on 31 March 2022.

The Council anticipates paying £1,409k expected contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years for 2018/19 (17.7 years 2017/18).

Note 34 Contingent Liabilities

Mandatory Rate Relief for NHS Trusts

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

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

Note 35 Contingent Assets

Claims against HMRC for the refund of VAT:

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

There are a number of cases currently going through the court / tribunal system which the council has an interest in. Should the courts find in favour of the tax payer there may be further opportunities for the council to pursue claims for overpayment of VAT. The quantity and strength of the claims remains under review. There has been no change to our position during the year 2018/19.

Note 36 Nature and Extent of Risks arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

	Amount at 31 March 2019	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2019	Estimated maximum exposure to default and uncollectability at 31 March 2019	Estimated maximum exposure to default and uncollectability at 31 March 2018
	£000s	%	%	£000s	£000s
	A	B	C	A x C	
Deposit with banks and other financial institutions	**17,778**	1.628	1.222	**217**	**83**

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

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

Of the £514k total debt outstanding at 31 March 2018, £434k has exceeded its due date for payment, and is analysed by age as follows:

	2018/19	2017/18
	£000	£000
Less than three months	**387**	23
Three to six months	**21**	9
Six months to one year	**19**	69
More than one year	**7**	12
	434	113

Liquidity Risk

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

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

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

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

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

The maturity analysis of financial liabilities is as follows:

	2018/19 £000	2017/18 £000
Less than one year	**4,305**	1,876
Between one and five years	**1,448**	0
More than five years	**4,000**	4,000
	9,753	5,876

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

Market Risk - Interest Rate Risk

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

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

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

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

As the Council did not have any variable rate investments during 2018/19, there would have been no effect on its interest income had interest rates been either 1% higher or lower.

Market Risk - Price Risk

The Council has no shareholdings that are material and is not exposed to fluctuations in the share prices as they are unquoted.

Market Risk - Foreign Exchange Risk

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

Note 37 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

	2018/19 £000	2017/18 £000
Fees payable to Ernst & Young LLP with regard to external audit services carried out by the appointed auditor for the year	49	47
Fees payable for the certification of grant claims and returns for the year	15	9
Fees payable in respect of other services provided during the year	0	0
Total External Audit Costs	**64**	**56**

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.

	2018/19			2017/18		
	Council Tax £000	NNDR £000	Total £000	Council Tax £000	NNDR £000	Total £000
Income						
Income Receivable						
Council Tax receivable	(30,827)	0	**(30,827)**	(28,644)	0	**(28,644)**
National Non-Domestic Rates receivable	0	(24,841)	**(24,841)**	0	(23,467)	**(23,467)**
Transitional Protection receivable	0	(725)	**(725)**	0	(732)	**(732)**
Repayment of previous years deficit						
Forest Heath District Council	0	(178)	**(178)**	0	0	**0**
Suffolk County Council	0	(45)	**(45)**	0	0	**0**
Central Government	0	(223)	**(223)**	0	0	**0**
Total Income	**(30,827)**	**(26,012)**	**(56,839)**	**(28,644)**	**(24,199)**	**(52,843)**
Expenditure						
Repayment of previous years surplus						
Forest Heath District Council	37	0	**37**	76	737	**813**
Suffolk County Council	191	0	**191**	394	184	**578**
Suffolk Police Authority	29	0	**29**	60	0	**60**
Central Government	0	0	**0**	0	922	**922**
	257	**0**	**257**	**530**	**1,843**	**2,373**
Precepts						
Forest Heath District Council	4,250	19,473	**23,723**	4,032	9,803	**13,835**
Central Government	0	0	**0**	0	12,254	**12,254**
Suffolk County Council	22,322	4,868	**27,190**	20,800	2,451	**23,251**
Suffolk Police Authority	3,392	0	**3,392**	3,108	0	**3,108**
	29,964	**24,341**	**54,305**	**27,940**	**24,508**	**52,448**
Charges to the Collection Fund						
Write-off of uncollectable amounts	485	132	**617**	90	65	**155**
Increase/(Decrease) in Bad Debts Provision	(100)	(42)	**(142)**	104	67	**171**
Increase/(Decrease) in Appeals Provision	0	982	**982**	0	299	**299**
Cost of Collection	0	90	**90**	0	91	**91**
Renewal Energy Income retained by Council	0	173	**173**	0	91	**91**
	385	**1,335**	**1,720**	**194**	**613**	**807**
(Surplus) / Deficit for the year	**(221)**	**(336)**	**(557)**	**20**	**2,765**	**2,785**
Fund balance as at 1 April	**(256)**	**417**	**161**	**(276)**	**(2,348)**	**(2,624)**
(Surplus) / Deficit carried forward	**(477)**	**81**	**(396)**	**(256)**	**417**	**161**

