

# Statement of Accounts 2009/10



Babergh District Council  
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# **Babergh District Council Statement Of Accounts 2009/10**

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## Explanatory Foreword

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### **1. Introduction**

This foreword provides an explanation of the most significant matters affecting the Council's accounts in 2009/10, including a comparison of actual income and expenditure against the budget and the Council's overall financial position. The aim is to assist readers in understanding key aspects of the Council's finances for the year and the detailed accounting statements.

### **2. Background**

The Statement of Accounts has been produced in accordance with the 2009 Statement of Recommended Practice (the SORP). This is the Accounting Code of Practice for local authorities published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the leading professional accountancy body for public services. The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority. It prescribes the accounting treatment and minimum requirements for disclosures.

### **3. Audit Opinion**

The accounts are published subject to audit

### **4. Accounting and Disclosure Changes**

The 2009/10 Accounts reflect the following:

- A new disclosure requirement to include a note on remuneration information for senior officers to demonstrate complete transparency to taxpayers. This extends previous disclosure requirements to provide details of the number of officers whose remuneration exceeds £50,000 in £5,000 bands and additional details for certain senior officers.
- A change in the treatment on accounting for Council Tax and National Non Domestic Rates. The amount of Council Tax included in the Income and Expenditure Account is now the accrued income for the year. Furthermore, the Council now has to show their proportion of Council Tax debtors and corresponding creditors separately to the amount owed to or by the precepting authorities. The 2008/09 income and expenditure account and balance sheet have been restated to reflect these changes. Further details on the impact of the changes are provided in the notes to the core financial statements.

- Four disclosure notes have been removed to reflect the 2009 SORP:
  - Section 137 discretionary expenditure
  - Expenditure on publicity
  - The Building Control Account
  - Income under the Local Authorities goods and Services Act

### 5. Statements Included

As specified under the SORP the following accounting statements have been prepared:

#### (i) Statement of Accounting Policies.

Policies adopted in compiling the Accounts for the year are set out.

#### (ii) Statement of Responsibilities for the Statement of Accounts.

The respective responsibilities of the Council and the Director of Finance are set out.

#### (iii) The Core Financial Statements:

##### Income and Expenditure Account

The net cost of all the Council's functions and how this is met by government grants and local taxpayers, in accordance with the SORP, which is informed by UK GAAP and Urgent Issues Task Force (UITF) Abstracts to the extent that they are applicable.

##### Statement of Movement on the General Fund Balance

This statement shows amounts, in addition to the surplus or deficit on the Income and Expenditure account that are required by statute and by non-statutory proper practices which impact on the General Fund balance. This statement provides the necessary reconciliation between the surplus or deficit on the Income and Expenditure Account and the General Fund Balance.

##### Statement of Total Recognised Gains and Losses

Gains and losses of the Council that are recognised in the Balance Sheet but not reflected in the Income and Expenditure Account are included with the Income and Expenditure Account outturn to show the movement for the year in the Council's Net Worth, which is shown on the Balance Sheet.

##### Balance Sheet

Fundamental to the understanding of the Council's financial position at the year-end, the Council's balances and reserves, its long term indebtedness, and the fixed and net current assets employed in its operations, are shown.

##### Cash Flow Statement

Significant elements of all the cash transactions with third parties for both revenue and capital purposes.

#### (iv) Notes to the Core Financial Statements.

The SORP requires certain information to be disclosed in notes to the core financial statements. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

### **(v) Supplementary Financial Statements:**

#### **Housing Revenue Account (HRA)**

The HRA records revenue expenditure and income relating to the Council's housing stock.

#### **Statement of Movement on the HRA Balance.**

This statement provides the necessary reconciliation between the surplus or deficit on the HRA and the amounts that are required by statute and by non-statutory proper practices that impact on the HRA balance.

#### **Notes to the Housing Revenue Account**

The SORP requires certain information to be disclosed in notes to the HRA. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

#### **Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

#### **Notes to the Collection Fund**

The SORP requires certain information to be disclosed in notes to the Collection Fund. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

### **(vi) Accompanying Statements**

#### **Audit Report**

The external Auditor's responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing. The auditor's opinion is given on whether the financial statements present fairly, in accordance with applicable laws and regulations and the SORP.

#### **Annual Governance Statement**

Required to be included with the Statement of Accounts, this is not directly covered by the Director of Finance's certification nor the audit opinion.

#### **Glossary of Terms**

Explanations are given to help the reader understand some of the terms used.

**6. Net Revenue Expenditure**

The Income and Expenditure (I & E) Account includes all expenditure on services including Council Housing, interest payable and other operating costs, income from grants, local taxpayers and other sources.

It also includes changes resulting from the revaluation of assets, which impacts both on the HRA in relation to Council Housing, but also affects the reported costs of General Fund services. A comparison of the overall position in 2009/10 compared with 2008/09 is given below, removing these items to arrive at the resulting General Fund position is shown below:

	<b>2008/09</b>	<b>2009/10</b>
	<b>Restated</b>	
	<b>£000</b>	<b>£000</b>
Reported I&E deficit/(surplus) for the year	35,393	<b>(9,220)</b>
Adjust for:		
Revaluation of assets (impairment/increase in value)	(32,613)	<b>11,737</b>
Other Changes	<u>(2,301)</u>	<u><b>(1,843)</b></u>
Actual deficit for the year/decrease in General Fund balance	<u><b>479</b></u>	<u><b>674</b></u>

**General Fund**

The following table compares the actual position on income and expenditure with the original and revised budget for the year. This covers all services excluding Council Housing:

	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Expenditure (excl. items below)	11,407	11,384	11,162	(222)
Revenue Financing - Capital Investment	450	10	14	4
Transfer to (from) Earmarked Reserves	<u>(615)</u>	<u>34</u>	<u>30</u>	<u>(4)</u>
Net Revenue Expenditure	11,242	11,428	11,206	(222)
Less: Government Formula Grant and Council Tax	<u>(10,532)</u>	<u>(10,532)</u>	<u>(10,532)</u>	<u>-</u>
Deficit/Use of Reserves	<u><b>710</b></u>	<u><b>896</b></u>	<u><b>674</b></u>	<u><b>(222)</b></u>

The original budget was based on making savings of around £1.3m during the year and this has been achieved.

In addition to the overall favourable variance of £222,000 shown above, voluntary redundancy costs of approximately £100,000 were met in 2009/10 which were previously included in the 2010/11 Budget. Therefore, the true variation is £322,000, details of which are provided below:-

	<b>Variation £000</b>
<b>Savings:</b>	
Salaries and other employment costs	100
Countryside management and open spaces contract	32
Asset Management	34
Concessionary travel	33
Corporate Management and Democratic Services	33
Art, Tourism and Grants	9
Economic Development	14
Environmental Protection	28
Costs allocated to HRA	46
	<u><b>329</b></u>
<b>Additional Costs:</b>	
Waste collection	(72)
Planning Policy	(16)
	<u><b>(88)</b></u>
<b>Additional Income:</b>	
Housing/Council Tax Benefit grant	36
Council Tax collection	19
Green waste	17
Industrial starter units and Belle Vue	10
Planning fees	24
Other	10
	<u><b>116</b></u>
Reduced Income	(24)
Other minor variations	(11)
	<u><b>322</b></u>
<b>Total net saving compared to budget</b>	<u><u><b>322</b></u></u>

## Housing Revenue Account (Council Housing)

	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>
Income	(14,312)	(13,746)	(13,932)
Expenditure (net of appropriations)	14,312	13,805	13,779
Decrease/(Increase) in Housing Revenue Account Balance	<u><b>-</b></u>	<u><b>59</b></u>	<u><b>(153)</b></u>
Variance from Revised Budget			<b>212</b>

An analysis of the variation is shown below:

	£000
<b>Higher Income:</b>	
Rent income & charges	103
Government Grant	28
	<u>131</u>
<b>Additional Costs:</b>	
Repairs & maintenance	(145)
Cost allocated to HRA from GF	(46)
	<u>(191)</u>
<b>Savings:</b>	
Energy costs	52
Planned maintenance	91
Utility contracts	20
Non-programmed maintenance	72
Management and staffing and others	37
	<u>272</u>
<b>Total net saving compared to budget</b>	<u><u>212</u></u>

### 7. Capital Expenditure

Capital Expenditure and how it has been financed is shown in summarised form below, comparing it with the approved (original and revised) capital programme.

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
<b>Expenditure</b>				
ICT/Information Management	370	634	558	(76)
Asset Management	4,519	1,815	1,657	(158)
Community Services	562	582	404	(178)
Private Sector Housing	710	584	505	(79)
The Environment	442	209	15	(194)
<b>Total General Fund</b>	<u>6,603</u>	<u>3,824</u>	<u>3,139</u>	<u>(685)</u>
Council Housing	3,400	3,570	3,581	11
<b>Total</b>	<u><u>10,003</u></u>	<u><u>7,394</u></u>	<u><u>6,720</u></u>	<u><u>(674)</u></u>
<b>Financed from:</b>				
Supported borrowing *	550	550	550	-
Non-supported borrowing	2,741	1,467	1,179	(288)
Capital Receipts	2,219	1,266	1,189	(77)
Grants/external contributions including LABGI	1,603	1,141	825	(316)
Major Repairs Allowances *	2,280	2,569	2,576	7
Revenue *	610	401	401	-
<b>Total</b>	<u><u>10,003</u></u>	<u><u>7,394</u></u>	<u><u>6,720</u></u>	<u><u>(674)</u></u>

\* All Council Housing apart from £90k use of revenue from earmarked revenue reserves in the original budget

An analysis of the variance compared to the revised budget is shown below:

	<b>Variance £000</b>
ICT - final payment on LAMP project	50
Green Waste Scheme	135
Haven Gateway Projects (externally funded)	65
Hadleigh Swimming Pool - enhancements (externally funded)	150
Kingfisher Leisure Centre - planned maintenance	60
Affordable Housing	120
Other	94
	<b><u>674</u></b>

Some savings have arisen but the majority of this expenditure will be carried forward and take place in 2010/11 or future years.

In terms of borrowing, the current strategy is to use internal surplus funds temporarily to finance the capital expenditure indicated above i.e. no external borrowing has been undertaken during the year. The Council's net borrowing facility shown below indicates the extent to which the Council has temporarily borrowed internal resources to finance capital expenditure rather than borrow externally. Advice is sought regarding the timing of replacing any internal borrowing with external borrowing:

	<b>£000</b>
Underlying need to borrow at 31 March 2010 (Capital Financing Requirement)	7,162
Long Term Borrowing at 31 March 2010 (Public Works Loan Board)	<u>(1,100)</u>
Net Borrowing Facility at 31 March 2010	<b><u>6,062</u></b>

## 8. Pensions

There is a substantial deficit on the Council's Pension Fund, administered by Suffolk County Council. The most recent triennial valuation and actuarial review was on 31 March 2007 and costs shown in the accounts for 2008/09 and 2009/10 are based on this review. That valuation indicated a deficit on the fund of £6.7m and annual lump sum payments are being made towards this.

The Council's contribution rate to the Pension Fund for the 3 years commencing in 2008/09 increased from 13.3% of pay to 16.0%.

For accounting purposes, the estimated deficit (under Financial Reporting Standard 17) stood at £31.5m as at 31 March 2010. Given the continued difficult economic conditions in 2009/10, this is considerably higher than the £14.7m as at 31 March 2009. The reasons as assessed by the Fund's actuary, are given in the Notes to the Core Financial Statements (Note 36. Pensions Reserve). The next full actuarial review takes place on the 31 March 2010.

## 9. Sources of Funds/Reserves.

A summary of the Council's funds available to meet its future expenditure plans and other financial commitments is shown below.

	<b>31 March 2010 £000</b>	31 March 2009 £000
<b>General Fund</b>		
General Reserves	1,685	2,359
Earmarked Reserves	1,259	1,229
Collection Fund	(13)	(128)
	<b>2,931</b>	<b>3,460</b>
<b>Housing Revenue Account</b>		
General Reserves	1,213	1,060
Major Repairs Reserve	186	520
	<b>1,399</b>	<b>1,580</b>
	<b>4,330</b>	<b>5,040</b>

There are plans to use some of these reserves in future years and, specifically in 2010/11. In addition, some of the money will be needed to meet the expenditure carried over from 2009/10.

## 10. Future Plans and Challenges

### Annual Efficiency Targets and savings

The Council needs to achieve significant savings and efficiencies in future Budgets and to meet the Government's annual efficiency targets. It is currently forecast that savings of between £1m and £1.5m a year could be needed in the next 3 years. This will depend upon a range of factors including the scale of Government grant cuts that affect the Council.

### Shared Services and Partnerships

Linked to the above, the Council is exploring opportunities to enter into shared service arrangements with Mid Suffolk District Council, both in terms of service integration and, potentially, a full merger where the two Councils are combined into one. This will depend on there being a clear business case and Government approval. The Council is also looking to establish a Shared Revenues Partnership with Mid Suffolk District Council and Ipswich Borough Council.

### 11. Further Information

The Council publishes a number of important documents to inform the public about the work of the Council. These (including the annual Statement of Accounts and Summary Financial Information) can be viewed and downloaded via the Council and Democracy page of the Council's website: [www.babergh.gov.uk](http://www.babergh.gov.uk).

Further information about the accounts is available from the Council's Director of Finance.

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## Statement of Accounting Policies

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### **1. General Principles**

The financial statements have been prepared under the historical cost convention as modified by any revaluation of tangible fixed assets. They have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply with proper accounting practice under the terms of the Local Government and Housing Act 1989 and the Local Government Act 2003 and incorporate provisions of various Financial Reporting Standards (FRS's).

### **2. Accruals of Income and Expenditure**

Items of income and expenditure are accounted for in the year to which they relate. Payments may be made, or receipts received, in the year prior or subsequent to the appropriate year. Accruals are made to reflect the economic effect of expenditure incurred or income earned.

This means that all material sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been paid or received in the year.

Where income and expenditure has 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.

### 3. Events After the Balance Sheet Date

Where a material post balance sheet event occurs which, prior to issue authorisation:

- provides additional evidence relating to conditions existing at the balance sheet date, or
- indicates that application of the going concern concept to a material part of the Council is not appropriate

changes are made in the amounts to be included in the Statement of Accounts.