Notes to the Collection Fund Comprehensive Income and Expenditure Statement

Note C1 Council Tax Base

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

Tax Band	Property Value	Equivalent Numbers	Band D Equivalent
Band A	up to £40,000	**5,364**	**2,688**
Band B	between £40,001 and £52,000	**8,253**	**5,620**
Band C	between £52,001 and £68,000	**4,684**	**3,839**
Band D	between £68,001 and £88,000	**2,788**	**2,645**
Band E	between £88,001 and £120,000	**1,356**	**1,593**
Band F	between £120,001 and £160,000	**599**	**837**
Band G	between £160,001 and £320,000	**402**	**654**
Band H	over £320,000	**45**	**87**
Council Tax Base		**23,491**	**17,963**

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 £1,667.92 (2017/18 £1,589.78).

Note C2 Business Rates

NNDR (also known as 'business rates') are currently set on a national basis. The Government specifies amounts, 49.3p in 2018/19 (47.9p in 2017/18) and 48.0p for small businesses in 2018/19 (46.6p in 2017/18) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of the business premises by the relevant amount.

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

The total non-domestic rateable value for the Council's area at 31st March 2019 was £61,956,691 (31st March 2018: £54,435,549).

Note C3 Precepts and Demands

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

	2018/19 Precept/Demand £000	Share of balance 31 March 2019 £000	2018/19 Total £000	2017/18 Total £000
Council Tax				
Suffolk County Council	22,322	(357)	**21,965**	20,610
Suffolk Police Authority	3,392	(52)	**3,340**	3,079
Forest Heath District Council	4,250	(69)	**4,181**	3,995
	29,964	**(478)**	**29,486**	**27,684**
NNDR				
Suffolk County Council	4,868	19	**4,887**	2,493
Central Government	0	(15)	**(15)**	12,462
Forest Heath District Council	19,473	76	**19,549**	9,970
	24,341	**80**	**24,421**	**24,925**

Accounting Policies

I General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Authority's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

III Deferred Income

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

IV Cash and Cash Equivalents

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

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

V Exceptional Items

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

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

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

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

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

VII Charges to Revenue for Non-Current Assets

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

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

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

VIII Employee Benefits

Benefits Payable during Employment

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

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

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Suffolk County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The rate employed for the 2017/18 accounts is the yield available on long dated, high quality corporate bonds, as measured by the “Hymans Robertson” corporate bond yield curve, which is constructed based on the constituents of the iBoxx AA corporate bond index.
- The assets of the Suffolk County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the relevant service cost area
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the Suffolk County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

IX Events After the Balance Sheet Date

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

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

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

X Financial Instruments - Financial Liabilities

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

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

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

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

XI Financial Instruments - Financial Assets

From 1st April 2018 Financial Assets are classified into three categories based on the cash flows and business model objectives under which they are held due to the introduction of IFRS 9:

- Amortised Cost – Held in order to collect contractual cash flows
- Fair Value Though Other Comprehensive Income (FVTOCI) – held for both collecting contractual cash flows and selling financial assets
- Fair Value Through Profit and Loss (FVTPL) – All other combinations of business model and contractual cash flows

These replace the categories “loans and receivables”,” fair value through profit and loss” and “assets held for sale” under previous accounting standard (IAS 39).

The tests for classification are as follows:

<u>Solely Payments of Principle and Interest</u>

If the financial asset meets the criteria of being held solely for interest generation and repayment of principle then it moves onto the business model test (below) for classification. If this criteria is not met the financial asset will be classified as FVTPL by default.

<u>Business Model</u>

Business Model	IFRS 9 Classification
The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows	Amortised Cost
The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows <u>and</u> selling financial assets	Fair Value Through Other Comprehensive Income (FVTOCI)
Achieve objectives by any other means than collecting contractual cash flows	Fair Value Through Profit and Loss (FVTPL)

<u>Designating</u>

After initial recognition an asset may be designated to FVTOCI if it is an equity instrument which is not held for trading.

It is also possible to designate to FVTPL if it “significantly reduces and accounting mismatch” but unlike FVTOCI designation this must be carried out on initial recognition, however both designations are irrevocable.

In the unlikely event that designation occurs separate disclosures will be produced.

IFRS 9 Classification – Accounting Treatment

Amortised Cost

Financial assets classified as held at amortised cost are shown as such in the balance sheet.

Movements in amortised cost debited/credited to the Surplus or Deficit on the Provision of Services of the CIES. Interest is credited here using the effective interest method as well as impairment allowance debits and credits. Fair value movements are not recognised until derecognition or reclassification.

FVTOCI

NOT Designated:

Financial assets classified as FVTOCI are held at Fair Value in the balance sheet.

Interest is credited to the Surplus or Deficit on the provision of services at the effective rate. Impairment allowances are credited/debited to Surplus or Deficit on the provision of services but the compensating entry is coded to Other Comprehensive Income and Expenditure (OCI) not the asset carrying amount. Fair value changes are posted to the OCI. Cumulative gains/losses are posted to the Surplus or Deficit on the Provision of Services on derecognition.

Designated:

Financial instruments designated as FVTOCI are accounted for as above with the exception of gains and losses on derecognition being applied directly to the OCI.

FVTPL

These financial assets are held at Fair Value in the balance sheet. All gains and losses are posted directly to the Surplus or Deficit on the Provision of Services as they arise.

Impairment

Financial assets held as amortised cost or FVTOCI are within the scope of impairment under IFRS 9 with the exception of UK government instruments and inter authority lending. Equity instruments designated to FVTOCI are also excluded.

IFRS 9 introduces the expected loss model of calculating impairment of financial assets. Assets will be assessed for impairment annually and any material impairments will be coded appropriately to the statement of accounts. The authority will use various sources to calculate expected losses including appointed advisors, historical experience and credit scores.

An impairment loss will arise where the contractual cash flows exceed the expected cash flows.

IFRS 9 prescribes the measures of impairment to be used, outlined below:

Lifetime:

An estimate of the losses that could occur over the remaining term as a result of defaults, weighted by the probabilities that those defaults might take place. Used where there has been a significant increase in the risk profile of an instrument or when the collective or simplified approaches are applied.

12 month:

An estimate of the losses that could occur over the remaining term as a result of defaults that could happen in the next financial year, weighted by the probabilities that those defaults might take place. Used on low risk instruments or those where risk has reduced or remained unchanged since recognition.

Cumulative change since recognition:

The movement in lifetime ECLs since the asset was initially recognised. Only for assets credit-impaired on initial recognition.

Collective approach:

Where information on the risk of individual assets cannot be obtained without undue cost or effort the collective approach will be applied. The collective approach groups assets with similar characteristics together applying the lifetime expected loss calculation to the group. The authority will apply this where appropriate.

Simplified Approach:

The simplified method uses lifetime expected credit losses and must be applied to trade receivables without a significant financing component and those with remaining contract of over 12 months. The authority will use a provision matrix as per working paper 17 Short and Long Term Debtors.

Transition

All existing financial instruments will be reclassified under IFRS 9 as at 1st April 2018 as if IFRS 9 had always applied via a restatement of the opening balances. I.e. there will be no restated or “third” 2017/18 balance sheet.

XII Government Grants and Contributions

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

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

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

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

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

XIII Heritage Assets

Tangible and Intangible Heritage Assets

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

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

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

Statues and Monuments

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

Civic Items

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

Other Heritage Assets

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

Heritage Assets – General

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

XIV Intangible Assets

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

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

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

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

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

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

XV Interests in Companies and Other Entities

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

XVI Inventories

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

XVII Investment Properties

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

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

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

XVIII Joint Operations and Jointly Controlled Assets

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

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

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

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

XIX Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

XX Overheads and Support Services

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

XXI Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Donated Assets

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

Minimum Revenue Provision:

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

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

XXII Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

XXIII Reserves

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

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

XXIV Revenue Expenditure Funded from Capital under Statute

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

XXV VAT

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

West Suffolk Annual Governance Statement 2018/19

1. Scope of Responsibility

1.1 Until 31 March 2019, St Edmundsbury Borough Council and Forest Heath District Council (referred to hereafter as the councils) have been responsible for ensuring that their activities are conducted in accordance with the law and proper standards, that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The councils have also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 On 1 April 2019, both councils will be replaced by West Suffolk Council, which will assume the district tier functions and responsibilities from the councils. This is the final Annual Governance Statement for the councils.