The occurrence of a material post balance sheet event, which concerns conditions that did not exist at the balance sheet date, is also disclosed.

FRS 21 requires that the date the financial statements are *authorised for issue* be disclosed. This is the date beyond which there can be no reasonable expectation that events could have been taken into account by the Council. The Director of Finance authorised paper copies of the accounts to be printed for dispatch to Council Members on 22 June 2010, and the authorised for issue date, i.e. when the Statement is ready for publication, has been determined as 30 June, the date on which the Council approves the accounts.

### 4. Financial Assets

Financial assets are classified into two types:

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

#### *Loans and Receivables*

Loans and receivables (debtors) are initially measured at fair value and shown at their amortised cost. The amount credited to the Income and Expenditure Account for interest receivable is based on the value of the asset multiplied by the effective rate of interest for the instrument.

However, the Council has made a few small business start-up loans at less than market rates (soft loans). When soft loans are made, any significant loss is recorded in the Income and Expenditure Account for the Present Value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that, where significant, the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

### *Available-for-sale Assets*

Available-for-sale assets represent all those assets that are not required by the SORP to be classified in another category. They are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

### **5. Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, 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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

### 6. Government Grants and Contributions

Government grants and third party contributions are accounted for on an accruals basis. They are recognised in the accounts when the conditions for their receipt have been complied with, there is a reasonable assurance that the grant or contribution will be received and the expenditure for which the grant is given has been incurred.

Specific revenue grants are credited to the appropriate service revenue account where they are matched with the expenditure to which they relate. Grants to cover net operating expenditure (e.g. Revenue Support Grant) are credited to the Income and Expenditure Account as a source of finance to meet Net Operating Expenditure. Grants and contributions towards fixed assets are credited to a Government Grants and Contributions Deferred Account and written off to the appropriate Service Revenue Account over the useful life of the assets to match the depreciation of the assets to which they relate.

### 7. Group Accounts

The Group Accounting requirements of the 2009 Statement of Recommended Practice (SORP) have been fully acknowledged. No arrangement requiring Group Accounting has been identified.

### 8. Interest in Companies and Other Entities

The Council has no material interest in companies and other entities that have the nature of subsidiaries, associates and joint ventures that would require it to prepare group accounts.

### 9. Investments

All investments are recorded in the Balance Sheet at cost plus accrued interest outstanding. Interest on investments is credited to the Income and Expenditure Account when receivable.

### 10. Leases

#### *Finance Leases*

#### *Contract and Service Agreements*

The Council has carried out a review of contracts and service agreements in relation to service concessions as a result of the introduction of IFRIC 12. Contracts and agreements were assessed and as a result of this review no change to accounting treatment is required for 2009/10.

#### *Finance Leases*

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

#### *Operating Leases*

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### 11. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation; and
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and past service costs.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services, and are not apportioned to other services.

### 12. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

### 13. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered to be reserves. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed by a reserve is incurred, it is charged to the appropriate service revenue account in that year as part of the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back to the General Fund Balance Statement so that there is no net charge against Council Tax for the expenditure.

The Council has set aside revenue and capital reserves, details of these are provided in the notes to the accounts. Reserves include earmarked reserves set aside for specific policy purposes, and balances that represent resources set aside as general contingencies and cash flow management. Certain reserves can only be used for specific statutory purposes. The Revaluation Reserve, the Usable Capital Receipts Reserve and the Capital Adjustment Account are examples of such reserves.

### 14. Retirement Benefits

The Local Government Pension Scheme (LGPS), administered by Suffolk County Council, is accounted for as a defined benefits scheme. The defined benefits (retirement lump sums and pensions) are earned as employees work for the Council. The Council contributes to the LGPS, to provide pensions for its employees. These pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the revenue accounts.

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

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

Scheme assets include current assets, such as debtors and cash, as well as the investment portfolio. Accrued expenses and other current liabilities (such as fees payable to fund managers) are deducted from the net asset/liability.

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 – i.e. 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.

FRS 17 requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full, longer-term effect that the award of retirement benefits in any year has had on the Council's financial position. A net pensions asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme. Benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings, are valued by an actuary who works to the principles contained in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

### 15. 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 fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

### 16. Stocks and Works in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. A valuation of Stocks and Works in Progress is undertaken annually, where appropriate.

### 17. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### **Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefit to the Council for a period of more than one financial year. This excludes expenditure on routine repairs and maintenance of fixed assets and expenditure below a de-minimis level of £10k, which are charged direct to revenue. Any asset acquired for other than a cash consideration or where payment is deferred is also likewise included in the Balance Sheet at a fair value.

### **Measurement**

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Land and buildings, vehicles, plant and equipment are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in their existing use. Council Houses are valued on the "Beacon" principle.
- Non-operational assets, including investment properties and any assets surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value. This is normally open market value.
- Infrastructure assets and community assets are held at depreciated historical cost.

Net current replacement cost is assessed as:

- Existing Use Value for non-specialised operational properties, e.g. car parks
- Depreciated Replacement Cost (DRC) for specialised operational properties, e.g. leisure pools
- Market Value for investment properties and surplus assets

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, 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 Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

All valuations are on a basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Valuations for 2009/10 have been carried out by a qualified valuer.

### **Impairment**

The values of each category of assets and of material individual assets that are not being depreciated are reviewed on an annual basis for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where a permanent reduction in the value of the asset is identified attributable to the consumption of economic benefits – the loss is charged to the relevant service revenue account

- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

A reversal of an impairment loss charged to a service revenue account in a prior year, will be disclosed as a reduction in expenditure in that service revenue account in the year of reversal.

### ***Disposals***

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

### ***Depreciation***

Depreciation is provided on all fixed assets with a finite useful life, with the exception of investment properties. The value of the assets in the Balance Sheet is depreciated over the periods expected to benefit from their use. Where an asset has major components with different estimated lives, these may be depreciated separately. No provision is made for non-depreciable land and non-operational assets.

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.

Assets are depreciated on the basis shown in the Notes to the Core Financial Statements (Note 21. Depreciation Methodologies).

### ***Grants and Contributions***

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited initially to the Government Grants and Contributions Deferred Accounts. The balance is written down to revenue to offset the depreciation charges made for those assets in the relevant service revenue account, in line with the depreciation policy applied to them.

### *Charges to Revenue*

Service revenue accounts and support services are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- amortisation (write down) of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, 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 (an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjustment to the Capital Adjustment Account for the difference between the two.

### **18. Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance but are identifiable and are controlled by the Council (e.g. software licences) is usually capitalised when the original cost exceeds £10k and where it will bring benefits to the Council for more than one financial year. The balance is amortised (written off) to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

### **19. Value Added Tax (VAT)**

VAT is included in the income and expenditure accounts only to the extent that it is irrecoverable from HM Revenue & Customs.

## **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 secure that one of its Officers has the responsibility for the administration of those affairs. In this Authority, that Officer is the Director of Finance;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **The Director of Finance's Responsibilities**

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

In preparing this Statement of Accounts, the Director of Finance 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 SORP.

The Director of Finance 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.

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31 March 2010 and its income and expenditure for the year then ended.



Barry Hunter CPFA

Director of Finance to Babergh District Council      30 June 2010

### **Completion of the Approval Process by the Authority**

I In accordance with the requirements of s10 of the Accounts and Audit Regulations, I confirm that the Statement of Accounts was approved by a resolution of the Babergh District Council on 30 June 2010.



David Wood

Chairman of Babergh District Council      30 June 2010

## **The Accounting Statements: The Core Financial Statements**

The Core Financial Statements are applicable to all local authorities, whatever their function.

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## Income and Expenditure Account

for the year ended 31 March 2010

2008/09 Net Expenditure Restated £000		Notes	2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000
964	Central Services to the Public Cultural, Environmental, Regulatory and Planning Services		6,978	(5,876)	1,102
3,157	Environmental and Regulatory Services		5,371	(1,946)	3,425
2,260	Cultural and Related Services		2,722	(307)	2,415
1,835	Planning and Development Services		2,412	(1,044)	1,368
701	Transport Services		1,058	(293)	765
32,279	Local Authority Housing (HRA)	15	865	(13,932)	(13,067)
1,140	Other Housing Services		18,669	(17,774)	895
1,954	The Corporate and Democratic Core	5	2,218	(4)	2,214
482	Non Distributed Costs		-	-	-
44,772	<b>Net Cost of Services</b>		<b>40,293</b>	<b>(41,176)</b>	<b>(883)</b>
	<b>Other Income and Expenditure</b>				
	(Gain) / Loss on the disposal of Fixed				
788	Assets	6	572	-	572
316	Interest payable and similar charges		93	-	93
90	Contribution of Housing Capital Receipts to the Government Pool	34	625	-	625
(578)	Interest and Investment Income	7	-	(93)	(93)
337	Pensions interest cost and expected return	42	1,136	-	1,136
1,894	Parish/Town Council Precepts		2,019	-	2,019
47,619	<b>Net Operating Expenditure</b>		<b>44,738</b>	<b>(41,269)</b>	<b>3,469</b>
	<b>Principal Sources of Finance</b>				
	General Government Grants:				
(23)	Area Based Grant				(23)
(734)	Revenue Support Grant				(1,148)
(29)	LABGI				(86)
(5,271)	Non Domestic Rates Redistribution				(4,974)
(6,190)	Council Tax Payers (Demand on Collection Fund)				(6,450)
21	Collection Fund (surplus) / deficit				(8)
<u>35,393</u>	<b>(Surplus) / Deficit for the year</b>				<u><b>(9,220)</b></u>

## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources generated, consumed or set aside during the year as accounted for in accordance with the SORP, which is informed by UK GAAP and UITF Abstracts. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

Capital investment is accounted for as it is financed, rather than when the assets are consumed.

Retirement benefits are charged as contributions and as other amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's expenditure against the Council Tax that it raised for the year, taking into account reserves built up in past years and contributions made to reserves earmarked for future expenditure.

The reconciliation statement below summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

		<b>2009/10</b>	2008/09
		<b>Net</b>	Net
		<b>Expenditure</b>	Expenditure
			Restated
	<b>Notes</b>	<b>£000</b>	£000
(Surplus)/Deficit on Income & Expenditure Account		<b>(9,220)</b>	35,393
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year.		<b>9,894</b>	(34,914)
(Decrease) in General Fund Balance in the year	37	<b>674</b>	479
General Fund Balance brought forward		<b>(2,359)</b>	(2,838)
General Fund Balance carried forward		<b>(1,685)</b>	(2,359)

The net amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year is analysed in the supplementary statement overleaf.

## Supplement to the Statement of Movement on the General Fund Balance

### Note of reconciling items for the Statement of the Movement on the General Fund Balance

	Notes	2009/10 Net Expenditure £000	2008/09 Net Expenditure Restated £000
<b>Amounts included in the Income &amp; Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Amortisation (write down) of Intangible Fixed Assets	14	(450)	(377)
Depreciation / Impairment of Fixed Assets	14	11,169	(33,382)
Government Grants Deferred amortisation	30	325	342
Revenue Expenditure Funded from Capital under Statute Financed from Government Grants and Contributions	16	(710)	(673)
Net loss on sales of Fixed Assets	6	(572)	(788)
Net charges for retirement benefits under FRS 17	42	(2,005)	(1,809)
		<u>8,232</u>	<u>(36,253)</u>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year</b>			
Capital Expenditure charged in-year to the General Fund Balance	16	415	649
Usable Capital Receipts to meet Housing Receipts transferred to Government Pool	34	(625)	(90)
Employer's contributions to Suffolk County Council Pension Fund & Direct Pension Payments to pensioners	42	2,088	2,059
		<u>1,878</u>	<u>2,618</u>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Housing Revenue Account Balance		153	(101)
Transfer to the Financial Instruments Adjustment Account	40	237	233
Net transfer to/(from) Earmarked Reserves	38	30	15
Net transfer to/(from) Earmarked Reserves (MRR part)	HRA 4	(740)	(1,395)
Minimum Revenue Provision	16	74	-
Transfer to/(from) Collection Fund Adjustment Account		30	(31)
		<u>(216)</u>	<u>(1,279)</u>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<u>9,894</u>	<u>(34,914)</u>

## Statement of Total Recognised Gains and Losses

for the year ended 31 March 2010

	Notes	2009/10 Net Expenditure £000	2008/09 Net Expenditure Restated £000
(Surplus)/Deficit on Income & Expenditure Account		<b>(9,220)</b>	35,393
Deficit/(surplus) on revaluation of Fixed Assets	32	<b>(771)</b>	6,672
Actuarial Losses on Pension Fund Assets & Liabilities	42	<b>16,900</b>	8,454
Net Movement on Collection Fund balance		<b>(116)</b>	(23)
Derecognition of Fixed Asset		<b>106</b>	-
Other Gains and Losses		-	4
Total Recognised Losses in the year		<b><u>6,899</u></b>	<u>50,500</u>
Net Worth at 1 April		<b>179,666</b>	230,166
Net Worth at 31 March	47	<b><u>172,767</u></b>	<u>179,666</u>
		<b><u>6,899</u></b>	<u>50,500</u>