1.3 In discharging their responsibilities, the councils have been responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions which includes arrangements for the management of risk.

1.4 The councils have approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Local Code is available on the councils' website. This statement explains how the councils have complied with the Local Code and also met the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an Annual Governance Statement.

2. The Purpose of the Governance Framework

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

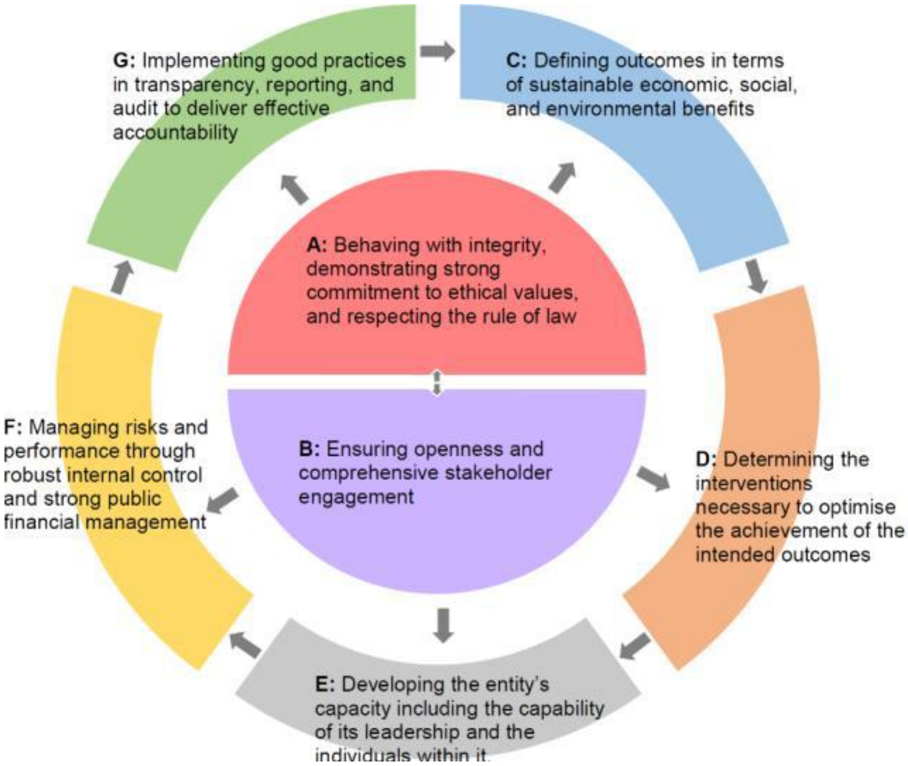
2.2 The system of internal control is a significant part of that framework and designed to manage risk to an acceptable level. It could not eliminate all risk of failure to achieve the councils' aims and objectives, but it has sought to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the councils' aims and objectives.

2.3 The governance framework remains in place at the councils to the year ended 31 March 2019, and at that stage transfers to West Suffolk Council.

3. The Governance Framework

3.1 The councils had adopted a Local Code of Corporate Governance in accordance with the core principles of good governance outlined within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

3.2 There are seven core principles of good governance identified in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as follows:



3.3 The Local Code of Corporate Governance set out the principles of good governance and described in full the arrangements the councils have put in place to meet each of these.

3.4 During 2018/19, the councils have undertaken a number of actions to continuously improve their corporate governance arrangements. A summary of the highlights are shown in the box below:

2018/19 Corporate Governance Activity Highlights

During 2018/19, the councils have:

- made preparations for the new single West Suffolk Council (created on 1 April 2019) and its new governance arrangements;
- created new project and programme management arrangements; and
- developed processes and controls to comply with new legislation, in particular compliance with the General Data Protection Regulation.