# Balance Sheet

as at 31 March 2010

31 March 2009 £000		Notes	31 March 2010	
Restated			£000	£000
1,626	<b>Fixed Assets</b>			
	<b>Intangible Fixed Assets</b>			1,747
	<b>Tangible Fixed Assets</b>			
	<b>Operational assets:</b>			
173,836	Council House Dwellings		185,777	
12,486	Land & Buildings		12,133	
787	Vehicles, Plant & Equipment		2,254	
689	Infrastructure		666	
805	Community Assets		<u>816</u>	201,646
	<b>Non-operational assets:</b>			
2,383	Land Awaiting Development		1,927	
180	Assets Under Construction		196	
2,539	Investment Property		2,665	
1,044	Surplus Assets held for Disposal		<u>1,133</u>	5,921
<u>196,375</u>	<b>Total Fixed Assets</b>	14		<u>209,314</u>
386	Long Term Debtors	22		<u>370</u>
<u>196,761</u>	<b>Total Long Term Assets</b>			<u>209,684</u>
	<b>Current Assets</b>			
75	Stocks and Work in Progress	23	53	
2,348	Debtors	24	2,903	
210	Other	24	217	
6,342	Investments	25	2,852	
-	Cash and Bank		<u>462</u>	
<u>205,736</u>	<b>Total Assets</b>			<u>6,487</u>
	<b>Current Liabilities</b>			216,171
(7)	Short-term Borrowings	25	(1,008)	
(6,761)	Creditors	26	(6,736)	
(167)	Capital Grants/Capital Contributions Reserve	27	(267)	
(76)	Provisions	29	(76)	
(369)	Cash and Bank Overdrawn		<u>-</u>	
<u>198,356</u>	<b>Total Assets less current liabilities</b>			<u>(8,087)</u>
(1,100)	Long-term Borrowing	28		208,084
(918)	Government Grants Deferred	30		(1,100)
(1,431)	Capital Contributions Deferred	30		(762)
(543)	Deferred Liabilities	19		(1,595)
(46)	Long Term Liabilities	26		(368)
(14,652)	Defined Benefit Pension Scheme Liability	42		(23)
<u>179,666</u>	<b>Total Assets Less Liabilities</b>			<u>(31,469)</u>
	<b>Financed by:</b>			172,767
989	Revaluation Reserve	32		1,685
187,915	Capital Adjustment Account	33		198,485
(826)	Financial Instruments Adjustment Account	40		(588)
1,180	Usable Capital Receipts Reserve	34		309
20	Deferred Capital receipts	35		15
(14,652)	Pensions Reserve	36		(31,469)
2,359	General Fund Reserve Balance	37		1,685
1,060	Housing Revenue Account Balance	31		1,213
520	Major Repairs Reserve	31		186
1,229	Earmarked Reserves	38		1,259
(128)	Collection Fund Adjustment Account	31		<u>(13)</u>
<u>179,666</u>	<b>Total Net Worth</b>			<u>172,767</u>



Barry Hunter CPFA (Director of Finance/Babergh District Council) 30 June 2010

## Cash Flow Statement

	Notes	2009/10 £000	2008/09 £000 Restated
<b>Revenue Activities</b>			
<b>Cash outflows:</b>			
Cash paid to and on behalf of employees		10,782	10,796
Other operating cash payments		12,983	11,170
Housing Benefit paid out		9,211	7,185
Precepts paid		2,019	1,894
Payments to the Capital Receipts Pool		481	259
		<u>35,476</u>	<u>31,304</u>
<b>Cash inflows:</b>			
Rents (after Rebates)		(8,093)	(7,936)
Council Tax receipts		(5,769)	(5,576)
National Non-Domestic Rate receipts from National Pool		(4,073)	(5,782)
Revenue Support Grant		(1,148)	(734)
DWP Grants for Housing Benefits		(9,493)	(7,018)
Other government grants	46	(1,817)	(1,431)
Cash received for goods and services		(3,194)	(3,201)
Other operating cash receipts		(2,973)	(1,741)
		<u>(36,560)</u>	<u>(33,419)</u>
<b>Net Cash (Inflow)/outflow from Revenue Activities</b>	43	<u>(1,084)</u>	<u>(2,115)</u>
<b>Servicing of Finance</b>			
<b>Cash outflows</b>			
Interest paid		46	46
Interest element of finance lease rental payments		47	59
		<u>93</u>	<u>105</u>
<b>Cash inflows</b>			
Interest received		(115)	(637)
		<u>(115)</u>	<u>(637)</u>
<b>Net Cash Flow from Finance Servicing</b>		<u>(22)</u>	<u>(532)</u>
<b>Capital Activities</b>			
<b>Cash outflows</b>			
Purchase of fixed assets		4,892	3,774
Other capital cash payments		1,335	1,202
		<u>6,227</u>	<u>4,976</u>
<b>Cash inflows:</b>			
Sale of fixed assets		(948)	(688)
Capital grants received	46	(248)	(158)
Other Capital Cash receipts		(1,445)	(400)
		<u>(2,641)</u>	<u>(1,246)</u>
<b>Net Cash Flow from Capital Activities</b>		<u>3,586</u>	<u>3,730</u>
<b>Net cash (inflow)/outflow before financing</b>		<u>2,480</u>	<u>1,083</u>
<b>Management of liquid Resources</b>			
Net (increase)/decrease in short-term deposits		(3,464)	(376)
Net (increase)/decrease other liquid resources		(22)	(101)
	45	<u>(3,486)</u>	<u>(477)</u>
<b>Financing</b>			
<b>Cash outflows</b>			
Capital elements of finance lease rental payments		175	184
		<u>175</u>	<u>184</u>
<b>(Increase)/Decrease in cash</b>	44	<u>(831)</u>	<u>790</u>

## Notes to the Core Financial Statements

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## 1. Core Financial Statements

An explanation of the purpose and nature of each Core Financial Accounting statement is included in the Explanatory Foreword to the accounts.

## 2. Prior Period Adjustments

The Council has implemented changes required by the 2009 Statement of Recommended Practices (SORP). From 1 April 2009 the collection of Council Tax is treated as an agency arrangement and the cash collected belongs proportionately to the Council and major preceptors (Suffolk County Council and the Suffolk Police Authority). As a result of these changes, the 2008/09 Core Statements have been restated. There are significant changes to the debtor and creditor balances in the Balance Sheet. The Collection Fund on page 77 does not change.

The collection of Non-domestic Rates is also now treated as an agency arrangement, collected on behalf of the Government.

The Cash Flow Statement has also been restated to reflect these changes.

The Balance Sheet adjustments are summarised below:

	<u>31st March 2009</u>		
	<u>Published</u>	<u>Adjustment</u>	<u>Restated</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
	<u>Dr/(Cr)</u>	<u>Dr/(Cr)</u>	<u>Dr/(Cr)</u>
<u>Debtors</u>			
Council Tax Payers	777	(614)	163
Business Rates Payers	382	(382)	-
Local Authorities	635	(149)	486
Government Departments	804		804
Other Debtors	1,031	8	1,039
<u>Provisions for Doubtful Debts</u>			
Council Tax Payers	(207)	179	(28)
Business Rates Payers	(163)	163	-
Other	(116)		(116)
<u>Total Debtors</u>	<u>3,143</u>		<u>2,348</u>
<u>Creditors</u>			
Local Authorities	(770)		(770)
Government Departments	(586)	(129)	(715)
Other Creditors	(3,141)		(3,141)
<u>Receipts in Advance</u>			
Council Tax Payers	(674)	583	(91)
Business Rate Payers	(341)	341	-
Other	(2,044)		(2,044)
<u>Total creditors</u>	<u>(7,556)</u>		<u>(6,761)</u>
<u>Impact on Net Worth</u>		<u>0</u>	

## 3. Authorisation of Accounts

Financial Reporting Standard (FRS) 21 requires that the date the financial statements are authorised for issue be disclosed. This is the date beyond which there can be no reasonable expectation that events could have been taken into account by the Council. The Director of Finance authorised paper copies of the accounts to be printed for dispatch to Council members on the 22 June i.e. when the accounts will be ready to be issued for publication has been determined as the authorised for issue date of the 2009/10 accounts.

#### **4. Income and Expenditure Account**

The Income and Expenditure Account is considered to be fundamental to the understanding of a local authority's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions, in three distinct sections, each divided by a sub-total.

The first section provides information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give a net cost of services. This section would also include the net cost of any acquired and discontinued operations.

The second section comprises items of income and expenditure relating to the local authority as a whole. The most substantial entries in this section relate to land and property disposals. When added to the net cost of services, these give the local authority's net operating expenditure.

The third section shows the income from local taxation and general government grants in the period, to give the net deficit or surplus for the year.

This account is intended to show the true financial position of the Council before allowing for other amounts required by statute and non-statutory proper practices. The statutory requirements require council tax to be raised according to different rules and provide for the ability to divert particular expenditure to be met from capital resources.

The outturn on the Income and Expenditure Account might then be very different from the movement on the General Fund Balance for the year. The Statement of Movement on the General Fund Balance provides the reconciliation.

It must then be realised that any resulting surplus on the account does not necessarily mean that the Council has resources available to increase spending or reduce Council tax. Conversely any resulting deficit on the account does not mean that immediate action is needed to reduce expenditure or raise Council Tax.

The Income and Expenditure Account does not have a brought forward or carried forward balance because there is no Income and Expenditure Reserve in the Balance Sheet. The surplus or deficit on this account is reflected in the General Fund Balance, which appears on the Balance Sheet.

#### **5. The Corporate and Democratic Core**

The Corporate and Democratic Core element of the Service Expenditure Analysis of the Income and Expenditure Account brings together the costs of democratic representation and management and corporate management, excluding them from the total cost of any particular service.

#### **6. Asset Disposal Gains and Losses**

Most of the reported loss relates to land provided at a discounted rate to housing associations, and losses on the sale of Council Houses. The loss is included in the Income and Expenditure Account and reversed out in the Statement of Movement on the General Fund Balance so that it does not have any impact on the charge against Council Tax.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Cost of Selling Council Houses	21	30
Discount on Land to Housing Assoc. and loss on sale of Council Houses	526	758
Other Housing Fixed Assets	<u>12</u>	<u>-</u>
Loss on disposal of Housing Fixed Assets	559	788
Loss on disposal of other Fixed Assets	<u>13</u>	<u>-</u>
	<u><u>572</u></u>	<u><u>788</u></u>

### 7. Interest and Investment Income

Interest is earned on the Council's cash balances, which are invested in accordance with the Council's Treasury Management Policy. Income varies from year to year according to the level of overall balances and the prevailing interest rates.

### 8. Operating Leases

Operating Lease rentals paid to lessors are shown below.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Payments in the year	17	17
Charged to Revenue in the year	17	17

The Council is committed to the following payments in future financial years.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Leases expiring:		
More than 5 years	18	18
	<u>18</u>	<u>18</u>

### 9. Members' Allowances

Members' allowances regulations provide for the circumstances in which allowances are payable to members and to the maximum amounts payable in respect of certain allowances. The regulations have a requirement for authorities to make public their schemes for members' allowances and to disclose annually amounts paid to each member under such schemes. Individual amounts are declared in the register of members' expenses.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
General and Special Allowances-	<u>212</u>	<u>216</u>
	<u><u>212</u></u>	<u><u>216</u></u>

Both years' allowances include Co-opted and Standards Representatives

### 10. Officers' Remuneration

The Accounts and Audit Regulations require a note to be published of the number of employees in the year of account whose remuneration fell in each bracket of a scale in

## Statement of Accounts 2009/10

multiples of £5k, starting with £50k. The 2008/09 figures have been restated to comply with the 2009 SORP.

The numbers of officers whose remuneration, excluding employer's pension contributions, was £50k or more, in bands of £5k, was as follows:

Remuneration Band	2009/10	2008/09 Restated
£50,000 to £54,999	3	5
£55,000 to £59,999	4	1
£60,000 to £64,999	1	2
£65,000 to £69,999	2	3
£70,000 to £74,999	4	2
£75,000 to £94,999	-	-
£95,000 to £99,999	1	1
£100,000 to £114,999	-	-
£115,000 to £119,999	-	1
£120,000 to £124,999	-	-
£125,000 to £129,999	1	-
	<b>16</b>	<b>15</b>

### Senior Officer Remuneration

Included above are the Council's senior employees, for whom a more detailed disclosure of additional information (as defined by the regulations) is required, disclosed by way of job title. Employee's pay is defined in the 2009 SORP as:

Gross pay (before the deduction of employees' pension contributions)

Compensation for loss of office and other payments receivable on termination of employment

In addition, employer pension contributions require disclosure

The information for 2008/09 and 2009/10 is provided below:

### 2008/2009

Job Title	Salary	Performance Related Payment	Expenses/ Benefits in Kind	Total Pay	Employer's Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive	117,422	0	1,512	118,934	19,738	138,672
Deputy Chief Executive	88,410	5,258	3,363	97,031	14,840	111,871
Director of Finance	67,746	1,803	711	70,260	11,513	81,773
Director of Corporate Services	67,540	1,803	490	69,833	11,445	81,278
Head of Contract & Asset Management	64,299	1,803	1,706	67,808	10,962	78,770
Head of Community Development	64,299	1,803	3,892	69,994	10,982	80,976
Head of Natural & Built Environment	64,299	1,803	3,969	70,071	10,982	81,053
Head of Customer Services	58,876	1,803	0	60,679	9,700	70,379

Note: The Chief Executive was awarded a performance related payment of £5,258 but the officer decided to forego the award.

**2009/2010**

Job Title	Salary	Performance Related Payment	Expenses/ Benefits in Kind	Total Pay	Employer's Pension Contributions	Total
	£	£	£	£	£	£
Chief Executive	119,614	0	7,981	127,595	19,350	146,945
Deputy Chief Executive	93,033	2,668	2,085	97,786	15,859	113,645
Director of Finance	71,110	1,830	700	73,640	11,778	85,418
Director of Corporate Services	71,110	1,795	482	73,387	11,743	85,130
Head of Contract & Asset Management	67,461	1,830	700	69,991	11,194	81,185
Head of Community Development	67,461	1,830	3,881	73,172	11,215	84,387
Head of Natural & Built Environment	67,461	1,830	2,905	72,196	11,215	83,411
Head of Customer Services	61,990	3,660	0	65,650	10,207	75,857

Note 1: Expenses for the Chief Executive includes European and County elections fees of £6,551 paid by SCC and Ministry of Justice.

Note 2: The Chief Executive was awarded, but decided to forego, a performance payment of £5,336 and the Deputy Chief Executive was also awarded a performance payment of £5,336 but accepted only 50% of the award.

Note 3: Performance Award – this is not being paid to staff in 2010/11.

Note 4: Expenses/Benefits in Kind – this includes payments under the leased car scheme, which is being withdrawn in 2010/11.

**11. Related Parties**

The Code of Practice on Local Authority Accounting requires Members and Chief Officers (defined as members of the Management Team and Heads of Service) to declare whether they, or any member of their immediate family, have had any related party transactions (i.e. significant financial dealings) with the Council during the financial year.

**South Suffolk Leisure Trust**

The South Suffolk Leisure Trust (SSLT) is a registered charity and provides leisure services, through a normal service provision agreement that is set out in the Annual Delivery Plan, for a management fee. The status and advantages would not have been granted if Charity Commissioners and HMRC considered the Council had a significant influence over SSLT. The Council is not a member of the SSLT charity, so does not have dominant influence potential. The Council has management board nominee rights, but these are less than 20% of the total management board. These nominees are not Council representatives speaking on behalf of the Council, nor can they prematurely be dismissed by the Council. For 2009/10 the Council nominees were Cllrs Brian Lazenby & Gerald White. Furthermore, on SSLT's demise, the Council has no entitlement to any surpluses, which have to be transferred to a similar Not-For-Profit organisation.

Not only does the legal form of the relationship with SSLT indicate that it is outside the boundary of the Council's control, but also the substance of the Council's relationship with SSLT shows that there is not a quasi-subsidary relationship that would otherwise override the legal form.

### Hadleigh Swimming Pool

The Council is sole trustee of the Hadleigh & District Swimming Pool Trust (HDSPT), which is a registered charity. The Swimming Pool is included on the Council's balance sheet, and the net revenue expenditure of the Pool, is recorded in the Council's accounts as part of its normal activities. This is equivalent to the Council giving an annual grant to the charity, and this is reflected as such in the charity's accounts. These arrangements mean that the charity has no liabilities at any given year-end. The South Suffolk Leisure Trust (SSLT) was appointed on 1 April 2006 to manage the Pool operations.

During the year transactions with related parties were as follows: -

	2009/10 £000	2008/09 £000
<b>Central Government</b>		
Revenue Grants		
Specific and Special Grants	(23,382)	(19,986)
Redistributed NNDR	(4,974)	(5,271)
Revenue Support Grant	(1,148)	(734)
Capital Grants		
Government	(618)	(425)
Other	(108)	-
<b>Precepts</b>		
Suffolk County Council	36,019	35,224
Suffolk Police Authority	5,110	4,909
Parish Council Precepts	2,019	1,895
<b>Management Team and Heads of Service</b>		
Car loans made available under the Council's scheme	10	-
<b>Suffolk County Council Pension Fund</b>		
Employer's pension contributions in respect of employees	2,088	2,059
<b>South Suffolk Leisure Trust</b>		
Revenue and capital transactions	175	211
<b>Hadleigh Swimming Pool</b>		
Sole Trustee, revenue and capital transactions	110	179
<b>Grants to Parish Councils, Community Councils and Village Halls</b>	283	219
<b>Total</b>	<u>15,584</u>	<u>18,280</u>

### 12. Amounts Due (to) or from Related Parties

Outstanding balances at the year-end were as follows: -

	2009/10 £000	2008/09 £000
Revenue Grants	(370)	439
Capital Grants	12	-
	<u>(358)</u>	<u>439</u>

**13. External Audit Costs**

The SORP requires (in line with other parts of the public services) disclosure of the amounts payable to auditors for work carried out in performing statutory functions and in providing additional services.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Fees payable to the External Auditor		
regarding external audit services carried out by the appointed auditor	<b>109</b>	108
regarding Statutory Inspections	<b>9</b>	6
for the certification of grant claims and returns	<b>46</b>	41
	<b>164</b>	155

**14. Fixed Assets Movement Summary**

	Operational Assets						Non-Operational	Total
	Intangibles	Tangible Assets						
	Software licences	Council House Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	-	
Cost or Valuation at 1 Apr 2009	3,645	173,836	12,486	2,940	1,403	805	6,146	201,261
Accumulated Depreciation and Impairment at 1 Apr 2009	(2,019)	-	-	(2,153)	(714)	-	-	(4,886)
Balance Sheet Amount at 1 Apr 2009	<u>1,626</u>	<u>173,836</u>	<u>12,486</u>	<u>787</u>	<u>689</u>	<u>805</u>	<u>6,146</u>	<u>196,375</u>
Cost or Valuation Movements in 2009/10:								
Additions	597	3,486	182	1,679	12	33	17	6,006
Disposals	(736)	(603)	(46)	-	-	-	(850)	(2,235)
DeRecognition	-	(106)	-	-	-	-	-	(106)
Reclassifications	-	-	45	-	-	-	(45)	-
Revaluations	-	(2,851)	(142)	-	-	(20)	612	(2,401)
Impairment Reversal	-	12,015	-	-	-	-	116	12,131
Impairment	-	-	(392)	-	-	(2)	-	(394)
	<u>(139)</u>	<u>11,941</u>	<u>(353)</u>	<u>1,679</u>	<u>12</u>	<u>11</u>	<u>(150)</u>	<u>13,001</u>
Depreciation and Amortisation:								
Additional depreciation/amortisation	(450)	(2,901)	(314)	(212)	(35)	-	(87)	(3,999)
On Disposals	710	14	1	-	-	-	12	737
On Revaluations	-	2,887	313	-	-	-	-	3,200
	<u>260</u>	<u>-</u>	<u>-</u>	<u>(212)</u>	<u>(35)</u>	<u>-</u>	<u>(75)</u>	<u>(62)</u>
Balance Sheet Amount At 31 Mar 2010	<u><u>1,747</u></u>	<u><u>185,777</u></u>	<u><u>12,133</u></u>	<u><u>2,254</u></u>	<u><u>666</u></u>	<u><u>816</u></u>	<u><u>5,921</u></u>	<u><u>209,314</u></u>
<b>Nature of Asset Holding</b>								
Owned	1,747	184,074	12,133	1,947	666	816	5,921	207,304
Finance Lease	-	1,703	-	307	-	-	-	2,010
Total	<u><u>1,747</u></u>	<u><u>185,777</u></u>	<u><u>12,133</u></u>	<u><u>2,254</u></u>	<u><u>666</u></u>	<u><u>816</u></u>	<u><u>5,921</u></u>	<u><u>209,314</u></u>

**15. Valuations Information**

The following statement shows the progress of the Council's programme of the quinquennial revaluation of fixed assets. Asset values are reviewed at 5 yearly intervals, or sooner where there is a material change in value in any year. The Valuation Office carried out a desk top valuation at 31/03/2010 for all categories of General Fund properties; the next full revaluation is due on 31/03/2014. A full revaluation was carried out in 2009/10 for the Housing Revenue Account properties by the Valuation Office. This resulted in a partial reversal of £12m of the 2008/09 impairment of over £31m on council house dwellings due to a recovery in property values. The next full valuation for Housing Revenue Account properties is due on 31/03/2015.

The basis for valuation of fixed assets is set out in the Statement of Accounting Policies.

	Operational Assets					Non-Operational	Total	
	Intangibles	Tangible Assets						
	Software licences	Council House Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets		
Assets valued at historical cost:	1,747	415	-	2,254	666	-	197	5,279
Valued at current Value in: 2009/10	-	185,362	12,133	-	-	816	5,724	204,035
	-	185,362	12,133	-	-	816	5,724	204,035
	<u>1,747</u>	<u>185,777</u>	<u>12,133</u>	<u>2,254</u>	<u>666</u>	<u>816</u>	<u>5,921</u>	<u>209,314</u>

***2009/10 HRA Valuation***

In 2008/09 financial statements included £31.5m relating to the revaluation impairment of the Council's dwellings. This reflected the impact of the fall in property values due to the economic downturn. During 2009/10 HRA property values have made a partial recovery, increasing the value of council dwellings by £12m, netted of against the HRA gross expenditure. As a result, the gross expenditure of £865k shown is significantly lower than the £48.5m reported for 2008/09 which reflected the £31.5m impairment.

The original impairment and the impact of the 2009/10 recovery in value have been reversed out in the Statement of Movement in the General Fund and HRA Balances and so do not affect the overall change in the General Fund (or HRA) working balance indicated on pages 24 and 69.

**16. Capital Expenditure and Financing**

	2009/10 £000	2008/09 £000
Borrowing:		
Supported	550	550
Unsupported	1,179	781
Government Grants and Contributions	811	533
Capital Receipts	1,189	398
Revenue	415	649
Revenue-Major Repairs Reserve	<u>2,576</u>	<u>2,329</u>
	<u><u>6,720</u></u>	<u><u>5,240</u></u>

The Capital Financing Requirement represents the underlying need to borrow as set out below: -

	2009/10 £000	2008/09 £000
Capital Investment		
Operational Assets Expenditure	5,392	3,785
Non-operational Assets Expenditure	17	180
Intangible Assets Expenditure	597	566
Revenue Expenditure Funded from Capital Under Statute	710	673
Mortgages/Loans	4	36
	<u>6,720</u>	<u>5,240</u>
Sources of Finance		
Capital Receipts	(1,189)	(398)
Government Grants and Contributions	(811)	(533)
Sums set aside from Revenue		
Revenue Contributions to Capital Outlay	(415)	(649)
Major Repairs Reserve	(2,576)	(2,329)
Minimum Revenue Provision for the repayment of debt	(74)	-
	<u>(5,065)</u>	<u>(3,909)</u>
Increase in underlying need to borrow	1,655	1,331
Opening Capital Financing Requirement	<u>5,507</u>	<u>4,176</u>
Closing Capital Financing Requirement	<u><u>7,162</u></u>	<u><u>5,507</u></u>
Explanation of Movements in the year		
Increase in underlying need to borrow (supported by Government financial assistance)		
Additional Borrowing	550	550
Less Revenue Provision for the repayment of debt	(74)	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	<u>1,179</u>	<u>781</u>
Total increase in underlying need to borrow	1,655	1,331
Opening Capital Financing Requirement	<u>5,507</u>	<u>4,176</u>
Closing Capital Financing Requirement	<u><u>7,162</u></u>	<u><u>5,507</u></u>

## Statement of Accounts 2009/10

Legislation allows some expenditure to be classified as Capital for funding purposes when it does not result in an asset being carried on the Balance Sheet as a fixed asset, for example capital grants to third parties. These costs are written off to the relevant service revenue account in the year they are incurred, but are reversed in the Statement of Movements in the General Fund Balance to ensure there is no impact on the level of Council Tax.

	<b>2010</b>	2009
	<b>£000</b>	£000
Revenue Expenditure to be funded from Capital	<b>710</b>	673
Financed from Government Grants and Contributions	<b>(475)</b>	(434)
Net Costs charged to Service Revenue Accounts	<b><u>235</u></b>	<u>239</u>
Write-down in Year		
General Fund	<b>235</b>	239
Housing Revenue Account	<b>-</b>	-
Total written to Service Revenue Accounts	<b><u>235</u></b>	<u>239</u>

### 17. Capital Contracts Commitments

As at 31 March 2010, the Council was contractually committed to certain capital works. The major commitments (over £100k) are shown below.

Kitchen Improvements (HRA)	£423k
Renovation Grants Approved	£209k
Other Commitments	£196k*

(\*Includes £92k for HRA central heating works)

**18. Assets Information**

The numbers of Fixed Assets at 31 March are as follows:

	2010	2009
<b>Operational Assets</b>		
<b>Housing Revenue Account</b>		
Council Dwellings (including DIYSO)	<b>3,509</b>	3,522
<b>General Fund</b>		
Council Headquarters	1	1
Offices and other Buildings	1	1
Tourist Information Centres	2	2
Depots and Workshops	3	3
Off-street Car Parks	21	21
Leisure Centre	1	1
Hadleigh Swimming Pool	1	1
Public Conveniences	13	13
Refuse Vehicles	15	4
Bus Stations	1	1
Amenity Land and Community Assets	34	34
<b>Non-Operational Assets</b>		
<b>Housing Revenue Account</b>		
Shops	2	2
Miscellaneous Properties	5	5
Vacant Land - Awaiting Development	12	17
Vacant Land - Other	9	9
<b>General Fund</b>		
Commercial Properties Available for Rent	14	14
Other Dwellings	5	5
Surplus Property	1	2
<b>Infrastructure Assets</b>		
<b>General Fund</b>		
Town Centre CCTV System	1	1
Gt Cornard Drainage System	1	1

**19. Assets Held under Leases**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Leases that are not finance leases are operating leases (see note 8. Operating Leases). The Council has capitalised, within the balance sheet, Wheeled Bins (General Fund-Vehicles, Plant & Equipment) and Heating Systems (HRA-Council Dwellings) assets acquired under finance lease agreements. On the expiry of the primary lease term the title to the heating systems will pass to the Council. In order to convey fully the impact of the leases, the following disclosures are required.

## Statement of Accounts 2009/10

	2009/10			2008/09		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Balance 1 April						
Gross Book Value	307	1,705	2,012	307	1,705	2,012
Accumulated Depreciation	(129)	(1,145)	(1,274)	(103)	(985)	(1,088)
Net Book Value	178	560	738	204	720	924
In Year						
Additions	-	-	-	-	-	-
Disposals	-	(2)	(2)	-	-	-
Depreciation	(26)	(144)	(170)	(26)	(160)	(186)
Balance at 31 March						
Net Book Value	152	414	566	178	560	738
Accumulated Depreciation	(155)	(1,289)	(1,444)	(129)	(1,145)	(1,274)
Gross Book Value	307	1,703	2,010	307	1,705	2,012

The Finance Lease Liabilities relating to these Assets are shown below.

	2009/10			2008/09		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Deferred Liability 1 April	153	565	718	184	718	902
Payments	(30)	(145)	(175)	(31)	(153)	(184)
Deferred Liability 31 March	123	420	543	153	565	718

	2009/10			2008/09		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Deferred Liability 1 April	153	565	718	184	718	902
Payments	(30)	(145)	(175)	(31)	(153)	(184)
Deferred Liability 31 March	123	420	543	153	565	718

The deferred liability falls due in future periods as shown below.

	2009/10			2008/09		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Falling due:						
In 1 year	31	144	175	30	145	175
Between 2 and 5 years	92	276	368	123	420	543
	123	420	543	153	565	718

### 20. Assets Leased out

The Council leases out certain facilities and properties which are accounted for as operating leases. There is no accumulated depreciation, as the properties are revalued each year. The value of these is indicated below:-

	2009/10 £000	2008/09 £000
<b>General Fund</b>		
Kingfisher Leisure Centre	4,056	4,298
Hadleigh Swimming Pool	319	299
Industrial Units	1,308	1,298
Total General Fund	<u>5,683</u>	<u>5,895</u>
<b>Housing Revenue Account</b>		
Various Properties	1,035	1,385
Total Housing Revenue Account	<u>1,035</u>	<u>1,385</u>
Gross Book Value at 31 March	<u><u>6,718</u></u>	<u><u>7,280</u></u>

Income from these facilities and properties is disclosed below:

	2009/10 £000	2008/09 £000
<b>General Fund</b>		
Industrial Units	65	68
Total General Fund	<u>65</u>	<u>68</u>
<b>Housing Revenue Account</b>		
Various Properties	62	60
Total Housing Revenue Account	<u>62</u>	<u>60</u>
Total Rental Income for the Year	<u><u>127</u></u>	<u><u>128</u></u>

Income from Kingfisher Leisure Centre and Hadleigh Swimming Pool is retained by the operator as it forms part of the management agreement.