3.5 A detailed description of the councils' recent activities and activities to support the establishment of West Suffolk Council are set out in the table below, against a summary of each of the principles in their Local Code of Corporate Governance.

Principle A	Key Elements of West Suffolk Governance Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• Constitution • Employees Code of Conduct • Members Code of Conduct • Contract Procedure Rules • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Anti-Money Laundering Policy • Registers of Interest • ICT Security Policy • Monitoring Officer
Activity within Principle A in 2018/19	
• A significant proportion of activity in this area has inevitably focused on establishing governance arrangements for the new West Suffolk Council. • To support efficient working practices ahead of the formation of West Suffolk Council, a combined Cabinet structure was agreed in May 2018. • On 24 May 2018, the Government issued the order to create the Shadow West Suffolk Authority. The Shadow Authority met for the first time shortly thereafter and agreed its own constitution. • Work has progressed to develop the new constitution for West Suffolk, culminating in approval of the constitution in February 2019, including refreshed codes and protocols outlining member behaviour. • The procurement policy was reviewed. • Anti-fraud related messages were published on the West Suffolk intranet at regular intervals to increase staff awareness. • Issue of Information Framework document to describe our direction of travel regarding data and information. • Guidance covering the Regulation of Investigatory Powers Act (RIPA) was reviewed and renewed.	
Principle B	**Key Elements of West Suffolk Governance Framework**
Ensuring openness and comprehensive stakeholder engagement	• Annual Report • Reports and Minutes available on councils' website • Consultation Statement • Equality Statements

	• Uses complaints and feedback to aid learning for future service development.
Activity within Principle B in 2018/19	
• During 2018/19, the councils have carried out a range of consultation and engagement exercises, on a wide range of topics. Several of these relate to the new arrangements needed for West Suffolk Council, for example, harmonising licensing regimes, and the arrangements for civic leadership of the new council. A range of consultation methods were used, including online surveys, focus groups, interviews and stakeholder engagement events. Opportunities to take part were widely promoted through the local press, community networks and social media. The councils made particular efforts to engage with hard to reach groups, for example through liaison with local disability groups and targeted programmes of engagement with schools. • We used Facebook Live for the first time to engage with people around Civic Leadership and answer questions put by the public in a live film that was also published elsewhere. This live film and other engagements were shared into around 60 local Facebook Groups in which officers and councillors answered questions about proposals and initiatives as well as signposting people to where they could have their say. The film was viewed more than 10,000 times. • We have also implemented a forum for our taxi drivers to discuss issues with our licensing officers and councillors. • A revised Complaints Policy is being drafted to include a section on the process for managing Persistent and Vexatious Complainants. The Policy was reviewed by both Overview and Scrutiny Committees in January, ahead of seeking formal approvals for the adoption of the Policy at Joint Executive (Cabinet) in February. Once adopted, the Policy will come into effect on the 1 April 2019, to coincide with the commencement of West Suffolk Council, and be published on the council's website.	
Principle C	**Key Elements of West Suffolk Governance Framework**
Defining outcomes in terms of sustainable economic, social and environmental benefits	• Strategic Framework • Growth Investment Strategy • Business Plans • Medium Term Financial Strategy • Local Plans • Risk Management Policy and Toolkit • Investment Framework
Activity within Principle C in 2018/19	
• The Councils' Strategic Framework, published in December 2017, was adopted by the Shadow Authority for West Suffolk Council. The document provided the overarching direction for a number of other strategies, plans and communications produced in 2018/19, including a new	

homelessness reduction strategy (in response to the Homelessness Reduction Act 2017) which sets out our priorities for preventing and reducing homelessness, tackling the main causes of homelessness and supporting those in need, a new housing strategy which sets out how we will respond to the housing challenges we are facing in order to respond to and plan for the growing need for additional housing in West Suffolk, and a new strategy for investing in growth.