### 21. Depreciation Methodologies

There was no change made in the basic methods of depreciation during 2009/10.

Assets were depreciated or amortised (written down) on the following basis:-

- Buildings – 20 to 60 years
- Non-Operational – 10 to 30 years
- Infrastructure – 30 years
- Plant and Equipment – 5 to 15 years
- Vehicles – 5 to 7 years, depending on type
- Intangibles – 5 to 7 years
- IT and Communications - 5 years

Revaluation and reassessment of asset life affects the depreciation charge thereafter for the assets concerned.

## Statement of Accounts 2009/10

### 22. Long Term Debtors

	Balance	2009/10		Balance	2008/09		Balance
	31 March 2010	Increase	Written Down	31 March 2009	Increase	Written Down	1 April 2008
	£000	£000	£000	£000	£000	£000	£000
Housing Mortgages	16	-	(5)	21	-	(16)	37
PSR Loans	346	3	(14)	357	36	(10)	331
Other	8	-	-	8	-	-	8
	<u>370</u>	<u>3</u>	<u>(19)</u>	<u>386</u>	<u>36</u>	<u>(26)</u>	<u>376</u>

### 23. Stocks and Works in Progress

	2009/10	2008/09
	£000	£000
Stocks and Stores	53	75
Provision for obsolete Stocks	-	-
Total	<u>53</u>	<u>75</u>

### 24. Debtors

	2009/10	2008/09 (Restated)
	£000	£000
Government Departments	1,039	804
Local Authorities	728	486
Council Tax Payers	187	163
Housing Rents	316	328
Rent Rebate Overpayments	385	336
Employee Car Loans	80	44
Sundry Debtors	<u>347</u>	<u>331</u>
	<b>3,082</b>	2,492
Less: Provisions for Doubtful Debts	<u>(179)</u>	<u>(144)</u>
	<b>2,903</b>	2,348
Imprests	10	10
Other	8	8
Payments in Advance	<u>199</u>	<u>192</u>
	<b>217</b>	210
	<u><b>3,120</b></u>	<u>2,558</u>

**25. Short-term Investments and Borrowings**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
UK Clearing Banks	<b>1,637</b>	3,801
Building Societies	<b>1,200</b>	2,500
Total Nominal Value	<b>2,837</b>	6,301
Accrued Interest	<b>15</b>	41
	<b>2,852</b>	6,342

The investments and borrowings disclosed on the balance sheet are made up of the following categories of financial instruments:

			<b>31 March</b>	<b>31 March</b>
			<b>2010</b>	<b>2009</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Total</b>
All investments listed are deposited with UK banks & building societies				
	£000	£000	£000	£000
Loans and receivables	337	8	337	3,824
Available for sale instruments	-	-	-	-
Total short-term investments	2,500	7	2,507	2,518
Short-term borrowing (at cost)	(1,000)	(1)	(1,001)	-
Other short-term borrowing	-	(7)	(7)	(7)
Long-term borrowing (at cost)	(1,100)	(41)	(1,141)	(1,141)

The Council arranged short-term borrowing of £1m at the end of the year for 36 days for cash flow purposes. This was repaid on 1 April 2010.

### 26. Creditors

An analysis of the Creditors outstanding:

	2009/10	2008/09 (Restated)
	£000	£000
Local Authorities	953	770
Inland Revenue	192	203
Other Government Departments	717	715
Sundry Creditors	<u>2,575</u>	<u>2,937</u>
	<u>4,437</u>	<u>4,625</u>
Receipts in Advance-General	678	575
Receipts in Advance-Developers Contributions	<u>1,621</u>	<u>1,561</u>
	<u>2,299</u>	<u>2,136</u>
	<u><u>6,736</u></u>	<u><u>6,761</u></u>

### Long Term Liability: -

Local Authorities	<u>23</u>	<u>46</u>
	<u><u>23</u></u>	<u><u>46</u></u>

### 27. Government Grants and Contributions Account

	2009/10	2008/09
	£000	£000
Balance at 1 April	167	68
Add: Capital Grants and Contributions in the year	911	632
Less:		
Amount used for Capital Financing	<u>(811)</u>	<u>(533)</u>
Balance at 31 March	<u><u>267</u></u>	<u><u>167</u></u>

**28. Long Term Borrowing**

	2009/10 £000	2008/09 £000
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	<u>1,100</u>	<u>1,100</u>
Total Nominal Value of Loans	<u><u>1,100</u></u>	<u><u>1,100</u></u>
Accrued Interest (Short Term)	8	7
<b>Analysis of Loans by Maturity</b>		
More than 15 years	<u>1,100</u>	<u>1,100</u>
	<u><u>1,100</u></u>	<u><u>1,100</u></u>
<b>Fair Value</b>		
Public Works Loan Board	<u>(983)</u>	<u>1,009</u>
	<u><u>(983)</u></u>	<u><u>1,009</u></u>

The SORP requires accrued interest to be added to the value of the Loan. However, as the interest is due within 1 year, it is included in Short Term Borrowings.

The Fair Value of PWLB loans represents the premature redemption value of the loans.

**29. Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. The provisions included are for legal costs.

	Balance 1 April 2008 £000	2008/09 Added to Provision £000	Applied £000	Balance 31 March 2009 £000	2009/10 Added to Provision £000	Applied £000	Balance 31 March 2010 £000
Legal Costs	(52)	(24)	-	(76)	-	-	(76)

**30. Government Grants and Contributions Deferred**

This Account is credited with grants (and other contributions) that have been used to support capital investment. The recognition of these grants/contributions as a gain to the Council is deferred until the amounts are released to the Income and Expenditure Account to abate depreciation charges on the relevant assets. The Account holds the unamortised (not written-down) balance as deferred income.

	2009/10 £000	2008/09 £000
Balance at 1 April	(2,349)	(2,628)
Capital Financing	(333)	(63)
Amortised (written down) to Service Revenue Accounts	<u>325</u>	<u>342</u>
Balance at 31 March	<u><u>(2,357)</u></u>	<u><u>(2,349)</u></u>
Government Grants Deferred	(762)	(918)
Capital Contributions Deferred	<u>(1,595)</u>	<u>(1,431)</u>
	<u><u>(2,357)</u></u>	<u><u>(2,349)</u></u>

### **31. Reserves**

Amounts set aside for purposes falling outside the definition of provisions must be considered as reserves, and transfers to and from them must be distinguished from expenditure disclosed in the Income and Expenditure Account. Expenditure may not be charged direct to any reserve. Reserves include earmarked reserves set aside for specific policy purposes and general balances which represent resources set aside for contingencies and cash flow management (see note 38. Earmarked Reserves).

The various reserves are shown on the following page.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. The Capital Receipts Reserve is a reserve established for specific statutory purposes.

Further details of the Housing Revenue Account and of the Collection Fund are in the Supplementary Financial Statements Section. For information regarding the Major Repairs Reserve, see the Housing Revenue Account note 4. Major Repairs Reserve, and for the Collection Fund Adjustment Account, see Collection Fund Note 5. Collection Fund Balance.

## Statement of Accounts 2009/10

Reserve	Note	Balance 1 April 2008 £000	Net Movement 2008/09 £000	Balance 31 March 2009 £000	Net Movement 2009/10 £000	Balance 31 March 2010 £000
Revaluation Reserve <i>(Gains on revaluation of fixed assets not yet realised through sales)</i>	32	7,709	(6,720)	989	696	1,685
Capital Adjustment Account <i>(Capital resources set aside to meet past expenditure)</i>	33	222,945	(35,030)	187,915	10,570	198,485
Financial Instruments Adjustment Account <i>(Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments)</i>	40	(1,060)	234	(826)	238	(588)
Usable Capital Receipts Reserve <i>(Proceeds of fixed asset sales available to finance future capital investment)</i>	34	916	264	1,180	(871)	309
Deferred Capital Receipts <i>(Proceeds of fixed asset sales deferred to future date then to be available to finance future capital investment)</i>	35	117	(97)	20	(5)	15
Pensions Reserve <i>(Balancing account to allow inclusion of Pension Liability in the Balance Sheet)</i>	36	(6,242)	(8,410)	(14,652)	(16,817)	(31,469)
Housing Revenue Account <i>(Resources to meet future running costs for council)</i>	See Above	1,161	(101)	1,060	153	1,213
Major Repairs Reserve <i>(Resources available to meet capital investment in council housing)</i>	See Above	688	(168)	520	(334)	186
General Fund Reserve <i>(Resources available to meet future running costs for non-HRA services)</i>	37	2,838	(479)	2,359	(674)	1,685
Earmarked Reserves <i>(Resources set aside for future spending plans)</i>	38	1,214	15	1,229	30	1,259
Collection Fund Adj Account <i>(Balance to be taken into account in setting future Council Tax levels)</i>	See Above	(120)	(8)	(128)	115	(13)
<b>Total</b>		<u>230,166</u>	<u>(50,500)</u>	<u>179,666</u>	<u>(6,899)</u>	<u>172,767</u>

**32. Revaluation Reserve**

The Reserve records the accumulated gains on the fixed assets held by the council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increases the net worth of the council they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Balance at 1 April	<u>989</u>	<u>7,709</u>
Impairment losses on fixed assets due to a general change in prices		
Cost	<b>(2,401)</b>	(10,504)
Depreciation	<b>3,200</b>	3,992
DeRecognition	<b>(6)</b>	-
Current value depreciation less historic cost depreciation, etc	<u><b>(22)</b></u>	<u>(160)</u>
	<b>771</b>	<b>(6,672)</b>
Disposal of fixed assets in the year	<u><b>(75)</b></u>	<u>(48)</u>
Balance at 31 March	<u><u><b>1,685</b></u></u>	<u><u>989</u></u>

### 33. Capital Adjustment Account

The balance on this account represents capital resources that have been set aside at a faster rate than the related fixed assets have been consumed. It also includes revaluation gains that arose prior to the creation of the Revaluation Reserve on 31<sup>st</sup> March 2007.

	2009/10 £000	2008/09 £000
Balance at 1 April	187,915	222,945
Financing of Capital Expenditure		
from Capital Receipts	1,189	398
from revenue	2,990	2,978
from capital grants and contributions	3	36
Excess of Depreciation over Minimum Revenue Provision	(3,475)	(4,302)
Impairment	-	(32,613)
Reversal of prior year impairments	11,736	-
Depreciation Revaluation Adjustments	22	164
Historical Cost of Disposals	(1,421)	(1,408)
Third Party Loan Repayments	(14)	(9)
DeRecognition	(100)	-
Amortisation (write down)		
of Government Grants Deferred	325	342
of Capital Under Statute	(235)	(239)
of Intangible Assets	(450)	(377)
Balance at 31 March	<u>198,485</u>	<u>187,915</u>

### 34. Usable Capital Receipts Reserve

	2009/10 £000	2008/09 £000
Balance at 1 April	1,180	916
Add: Capital Receipts in the year	943	751
Less:		
Amount used for Capital Financing	(1,189)	(398)
Paid to the Government Pool	(625)	(89)
Balance at 31 March	<u>309</u>	<u>1,180</u>

### 35. Deferred Capital Receipts

	Balance 1 April 2008 £000	2008/09 Increase £000	Capital Receipts £000	Balance 31 March 2009 £000	2009/10 Increase £000	Capital Receipts £000	Balance 31 March 2010 £000
Housing Mortgages	37	-	(17)	20	-	(5)	15
Debenture (ADC)	80	-	(80)	-	-	-	-
	<u>117</u>	<u>-</u>	<u>(97)</u>	<u>20</u>	<u>-</u>	<u>(5)</u>	<u>15</u>

**36. Pensions Reserve**

An analysis of the movement on the Pensions Reserve is shown below.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Employer Contributions	<b>2,088</b>	2,059
Unfunded Benefits Contributions	-	-
Net Cost Of Services	<b>2,088</b>	2,059
Current Service Cost	<b>(869)</b>	(995)
Adjustment for the change in revaluation	-	(206)
Past Service costs	-	(477)
Curtailments and Settlements	-	-
Interest Costs	<b>(3,215)</b>	(3,301)
Return on Assets	<b>2,079</b>	2,964
Actuarial Gains / (Losses)	<b>(16,900)</b>	(8,454)
Movement for Year	<b>(16,817)</b>	(8,410)
Surplus / (Deficit) at Year Start	<b>(14,652)</b>	(6,242)
Surplus / (Deficit) at Year End	<b>(31,469)</b>	(14,652)

**37. General Fund Reserve**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Balance at 1 April	<b>2,359</b>	2,838
Movement in year	<b>(674)</b>	(479)
Balance at 31 March	<b>1,685</b>	2,359

The Statement of Movement on the General Fund Balance (a Core Financial Statement) shows details of the movement in year.

**38. Earmarked Reserves**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them have to be distinguished from expenditure disclosed in the Income and Expenditure Account. Expenditure may not be charged direct to any reserve. Earmarked reserves are those set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. The Council has established a number of such reserves, and the movements on them are shown below. Following that presentation, there is a description of the nature and purpose of each reserve.

	Balance 1 April 2008 £000	2008/09		Balance 31 March 2009 £000	2009/10		Balance 31 March 2010 £000
		Added to £000	Applied £000		Added to Reserve £000	Applied £000	
<b>General Fund</b>							
Invest to Save (Efficiencies)	(50)	-	7	(43)	-	44	1
Capital Projects	(776)	-	174	(602)	-	-	(602)
Business Rate Growth	(388)	(30)	5	(413)	(86)	16	(483)
Local Government Review	-	(21)	-	(21)	(4)	-	(25)
Legal Costs	-	(150)	-	(150)	-	-	(150)
	<u>(1,214)</u>	<u>(201)</u>	<u>186</u>	<u>(1,229)</u>	<u>(90)</u>	<u>60</u>	<u>(1,259)</u>

The level of Earmarked Reserves is subject to a year-on-year review.

***Invest to Save***

This Fund is to enable investment in projects that over time will enable revenue savings to be made.

***Capital Projects***

A revenue Fund for the financing of Capital Projects.

***Business Rate Growth***

A Fund established from Government Grant receipts because of a growth in the Business community which creates pressure on the General Fund services. This is also to be used for capital or other projects.

***Shared Services***

A Fund established to meet any immediate costs related to Shared Services Work. This is to replace funding set aside for the costs associated with the Local Government Review (LGR) which has now been halted following the new secretary of State's decision.

***Legal Costs***

A Fund established to meet the potential legal costs relating to Tesco and other planning appeals.

**39. Financial Instruments**

***Fair Value***

Financial assets are classified as loans and receivables and all financial liabilities are carried in the balance sheet at amortised cost. Loans and receivables have been reviewed and bad debt provision has been considered where the likelihood of irrecovery is considered significant. No significant items have been identified. Investment interest outstanding is now shown as part of the investment rather than short-term debtors. Accrued interest is shown in Current Assets as an addition to Investments rather than Debtors.

The fair value has been 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:

Cash flows arising from investments have been discounted at indicative rates applicable at the balance sheet date;

Cash flows arising from Public Works Loan Board loans have been discounted at the premature repayment rates published by the Board, so that the fair value equals the amount at which the authority could repay its loans on the balance sheet date;

Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value;

The fair value of trade and other receivables is taken to be the invoiced or billed amount;

No early repayment or impairment is recognised.

The fair value of investments shown in the balance sheet all mature within 12 months, therefore, the fair value is assumed to be the same as the carrying value.

Soft Loans – small amounts of soft loans have been made, but are not of a significant value to have a material impact on the accounts.

Long Term Debt is shown at original value and accrued interest is now added to the debt value rather than being shown as a current liability. As the interest is short-term, it is shown under Short-term Borrowing.

The investments and borrowings as at 31 March 2010 shown in the Balance Sheet:

	<b>Principal</b>	<b>Interest</b>	<b>Fair Value</b>	<b>Exposure to Credit Risk</b>
	£000	£000	£000	£000
Total short-term investments	2,500	7	2,507	5
Short-term borrowing (at cost)	(1,000)	(1)	(1,000)	-
Long-term borrowing (at cost)	(1,100)	(41)	(983)	-

Exposure to credit risk has been adjusted for market conditions at the balance sheet date. Short-term borrowing of £1m was repaid on 1 April 2010 and short-term investments were fully recovered in April and May.

### ***Nature and Extent of Risks Arising from Financial Instruments***

The authorities activities expose it to a variety of financial risks, including:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity and refinancing risks – the possibility that the authority might not have funds available, or that it may have to borrow funds at a high rate of interest, to meet its financial obligations
- Market risks – the possibility that changes in market variables such as interest rates and asset prices may place an unexpected burden on the Council's finances

The Council manages its treasury risk exposures in compliance with the CIPFA Code of Practice on Treasury Management in the Public Services, and complies with The Prudential Code of Capital Finance for Local Authorities. The Council seeks to minimise the potential adverse impact on its resources that may arise from its holding of financial instruments. Treasury activities are conducted by the Director of Finance and his staff in accordance with the authority's financial regulations, Treasury Management Policy and Practices. In addition, the full Council approves a Treasury Management Strategy each year, which includes its strategy for managing financial risks.

### *Credit Risk*

- Credit risk arises from deposits with banks and building societies, as well as credit exposures to the authority's customers. The Council manages its credit risk by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings as detailed in the Treasury Management Strategy. The maximum lent to any one financial institution is £2m and banks within the same group ownership are treated as one bank for limit purposes. In addition to applying investment limits to individual institutions, clear country limits also apply, with the maximum invested in any one foreign country with a 'AAA' rating being £2m. The Council has no experience of counterparty default.

### *Liquidity and Refinancing Risks*

- As the Council has ready access to borrowings from the Public Works Loan Board, there is little risk that it will be unable to raise funds to meet its financial commitments. Liquidity and refinancing risks are managed by arranging fixed term loans and investments with a range of maturity dates, within the framework and indicators approved each year in the Treasury Management Strategy. At present the Council does not invest for periods of more than 364 days although the Treasury Management Strategy allows for investments to be placed for longer periods. PWLB loans are maturity loans not due for redemption for over 15 years.

### *Market Risk*

- Interest rate risk – the Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. A rise in interest rates will cause the interest expense charged or interest income credited to the income and expenditure account in respect of variable rates financial instruments to rise and the fair value of fixed rate financial instruments to fall. If fixed rate instruments are refinanced/reinvested on maturity, there will be a subsequent increase in the interest expense or interest income. A fall in interest rates would have the opposite effect.
- Financial assets classed as loans and receivables and all financial liabilities are carried on the balance sheet at amortised cost, so changes in their fair value do not impact on the income and expenditure account or statement of recognised gains and losses.
- Interest rate risk is managed by holding an appropriate mix of fixed and variable rate instruments, within the framework and indicators approved each year in the Treasury Management Strategy. A range of interest rate forecasts are used when setting and updating the interest budget, so that adverse rate changes can be accommodated in the council's plans with sufficient notice.
- Price risk – the Council does not invest in equity instruments and therefore is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the authority's interest rate management strategy.
- Exchange rate risk – the Council has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movements in exchange rates.

### 40. Financial Instruments Adjustment Account

	2009/10 £000	2008/09 £000
Balance at 1 April	826	1,060
Premature Debt Premiums written down	(264)	(264)
Premature Debt Discount written down	26	30
Balance at 31 March	<u>588</u>	<u>826</u>

The SORP requires all premiums and discounts arising from the repayment of debt to be shown on the face of the Income and Expenditure Account. Statutory provisions allow the amount to be written down over a number of years. The Financial Instruments Adjustment Account recognises the balance to be written down.

The following table shows how the balance is written down over future years.

	2009/10			2008/09		
	Discounts (General Fund)	Premiums (HRA)	Total	Discounts (General Fund)	Premiums (HRA)	Total
	£000	£000	£000	£000	£000	£000
To be written down:						
In 1 year	(23)	264	241	(26)	264	238
More than 1 year:						
In 2 years	(20)	217	197	(23)	264	241
In 3 years	(17)	189	172	(20)	217	197
In 4 years	(13)	-	(13)	(17)	189	172
In 5 years	(9)	-	(9)	(13)	-	(13)
Total more than 1 year	(59)	406	347	(82)	670	588
	<u>(82)</u>	<u>670</u>	<u>588</u>	<u>(108)</u>	<u>934</u>	<u>826</u>

### 41. Contingent Liabilities

#### *Concessionary Bus Fares*

Bus companies operating in Suffolk requested a judicial review of the Secretary of State's ruling on the formula used to determine their level of reimbursement for the Concessionary Fares scheme. The Court judgement was handed down on 16 February 2010 to the effect that the legal challenge had failed.

There are now 2 concessionary travel claims. The Council is awaiting news of an appeal on the first one above and the second is yet to be issued in Court.

If the Court rules in favour of the bus companies that has financial implications for the Council. Potentially, in terms of a revised rate of reimbursement which must be applied retrospectively from 1<sup>st</sup> April 2008, and also bearing a proportion of the County Council's legal costs.

It is not possible to estimate the potential financial impact in advance and in the event of an adverse decision, the implications nationally may lead to Government action in response.

#### *Mesothelioma*

In June 2008 the Council were involved in a test case in the High Court to establish when the insurance cover for mesothelioma is triggered (Municipal Mutual Insurance v Zurich Municipal Insurance and Babergh DC and 9 other councils). The judge ruled in favour of the

councils and a sum of £64.5k, including interest, was paid to the Council in settlement of a mesothelioma claim. In addition, the Council also received an interim reimbursement of legal costs. However, Municipal Mutual were given leave for appeal and this was heard in November 2009. No decision has yet been handed down and this is expected to be imminent. If Municipal Mutual's appeal is won the Council will need to be prepared to reimburse the £64.5k above and could also be exposed to our own and MMI's costs. Should the matter be finally decided in the Supreme Court, these costs could be as high as £350k. If the appeal goes against the Council it would also result in exposure to future mesothelioma, claims of an indeterminate sum. A further consequence of the appeal going against the Council would be the possibility of having to repay sums already settled by insurers for past mesothelioma claims in the sum of £110.5k.

### ***Municipal Mutual Insurance***

In 1992, Municipal Mutual Insurance (MMI), the Council's insurers at the time, stopped accepting new business and with its policy holders set up a Scheme of Arrangement for the orderly run down of its affairs. MMI's future liabilities under its policies could not be fully quantified until all the claims (current and yet to be made) were settled. It was therefore agreed that MMI should settle claims as they were received, and if at some future date it should become insolvent, it could reclaim from its major policy holders the value of claims settled on their behalf. If the scheme is triggered, the amount liable to clawback is the total claims less £50k. Under this arrangement, at 31 March 2010 claims settled for this Council amounting to £384k (plus £5k estimated for outstanding claims) could be the subject of a reclaim at a future date. MMI remained solvent at 31 March 2010 and any such future reclaim is considered unlikely.

## **42. Retirement Benefits**

### ***Participation in Pension Schemes***

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. (Retirement Benefits are also offered to Council Members, and are herein included in the term "employees"). Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

### ***Transactions relating to retirement benefits***

The charge reflected in the Net Cost of Services in the Income and Expenditure Account is based on the cost of retirement benefits earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account in the Statement of Movement on the General Fund Balance. The charge for past service costs is in respect of retrospective changes to member benefits that came into effect on 1 April 2008. The following transactions have been made in the Income and Expenditure Account during the year to ensure a neutral impact on Council Tax:

	2009/10 £000	2008/09 £000
<b>Income and Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	869	995
Past Service Costs	-	477
Curtailments and Settlements	-	-
	<u>869</u>	<u>1,472</u>
Net Operating expenditure		
Interest costs	3,215	3,301
Expected Return on Assets in the Scheme	<u>(2,079)</u>	<u>(2,964)</u>
	<u>1,136</u>	<u>337</u>
Net charges to the Income and Expenditure Account	<u>2,005</u>	1,809
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of cash amounts charges for Pensions in the year		
Net Cost of Services	<u>(2,088)</u>	(2,059)
Actual amount charged against the General Fund Balance for pensions in the year:	<u>(83)</u>	(250)
Appropriations to Pensions Reserve	<u>83</u>	250
Additional amounts to be met from Government Grants and Local Taxation	<u>-</u>	<u>-</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses have been included in the Statement of Total Recognised Gains and Losses (STRGL). These actuarial gains and losses and the cumulative amount of actuarial gains and losses are shown below:

	2009/10 £000	2008/09 £000
Actuarial Gains/(Losses) recognised in STRGL	<u>(16,900)</u>	<u>(8,454)</u>
Cumulative Actuarial Gains/(Losses)	(18,507)	(1,607)

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

### ***Current Service Cost***

This is the increase in liabilities as a result of years of service earned this year. It is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

### ***Past Service Costs***

The increase in liabilities arises from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. It is therefore presented separately from the current service cost and is charged to the Net Cost of Services in the Income and Expenditure Account as Non-Distributed Costs.

### ***Interest Cost***

This is the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Interest cost is charged to Net Operating Expenditure in the Income and Expenditure Account.

### ***Expected Return on Assets***

This is a measure of the estimated return (income from dividends, interest, etc) on the investments held by the scheme for the year attributable to the Council. It is based on an average of the expected long-term return. The expected return on assets is credited to Net Operating Expenditure in the Income and Expenditure Account.

### ***Settlements and Curtailments Gains/Losses***

These are the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees.

Gains or losses on settlements and curtailments are charged to Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.

### ***Actuarial Gains and Losses***

This element arises where actual events have not coincided with the actuarial assumptions made for the last valuation (known as experience gains and losses) or the actuarial assumptions have been updated. For instance, there might be an unexpectedly high pay award in the year, or new research might alter assumptions about general levels of mortality. Due to changes in the Pension Fund Regulations, assumptions have been updated for the likely percentage take-up of commutation payments, where employees elect to swap a part of their pension for an additional tax-free lump sum on retirement. This has been treated as an actuarial gain in the year. Actuarial gains and losses are charged to the Statement of Total Recognised Gains and Losses.

### ***Contributions to the Pension Fund***

This represents cash paid as employer's contributions to the Suffolk County Council Pension Fund.

### Assets and Liabilities in Relation to Retirement Benefits

Reconciliations of the present value of the scheme liabilities and of the fair value of the scheme assets is shown below:

	2009/10 £000	2008/09 £000
Estimated Liabilities in Scheme	(74,910)	(46,947)
Estimated Assets in Scheme	43,441	32,295
Net Liability	<u>(31,469)</u>	<u>(14,652)</u>

	2009/10 £000	2008/09 £000
<b>Scheme Liabilities Reconciliation</b>		
Current service Cost	(869)	(995)
Interest Cost	(3,215)	(3,301)
Contributions by Members	(473)	(470)
Actuarial Losses/(Gains)	(25,458)	4,263
Past Service Costs	-	(477)
Estimated Benefits Paid	2,052	1,804
Adjustment for Early Retirement Pensions	-	(79)
	<u>(27,963)</u>	<u>745</u>
Present Value of Liabilities 1 April	<u>(46,947)</u>	<u>(47,692)</u>
Present Value of Liabilities 31 March	<u>(74,910)</u>	<u>(46,947)</u>

	2009/10 £000	2008/09 £000
<b>Scheme Assets Reconciliation</b>		
Expected Return on Assets	2,079	2,964
Contributions by Members	473	470
Contributions by the Employer	2,088	2,059
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains/(Losses)	8,558	(12,638)
Benefits Paid	(2,052)	(1,804)
Adjustment for Early Retirement Pensions	-	-
	<u>11,146</u>	<u>(8,949)</u>
Fair Value of Employer Assets 1 April	32,295	41,450
In-year adjustment due to the change in accounting policy (FRS17 valuation basis)	-	(206)
Fair Value of Employer Assets 31 March	<u>43,441</u>	<u>32,295</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on the Fund in market value terms for the year to 31 March 2010 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. The estimated return on scheme assets in the year was 33.1% (2009 23%).