- Other policies, strategies or plans have been refreshed where appropriate, or aligned where separate Forest Heath and St Edmundsbury documents remained. Where joint policies had already been produced, these were amended under delegated authority from the Shadow Executive to become West Suffolk Council documents.
- The Investing in Growth Strategy was approved by both councils in January 2018 with the objective of investment in West Suffolk to achieve strategic priorities and provide revenue returns to help pay for delivery of services. Investments to date have included the purchase and development of the former Post Office on Cornhill in Bury St Edmunds which will play a fundamental role in place shaping the town centre and delivering on the Masterplan, and purchase of a property in Newmarket providing temporary residential accommodation and commercial investment from retail units.
- A review of the existing Local Plans commenced in November 2018 with evidence gathering and a formal consultation in 2019. The document is programmed for completion in 2023 to meet our council ambitions and to safeguard communities from speculative unsustainable growth – development in the wrong locations and without the necessary strategic infrastructure. The Local Plan will provide a positive, flexible and deliverable planning policy framework for West Suffolk.
- The councils have partnered with other Suffolk councils to form Suffolk Design, a new joint initiative to support how planning helps good growth.

Principle D	Key Elements of West Suffolk Governance Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	• Consultation Strategy • Families and Communities Strategy • Balance Scorecards • Procurement Policy • Medium Term Financial Strategy • Business Partners Model

Activity within Principle D in 2018/19

- Guidance has been prepared for officers who are working on commercial ventures that addresses issues including assessing opportunities, when and how to trade, setting up and running a company. This has been prepared having regard to the provisions of the Companies Act 2006 as well as relevant local government legislation and CIPFA guidance.

The commercial programme board ensures this guidance is followed when dealing with commercial opportunities.

- The council has developed a standard business case template for use in major projects and investment opportunities. The template follows HM Treasury's Green Book guidance and uses the five case model. This analyses a project under the following aspects:
    - Strategic Case
    - Economic Case
    - Commercial Case
    - Financial Case
    - Management Case

  The business case template and guidance has been endorsed by the councils' Commercial Programme and Leadership Team and has been incorporated in the councils' programme management approach.
- West Suffolk councils inform decision making around policies and interventions with research and evidence of good practice from other councils and think tanks. Through the weekly policy alerts prepared by the Corporate Policy Team and disseminated to staff and councillors, evidence gathered from evaluation and horizon scanning is shared with decision makers.
- Use of revised key performance indicators within balance scorecards aligned behind the strategic priorities, reviewed monthly by Leadership Team and quarterly at Performance and Audit Scrutiny Committee.
- The establishment of the Suffolk Office of Data and Analytics (SODA) in June 2018, put the cross-system data and analysis work previously funded by the Transformation Challenge Award on a permanent footing. SODA is funded by equal contributions from all Suffolk local authorities, Suffolk Constabulary and the two CCG groups in Suffolk, and the Data and Insight Manager and SODA lead is hosted by West Suffolk. The establishment of SODA and the projects undertaken (for example, the development of a business rates analysis tool) meant a wider range of data and evidence could be used in the development of policy and strategy by the West Suffolk councils.
- In the February 2018 budget, additional resources were agreed to be allocated to support delivery of key programmes within the councils that would lead to additional income for the councils in the long term as well as supporting growth within our communities. During the year, these posts have been appointed to and are commencing work to support services as identified within the budget.
- As part of the Growth Restructure, three "Place Programme Delivery Lead" posts were created. Working flexibly but with a focus on specific localities, the objective of the roles is to help co-ordinate, facilitate and drive forward built-environment projects, taking into account the requirements of place and interactions with other projects and initiatives within that location.
- Progress was made in implementing a Development Management Improvement Plan during the year to further enable right first time, high quality, policy compliant developments through early engagement.