## Scheme History

	2009/10	2008/09	2007/08	2006/07	2005/06
	£000	£000	£000	£000	£000
Present Value of Liabilities	(74,910)	(46,947)	(47,692)	(53,656)	(53,735)
Fair Value of Assets	43,441	32,295	41,450	42,993	38,921
Deficit	<u>(31,469)</u>	<u>(14,652)</u>	<u>(6,242)</u>	<u>(10,663)</u>	<u>(14,814)</u>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total estimated liabilities has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. The deficit on the scheme will be made good by increased contributions as assessed by the scheme actuary. The total contributions expected to be made to the Pension Scheme in the year to 31 March 2011 is £2,029k.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Hymans Robertson, an independent firm of actuaries, has assessed the liabilities of the Suffolk County Council Pension Fund. These have been based on the latest available full valuation of the scheme as at 31 March 2007.

The principal assumptions used by the actuary have been:

	2009/10	2008/09
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	7.8%	7.0%
Bonds	5.0%	5.6%
Other	5.6%	4.7%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	21 years	20 years
Women	24 years	23 years
Longevity at 65 for future pensioners:		
Men	22 years	21 years
Women	26 years	24 years
Rate of inflation	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%
Rate of increase in pensions	7.0%	6.4%
Rate for discounting scheme liabilities	5.5%	6.9%

Assets are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the fund:

Fund Assets	Value at 31 March 2010 £000	Asset Distribution %	Value at 31 March 2009 £000	Asset Distribution %
Equities	29,540	68.0%	21,637	67%
Bonds	8,688	20.0%	6,782	21.0%
Property	3,910	9.0%	2,907	9.0%
Cash	1,303	3.0%	969	3.0%
Total	<u>43,441</u>	<u>100.0%</u>	<u>32,295</u>	<u>100.0%</u>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2010:

	2009/10		2008/09		2007/08		2006/07		2005/06	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	<b>8,558</b>	<b>19.7%</b>	(12,638)	-39.1%	(5,038)	-12.2%	403	0.9%	5,856	15.0%
Differences between actuarial assumptions about liabilities and actual experience	-	<b>0.0%</b>	-	0.0%	733	-1.5%	-	0.0%	-	0.0%
Changes in the demographic and financial assumptions used to estimate liabilities	<b>(25,458)</b>	<b>34.0%</b>	4,184	-8.9%	7,825	-16.4%	3,079	-5.7%	(6,011)	11.2%
Actuarial Gain / (Loss) on Pension Plan	<b>(16,900)</b>		(8,454)		3,520		3,482		(155)	
Present Value of Assets	<b>43,441</b>		32,295		41,450		42,993		38,921	
Present Value of Liabilities	<b>(74,910)</b>		(46,947)		(47,692)		(53,656)		(53,735)	
Net Assets / (Liabilities)	<b>(31,469)</b>		(14,652)		(6,242)		(10,663)		(14,814)	

**43. Cash Flow Reconciliation to Income & Expenditure Account**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
(Surplus)/Deficit on Income and Expenditure	<b>(9,220)</b>	35,362
Adjustment for Statutory & Non Statutory proper Practice	<b>9,894</b>	(34,883)
(Surplus)/Deficit on General Fund	<b>674</b>	479
HRA (Surplus)/Deficit on Fund	<b>(153)</b>	101
Collection Fund (Surplus)/Deficit	<b>13</b>	8
Overall (Surplus)/Deficit for the Year	<b>534</b>	588
Non cash transactions		
Premature Debt redemption discount	<b>26</b>	30
Contributions from/(to) provisions	<b>(88)</b>	(105)
Contributions from/(to) Major Repairs Reserve	<b>(2,242)</b>	(2,161)
Contributions from/(to) Earmarked Reserves	<b>(30)</b>	(15)
Adjust for items on Accruals basis		
Movement in Revenue Debtors	<b>474</b>	497
Movement in Payments in Advance	<b>(256)</b>	(276)
Movement in stocks and works in progress	<b>22</b>	(16)
Movement in Revenue Creditors	<b>423</b>	(945)
Movement in Receipts in Advance	<b>136</b>	(134)
Movement in provisions	-	-
Movement in imprests	-	(1)
Movement in suspense	<b>(114)</b>	(42)
Other Items		
Interest paid	<b>(93)</b>	(105)
Interest Received	<b>115</b>	637
Internal recharges to capital	<b>210</b>	391
Payments to Capital Receipts Pool	<b>625</b>	90
Revenue Expenditure funded from Capital under Statute	<b>(433)</b>	-
Direct Revenue Financing of Capital schemes	<b>(415)</b>	(649)
Council Tax & NNDR Receipts	<b>22</b>	101
Net Cash flow from revenue activity	<b>(1,084)</b>	(2,115)

The Council has chosen the indirect method for preparing the Cash Flow Statement. The cost of providing capital grants to third parties is written off to the relevant service revenue account in the year they are incurred.

**44. Cash Movements**

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Cash Balance at 1 April	<b>(369)</b>	421
Cash Balance at 31 March	<b>462</b>	(369)
Change in cash balance	<b>(831)</b>	790

## Statement of Accounts 2009/10

### 45. Liquid Resource Management

	2009/10 £000	2008/09 £000
Short-term investments repayable within 3 months		
Balance at 1 April	6,301	6,677
Balance at 31 March	<u>2,837</u>	<u>6,301</u>
Increase/(decrease) in short-term investments	<u>(3,464)</u>	<u>(376)</u>
 Movement on Other Liquid Resources including		
Council Tax & NNDR Receipts	<u>(22)</u>	<u>(101)</u>

### 46. Government Grants

	2009/10 £000	2008/09 £000
<b>Revenue Grants</b>		
Business Growth Incentive Scheme Grant	(86)	(155)
Council Tax Reduction Scheme Grant	1	-
Discretionary Housing Payments Grant	(1)	(19)
Housing Benefit (Administration) Grant	(552)	(506)
Housing Defects Act Subsidy	-	(7)
Other Government Grants	(415)	(185)
Planning Delivery Grant	(82)	(72)
Disabled Facilities Grant	(222)	(138)
Supporting People Grant	(370)	(346)
Free Swimming Grant	(90)	-
Waste Performance and Efficiency Grant	-	(3)
	<u>(1,817)</u>	<u>(1,431)</u>
 <b>Capital Grants</b>		
<b>Specific</b>		
EPC Pilot	-	(7)
East LSP Grant	(48)	-
Energy Saving Trust	-	(42)
LAA Funding - CDRP Element	-	(24)
Council Tax Efficiencies	(5)	(5)
Air Quality Monitoring	-	(44)
Play Project Great Cornard	-	(10)
Hadleigh Pool Refurbishment	(195)	(26)
	<u>(248)</u>	<u>(158)</u>
	<u>(2,065)</u>	<u>(1,589)</u>

These grant amounts represent the cash received in the year. They will not necessarily agree with the amounts taken into the revenue and capital accounts, which are on an accruals basis.

**47. Net Assets Employed - Analysis**

	<b>2009/10</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>
General Fund	<b>2,838</b>	16,143
Housing Revenue Account	<b>169,929</b>	<b>163,523</b>
	<b><u>172,767</u></b>	<b><u>179,666</u></b>

## The Accounting Statements: The Supplementary Financial Statements

The supplementary financial statements are those that are not relevant to every local authority's functions.

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## Housing Revenue Account

The Housing Revenue Account (HRA) shows the major elements of Council Housing revenue expenditure and how these are met by rents and other income. There is a statutory requirement to keep this account separate from those of the Council's other activities.

	Notes	2009/10 £000	2008/09 £000
<b>Income</b>			
Dwelling Rents	2	12,563	12,231
Non-dwelling Rents		227	217
Charges for Services and Facilities	3	992	945
Contributions towards expenditure		140	147
Other Income		10	4
		<b>13,932</b>	<b>13,544</b>
<b>Expenditure</b>			
Repairs and Maintenance		1,874	1,994
Supervision and Management		3,098	3,419
Rents, rates, taxes and other charges		33	54
Negative Subsidy payable to the Secretary of State	10	4,780	4,590
Sums Directed By Secretary of State that are expenditure in accordance with UK GAAP	14	97	(34)
Increase in bad debt provision		25	38
Depreciation and impairment of fixed assets	12 & 13	3,005	35,719
Reversal of prior year impairments	11	(12,095)	-
Debt management costs		48	43
		<b>865</b>	<b>45,823</b>
<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>		<b>(13,067)</b>	32,279
HRA services share of Corporate and Democratic Core		183	145
HRA services share of other amounts included in Net Cost of Services but not allocated to specific services		202	78
<b>Net Cost of HRA Services</b>		<b>(12,682)</b>	32,502
HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account			
Gain or loss on sale of HRA fixed assets		559	788
Interest payable and similar charges		132	270
Interest and Investment Income		(16)	(42)
Pensions interest cost and expected return on pensions assets		246	68
<b>Deficit/(Surplus) for the year on HRA Services</b>		<b>(11,761)</b>	<b>33,586</b>

## Statement of Movement on the Housing Revenue Account Balance

	<b>2009/10 Net Expenditure £000</b>	2008/09 Net Expenditure £000
(Surplus) / Deficit on Housing Revenue Income & Expenditure Account	<b>(11,761)</b>	33,586
Net additional amount required by Statute to be debited or credited to the HRA Balance for the year.	<b>11,608</b>	(33,485)
(Increase)/ Decrease in HRA Balance in the year	<b>(153)</b>	101
HRA Balance brought forward	<b>(1,060)</b>	(1,161)
HRA Balance carried forward	<b>(1,213)</b>	(1,060)

## Supplement to the Statement of Movement on the Housing Revenue Account Balance

### Note of reconciling items for the Statement of Movement on the Housing Revenue Account Balance

		2009/10 Net Expenditure	2008/09 Net Expenditure
	Notes	£000	£000
<b>Amounts included in the HRA Income &amp; Expenditure Account but required by Statute to be excluded when determining the Movement on the HRA Balance for the year</b>			
Amortisation (write down) of Intangible Fixed Assets		(23)	(11)
Impairment of Fixed Assets	11	12,095	(32,165)
Amortisation (write down) of Premia and Discounts		264	320
Government Grants Deferred amortisation		41	8
Net gain / (loss) on sales of Fixed Assets		(559)	(788)
Net charges for retirement benefits under FRS 17	8	(329)	(404)
		<u>11,489</u>	<u>(33,040)</u>
<b>Amounts not included in the HRA Income &amp; Expenditure Account but required to be included by Statute when determining the Movement on the HRA Balance for the year</b>			
Capital Expenditure charged to HRA Balance	9	401	475
Transfer to/(from) Major Repairs Reserve	4	(740)	(1,396)
Employer's contributions to the pension fund & retirement benefits payable direct to pensioners	8	458	476
		<u>119</u>	<u>(445)</u>
<b>Net additional amount required by Statute to be debited/(credited) to the HRA Balance for the year</b>		<u><u>11,608</u></u>	<u><u>(33,485)</u></u>

## Notes to the Housing Revenue Account

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### **1. General**

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa). Authorities are required by section 74(1) of the 1989 Act to keep the HRA in accordance with proper practices.

### 2. Rents for Dwellings

The account shows the rent due in the year after allowing for voids and other losses in collection.

	2009/10	2008/09 Restated
Average rent per week	£67.99	£65.82
Rent arrears at 31 March	£316k	£328k
Rent arrears at 31 March as % of the gross rent collectable	2.4%	2.6%
Provision for bad debts at 31 March	£115k	£116k

### 3. Charges for Services and Facilities

These charges relate to heating, warden and other communal services provided to residents in sheltered accommodation. They also include charges to tenants for community alarm systems and central heating servicing.

### 4. Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve (MRR) to help finance major capital projects. The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England.

#### *Credits to the Major Repairs Reserve*

- (a) an amount equal to HRA depreciation for the year
- (b) transfers from the HRA required by statutory provision.

Item (a) has to be debited to the Capital Adjustment Account and item (b) to the Housing Revenue Account Balance and included as a reconciling item in the Statement of Movement on the Housing Revenue Account Balance.

#### *Debits to the Major Repairs Reserve*

- (a) expenditure for HRA capital purposes, where this is to be funded from the Major Repairs Reserve
- (b) repayments of loan/credit liability principal (not required to be charged to a revenue account) where this is to be funded from the Major Repairs Reserve
- (c) transfers to the HRA required by statutory provision.

Items (a) and (b) have to be credited to the Capital Adjustment Account and item (c) to the Housing Revenue Account Balance and included as a reconciling item in the Statement of Movement on the Housing Revenue Account Balance.

	2009/10	2008/09
	£000	£000
Balance at 1 April	520	688
Contribution from HRA - Depreciation	3,005	3,568
Capital Financing - dwellings	(2,576)	(2,330)
Transfers from/(to) the HRA	(740)	(1,395)
Amortisation of Intangible Fixed Assets	(23)	(11)
Balance at 31 March	<u>186</u>	<u>520</u>

### 5. Capital Receipts

Capital receipts from Right To Buy sales of council houses can be summarised as follows:

	2009/10	2008/09
Number of disposals	10	1
Value of disposals	£841k	£106k

On 1 April 2004 a system of pooling for housing capital receipts was introduced under which 75% of receipts from 'Right to Buy' sales (less allowances) are pooled and paid over to Central Government.

### 6. Revenue Contribution to Capital

Additional capital resources to finance capital expenditure can be made available from the HRA. Capital expenditure that cannot be financed from other capital sources must be charged direct to revenue.

### 7. Housing Stock

	2009/10 No of Properties	2008/09 No of Properties
Stock at 1 April	3,522	3,563
Sales:		
Right To Buy (RTB)	(10)	(1)
Non-RTB *	(2)	(30) *
Taken out of Stock	-	(10)
Conversions	(1)	-
Stock at 31 March	<u>3,509</u>	<u>3,522</u>

\* Includes the sale of Stour House to Orwell Housing Association (26 dwellings).

Average Stock for the year	3,516	3,543
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	2009/10 No of Properties	2008/09 No of Properties
Houses and Bungalows	2,862	2,874
Flats	643	643
Other	4	5
Total Stock	<u>3,509</u>	<u>3,522</u>
	%	%
Houses and Bungalows	82%	82%
Flats	18%	18%
Other	0%	0%
Total Stock	<u>100%</u>	<u>100%</u>

### 8. HRA share of contributions to or from the Pension Reserve

The charge reflected in each of the Services is based on the cost of retirement benefits earned by the employee. However the charge against Housing Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as an appropriation to the Pensions Reserve. For a fuller explanation see Core Financial Statements note 42. Retirement Benefits.