• A number of learning events have been held with partner organisations regarding the Duty to Refer procedures that commenced in October 2018. • The councils' Waste and Street Scene Service has been remodelled into four business units to move away from silo working to introduce matrix working. • New Public Space Protection Orders have been introduced which enable the councils to take action against specific antisocial behaviour activities.	
Principle E	**Key Elements of West Suffolk Governance Framework**
Developing the entity's capacity, including the capability of its leadership and the individuals within it	• Workforce Plan • Learning and Development Policy • Member Development Group • Constitution • Employees Performance Review Framework • Disciplinary Procedure • Job Descriptions
Activity within Principle E in 2018/19	
• Review, and endorsement by the councils' workforce, of a new pay model to be implemented in April 2019. • Adoption and commencement of the work involved in the Workforce Strategy which links the councils' priorities for development in terms of skills and behaviours; recruitment and retention; pay, reward and recognition, and reviewing the PDR scheme in terms of values and behaviours and the framework; health and wellbeing; and workforce planning and data. • Ongoing training within service areas, for example, in respect of the Homelessness Reduction Act 2017, mental health first aiders, county lines, and investigatory training for enforcement officers. • Development of the Induction Plan for Members elected in May 2019 to the new council.	
Principle F	**Key Elements of West Suffolk Governance Framework**
Managing risks and performance through robust internal control and strong public financial management	• Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy and Growth Investment Strategy • Budget Monitoring • Performance and Audit Scrutiny Committee • Strategic Risk Register • Investment framework • Risk Management Toolkit • Balance Scorecards

	• Internal Audit • Business Continuity Plan • Complaints
Activity within Principle F in 2018/19	
• Revised Treasury Management Strategy and Code of Practice. • Created new Capital Strategy 2018/19. • Budget monitoring reporting has been enhanced and improved with focus on income and expenditure. • Strategic Risk Register reviewed and updated. • Business Continuity Plan has been updated.	
Principle G	**Key Elements of West Suffolk Governance Framework**
Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Councils' Website • Statement of Accounts • Annual Governance Statement • Annual Report • Medium Term Financial Strategy • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Data Protection Policy • Officer Information Governance Group • Balance Scorecards • Annual Internal Audit Report and Opinion
Activity within Principle G in 2018/19	
• During 2018/19, the councils have implemented their programme to ensure compliance with GDPR. This was a comprehensive programme of work across all services to review data protection practices. Data incidents and subject access requests are being monitored in line with good practice, and we have continued to keep a watching brief on all emerging guidance. • Following this exercise, and an internal audit review, it was identified that there are opportunities to better use data within the councils, and the need for further information governance work to support major programmes / projects that utilise data – such as the relocation of the Mildenhall Office, West Suffolk Operational Hub, and the emerging Digital Strategy. With this in mind, in October 2018, the councils appointed an Information Governance Officer. Priorities include the development of an information governance framework and action plan, and support the councils' compliance with the Government's transparency standards including ease of access to the data. • Good progress has been made against implementing the recommendations (all relatively minor)	

raised as part of the external independent assessment of Internal Audit in March 2018. Actions taken have included revising the internal audit scoping document template to make it clearer that audit work is risk-based, make the links to strategic objectives clearer, and review of the form of the annual audit opinion to make it more informative.

4. Review of effectiveness

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

- a self-assessment exercise;
- consideration of the relative significance of audit issues raised and audit opinions issued during the period;
- the external auditor's comments, and other review agencies and inspectorates' reports; and
- where appropriate, production of an action plan where progress is assessed and recorded.

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

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

4.4 Based upon the audit work undertaken during the financial year 2018/19, as well as assurances made available to the councils by other assurance providers, the Service Manager (Internal Audit) has confirmed that reasonable assurance can be provided that the systems of internal control within these areas of the councils, as well as the risk management systems, are operating adequately and effectively. Similar to previous years, Internal Audit work has however identified a number of areas where existing arrangements could usefully be improved, and agreed actions will be followed up by Internal Audit in the usual way.

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

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

5. Significant governance issues

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

- seriously prejudiced or prevented achievement of the councils' objectives;
- resulted in a need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the councils' services;
- led to material impact on the accounts;
- received adverse commentary in external inspection reports;
- been treated by the Service Manager (Internal Audit) as being significant in internal audit reports issued during the year;
- attracted significant public interest or seriously damaged the councils' reputation;
- resulted in formal action being taken by the s151 Officer and / or the Monitoring Officer; or
- members had advised that it should be considered significant for this purpose.

5.2 There are no significant governance issues to disclose for 2018/19.

6. Assessment of Brexit Risk

6.1 In anticipation of the UK's planned exit from the EU in 2019 the councils have kept a watching brief regarding developments around the withdrawal agreement and the future relationship with Europe. This has included engagement with LGA activities and briefings and participation in a cross Suffolk Officer Group working on the implications of the UK's withdrawal for the local area. The councils' risk assessment has considered risks and opportunities which may or may not arise from Brexit.

7. Assurance by Chief Executive and Leaders of the Councils

We approve this statement and confirm that it forms the basis of the councils' governance arrangements. From 1 April 2019 the new West Suffolk Council will be responsible for monitoring and strengthening its own governance arrangements.

Signed:	Signed:
James Waters	**John Griffiths**
Leader of the Council	**Leader of the Council**
Date:	Date:

Signed:

Ian Gallin
Chief Executive

Date:

Note: The Annual Governance Statement was approved by Performance and Audit Sub Committee on 31st January 2019.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOREST HEATH DISTRICT COUNCIL

Opinion

We have audited the financial statements of Forest Heath District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- the Expenditure and Funding Analysis to the Authority Accounts;
- the related notes 1 to 37;
- the Collection Fund and the related notes C1 to C3; and
- the Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Forest Heath District Council as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the "*2018/2019 Statement of Accounts*", other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Forest Heath District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

Responsibility of the Chief Financial Officer

As explained more fully in the "*Statement of responsibilities for the Statement of Accounts*" set out on page 11, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Forest Heath District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Forest Heath District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

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

Certificate

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

Use of our report

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

MARK HODGSON

ERNST + YOUNG LLP

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge

Date: 16 August 2019

The maintenance and integrity of the Forest Heath District Council (West Suffolk Council) web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary

Accounting Code of Practice

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

Accounting Period

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

Accruals

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

Actuarial Gains and Losses

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

Actuarial Valuation

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

Actuary

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

Amortised Cost

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

Asset

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

Assets Held for Sale

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

Balance Sheet

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

Budget

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

Glossary

Business Rate Retention Scheme

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

Capital Expenditure

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

Capital Financing

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

Capital Receipts

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Chief Financial Officer (CFO)

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

Code of Practice on Local Authority Accounting in the United Kingdom

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

Creditors

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

Contingent Liabilities

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

Debtors

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

Defined Benefit Pension Scheme

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

Deminimis

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

Depreciation

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

Donated Asset

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

Employee Benefits

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

External Auditor

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

Exit Package

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

Fair Value

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

Financial Instruments

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

Financial Timetable

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

Formula Grant

The aggregate of Revenue Support Grant (RSG) plus Baseline Funding (redistributed income from Business Rates Retention to reflect need but excluding any locally generated growth). Formula Grant is divided into four blocks:

1. A needs assessment – Relative Needs Formulae (RNF) – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes account of characteristics such as population and social structure

2. A resources element – relative resources amount – takes account of the different capacity of different areas to raise income from council tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities

3. A central allocation which is the same for all local authorities delivering the same services

4. A floor 'damping block' in order to give every local authority a minimum grant increase. Grant increases to other councils in the same class are scaled back to pay to bring all local authorities up to the appropriate floor increase.

Governance

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

Glossary

Grants and Contributions

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

Heritage Assets

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

International Accounting Standard (IAS)

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

International Financial Reporting Standards (IFRS)

Financial reporting standards developed by the International Accounting Standards Board.

Joint Arrangement that is not an entity (JANE)

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

Joint Venture

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

Local Authority Scotland Accounts Advisory Committee (LASAAC)

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

Liability

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

Long Term Borrowing

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

Materiality

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

New Homes Bonus

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

Non-Current Assets

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

Pension Schemes

1. Retirement Benefits

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

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

2. Scheme Liabilities

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

Revenue Expenditure and Income

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

Revenue Support Grant

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

Section 106 Contributions

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

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

Section 151 Officer

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

Senior Officer

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

a) the designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;

b) the head of staff for a relevant body which does not have a designated head of paid service; or

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

SOLACE (Society of Local Authority Chief Executives)

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

Termination Benefits

Employee benefits payable as a result of either:

a) an entity’s decision to terminate employment before the normal employment date, or

b) an employee’s decision to accept voluntary redundancy in exchange for those benefits.

Further Information

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

Main Office

District Offices
College Heath Road
Mildenhall
Suffolk
IP28 7EY

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

Brandon Office

The Brandon Centre
Bury Road
Brandon
Suffolk
IP27 0BQ

Newmarket Office

63 The Guineas
Newmarket
Suffolk
CB8 8HT

River Lark, Mildenhall