### 9. Capital Expenditure

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Capital Expenditure		
Dwellings	<b>3,485</b>	3,316
Other Tangible Assets	<b>11</b>	22
Intangibles	<b>86</b>	58
	<b>3,582</b>	3,396
Capital Financing		
Revenue contributions	<b>401</b>	475
Major Repairs Reserve	<b>2,576</b>	2,329
Contributions	<b>55</b>	42
Supported Borrowing	<b>550</b>	550
	<b>3,582</b>	3,396

### 10. Subsidy

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Management Allowance	<b>1,445</b>	1,381
Maintenance Allowance	<b>3,288</b>	3,126
Capital Charges	<b>509</b>	662
Other	<b>8</b>	8
	<b>5,250</b>	5,177
Interest	<b>(1)</b>	(3)
Rent Income	<b>(12,247)</b>	(11,954)
	<b>(6,998)</b>	(6,780)
Major Repairs Allowance	<b>2,242</b>	2,161
Adjustment 2007/08	<b>(24)</b>	29
	<b>(4,780)</b>	(4,590)

**11. Fixed Assets**

The Balance Sheet Value for the dwellings is the 'Existing Use-Social Housing Value' (EUV-SH) and reflects the fact that the dwellings are occupied by secure tenants. The Vacant Possession Value is the equivalent to the open market value for the dwellings. The difference between the two values shows the economic cost to Government of providing council housing at less than the open market value, as indicated below:-

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
<b>Value as at 31 March</b>		
Operational		
Dwellings (including leased heating)	<b>185,777</b>	173,836
Other Property	<b>2,890</b>	2,643
Total Operational	<b>188,667</b>	176,479
Non-operational		
Land	<b>2,431</b>	2,481
Buildings	<b>725</b>	895
Total Non-Operational	<b>3,156</b>	3,376
Total Asset Value	<b>191,823</b>	179,855
Dwellings- Vacant Possession Value	<b>404,955</b>	379,699
Depreciation-Operational-Dwellings	<b>2,901</b>	3,467
Depreciation-Operational-Other Property	<b>54</b>	58
	<b>2,955</b>	3,525
Depreciation-Non-operational	<b>50</b>	43
Depreciation-Total	<b>3,005</b>	3,568
Impairment-Operational-Dwellings	<b>12,015</b>	(31,532)
Impairment-Operational-Other Property	<b>80</b>	(633)
	<b>12,095</b>	(32,165)

**2009/10 HRA Valuation**

In 2008/09 financial statements included £31.5m relating to the revaluation impairment of the Council's dwellings. This reflected the impact of the fall in property values due to the economic downturn. During 2009/10 HRA property values have made a partial recovery, increasing the value of council dwellings by £12m, netted of against the HRA gross expenditure. As a result, the gross expenditure of £865k shown is significantly lower than the £48.5m reported for 2008/09 which reflected the £31.5m impairment.

The original impairment and the impact of the 2009/10 recovery in value have been reversed out in the Statement of Movement in the General Fund and HRA Balances and so do not affect the overall change in the General Fund (or HRA) working balance indicated on pages 24 and 69.

**12. Depreciation**

Under the HRA accounting regulations authorities are required to show depreciation charges for all of the HRA's fixed assets (see above). However this has no effect on the HRA working balance as it is transferred to the Capital Adjustment Account via the Major Repairs Reserve (see note 4. Major Repairs Reserve).

**13. Impairment**

Impairment losses are charged to the Housing Revenue Account when they are attributable to the clear consumption of economic benefits on tangible fixed assets or when there are no accumulated gains in the Revaluation Reserve against which they can be written off. This has no effect on the HRA working balance as it is transferred to the Capital Adjustment Account in the Statement of Movement on the Housing Revenue Account Balance.

**14. Sums Directed by the Secretary of State**

The amount under this heading relates to Rent Rebate Subsidy Limitation whereby Rent Rebate Subsidy (paid to the General Fund) is abated if rents and charges are higher than the Government specified limit for subsidy purposes. This amount reimburses the General Fund for subsidy loss.

**15. Premiums and Discounts**

See Core Statements Note 40. Financial Instruments Adjustment Account.

## Collection Fund

The Collection Fund reflects the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR).

	Notes	2009/10 £000	2008/09 £000
<b>Income</b>			
Income from Council Tax	4	42,778	41,673
Transfers from General Fund			
Council Tax Benefits	2	5,124	4,522
Council Tax Transitional relief		(1)	-
Income from Business Ratepayers	3	19,896	19,052
Contributions from the General Fund (Discretionary Rate Relief)		86	109
		<u>67,883</u>	<u>65,356</u>
<b>Expenditure</b>			
Precepts and Demands	6	47,693	46,261
Business Rates			
Payments to Pool		19,771	19,015
Costs of Collection		125	124
Council Tax - Bad and Doubtful Debts			
Write Offs		98	61
Provisions		23	29
Contributions			
Towards previous year's estimated Collection Fund Surplus/(Deficit)		(135)	71
		<u>67,575</u>	<u>65,561</u>
<b>Movement on Fund Balance - Surplus (Deficit)</b>	5	<b>308</b>	<b>(205)</b>
<b>Surplus/(Deficit) Brought Forward 1 April</b>	5	<b>(401)</b>	<b>(196)</b>
<b>Surplus/(Deficit) Carried Forward 31 March</b>		<b>(93)</b>	<b>(401)</b>

## Notes to the Collection Fund

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### 1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

### 2. Transfer from General Fund

The amount allowed in Council Tax Benefits is reimbursed to the Collection Fund from the Council's General Fund. The full cost of the Benefits, including the administration costs, less Government grants, is then accounted for in the General Fund.

### 3. Business Rates

The Council collects the business rates (National Non-Domestic Rates) in the district. The amount collected less an allowance for the cost of collection is paid into a national pool administered by the Government. The pool is then redistributed to all local authorities as a standard amount per head of population. The Council's share of this redistribution is shown in the Income and Expenditure Account. The valuation list was revised in April 2005. The next revaluation of all business properties is due in April 2010.

	2009/10	2008/09
Total Rateable Value of Business Properties in March	<b>£47,831k</b>	£47,440k
National Rate in the £	<b>48.5p</b>	46.2p
Small Business Multiplier	<b>48.1p</b>	45.8p

### 4. Income from Council Tax

This figure shows the amount receivable from Council Taxpayers after allowing for Council Tax Benefits. The Council Tax is set to meet the demands of Suffolk County Council, Suffolk Police Authority, Babergh District Council and Parish/Town Councils.

The Tax is set by dividing these demands by the taxbase, which is the number of chargeable dwellings in each valuation band expressed as an equivalent number of Band D dwellings.

## Statement of Accounts 2009/10

The Council estimated its Tax Base for 2009/10 as follows:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £000
A	3,599.94	6/9ths	2,399.96	3,486
B	9,982.23	7/9ths	7,763.96	11,280
C	7,113.83	8/9ths	6,323.41	9,186
D	6,411.89	9/9ths	6,411.88	9,315
E	3,703.85	11/9ths	4,526.93	6,576
F	1,929.96	13/9ths	2,787.72	4,050
G	1,465.19	15/9ths	2,441.98	3,547
H	156.41	18/9ths	312.82	454
Total	<u>34,363.30</u>		<u>32,968.66</u>	<u>47,894</u>
Less provision for bad and doubtful debts		0.3488%	(114.99)	(167)
Less provision for banding adjustment		0.07%	<u>(23.00)</u>	<u>(34)</u>
Taxbase (Band D Equivalent)			<u><u>32,830.67</u></u>	<u><u>47,693</u></u>
			<b>2009/10</b>	2008/09
Average Band D Council Tax			<b>£1,452.69</b>	£1,412.56
Babergh's Share			<b>£134.96</b>	£131.16

Actual income in 2009/10 was £47,902k (including £5,124k Council Tax Benefits), which was £209k higher than the forecast income, equivalent to 144 Band D properties.

### 5. Collection Fund Balance

The collection of council tax is in substance an agency arrangement and the cash collected belongs proportionately to the Council and the major preceptors. The Council's share of the fund balance is taken to the Collection Fund Adjustment Account. Balances belonging to major preceptors are shown in the accounts within debtors or creditors as appropriate. The Council's balance will be taken into account in setting future Council Tax levels

	Balance 1 April 2008 £000	Movement 2008/09 £000	Balance 31 March 2009 £000	Movement 2009/10 £000	Balance 31 March 2010 £000
Babergh District Council					
Council Tax	(11)	(31)	(42)	29	(13)
Discretionary Rate Relief	(109)	23	(86)	86	-
	<u>(120)</u>	<u>(8)</u>	<u>(128)</u>	<u>115</u>	<u>(13)</u>
Suffolk County Council - Council Tax	(66)	(174)	(240)	168	(72)
Suffolk Police Authority - Council Tax	(10)	(23)	(33)	25	(8)
	<u>(196)</u>	<u>(205)</u>	<u>(401)</u>	<u>308</u>	<u>(93)</u>

**6. Precepts and Demands**

The Suffolk County Council and the Suffolk Police Authority precepts are charged to the Collection Fund. Precepts by Parish and Town Councils are charged to the Council's General Fund and included in Babergh District Council's demand on the Collection Fund. The amount of those precepts is shown below.

	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Babergh District Council		
District Council Purposes	<b>4,431</b>	4,295
Town/Parish Council Purposes	<b>2,019</b>	1,894
	<b>6,450</b>	6,189
Suffolk County Council	<b>36,119</b>	35,170
Suffolk Police Authority	<b>5,124</b>	4,902
Total	<b>47,693</b>	46,261

## Accompanying Statements

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## Annual Governance Statement

### **1. Scope of Responsibility**

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council needs to put in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA (the Chartered Institute of Public Finance and Accountancy)/SOLACE (the Society of Local Authority Chief Executives and Senior Managers) Framework 'Delivering Good Governance in Local Government'. The core principles are listed in 3.1.

A copy of the code is on the Council's website at:

<http://www.babergh.gov.uk/Babergh/Home/About+us/How+we+work/Local+Code+of+Corporate+Governance.htm>

In addition, further information relating to the Council's governance arrangements have been placed in a dedicated area on the Council's website for the convenience of its stakeholders, local people and communities.

- 1.4 This statement assesses the Council's governance framework for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts. It explains how the Council has complied with the Local Code and the CIPFA/SOLACE Framework, and also meets the requirements of the Accounts and Audit Regulations 2006 in relation to the publication of a statement on internal control.

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

- 2.1 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.2 The governance framework comprises the Council's systems and processes, its culture and values, by which the Council is directed and controlled and the way in which it accounts to, engages with and leads the community. These ensure that the Council monitors progress on achieving its strategic aims and priorities and enables it to consider whether these have led to the delivery of high-quality, cost effective services, which meet the needs of those using them.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only

provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **3. Systems and processes that comprise the Council's governance arrangements**

3.1 The core governance principles of the Council (taken from the CIPFA/SOLACE Framework), as set out in the Local Code of Corporate Governance, are as follows:

Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

Members and officers working together to achieve common purpose with clearly defined functions and roles;

Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;

Developing the capacity and capability of members and officers to be effective; and

Engaging with local people and other stakeholders to ensure robust public accountability

3.2 Key evidence to support and demonstrate the Council's governance arrangements against the core principles, as listed above, were reported to the Overview and Scrutiny (Stewardship) Committee in Annex A to Paper K41 on 21<sup>st</sup> June 2010.

3.3 In June 2009, CIPFA issued a *Statement on the Role of the Chief Financial Officer in Public Service Organisations*. The Statement supports work to strengthen governance and financial management across the public services. It consists of the following over-arching principles and is supported by good practice benchmark checklists in relation to:-

- a) governance requirements;
- b) core responsibilities of the Chief Financial Officer; and
- c) personal skills and professional standards.

3.4 In the Statement CIPFA recommends that organisations should use the Statement as a framework to benchmark their existing arrangements, and that they should report publicly on compliance to demonstrate commitment to good practice in both governance and financial management.

3.5 The Director of Finance has undertaken an assessment to determine the degree with which the Council complies with the checklist. Overall, this shows that the Council is already substantially complying with the requirements.

3.6 The governance requirements to support the principles in the Chief Financial Officer statement will be incorporated into a review and update of the Council's Local Code of Corporate Governance:

### 4. *Review of Effectiveness*

#### *Current corporate governance arrangements*

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and risk management.
- 4.2 This is achieved through various activities:
- Completion of the Corporate Governance Self Assessment Checklist by Management Team and two senior officers;
- The Head of Audit's overall opinion of the Council's internal control arrangements as reported in his Annual Audit Report 2008/09; and
- Reports submitted by the External Auditors and other review agencies and inspectorates.
- 4.3 The AGS is reported to and considered by our External Auditors, who have a role in advising whether robust corporate governance arrangements are in place.

#### *Systems and processes in place*

- 4.4 Examples of the Council's arrangements are provided below. They include those existing arrangements, which continue to be effective, and those developed or strengthened during 2009/10.

### *Scrutiny arrangements*

The Overview & Scrutiny (Stewardship) Committee acts as the Council's Audit Committee and has responsibility for reviewing the adequacy of internal controls, monitoring the performance of internal audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance of the Council and considering the effectiveness of the Council's governance arrangements.

Clear scrutiny arrangements to develop policy and monitor the decisions of the Strategy Committee exist. Overview and Scrutiny Committees can "call-in" a Strategy Committee decision, which has been made but not yet been implemented, to enable them to consider whether the decision was made in an appropriate manner.

- An effective Standards Committee is maintained, which regulates and oversees the national Code of Conduct. The Monitoring Officer maintains the Council's Constitution and promotes high standards of conduct through the provision of support to the Standards Committee.

### *Senior Management arrangements*

- The Council's Management Team meet regularly to discuss strategic matters together with endorsing specified reports prior to them being considered by the Council's relevant Committees.
- The Director of Finance is Section 151 Officer of the Local Government Act 1972 and is responsible for ensuring that appropriate advice is given to the Council on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal control.

### *Other internal arrangements*

- The Council regularly publicises its Anti-Fraud and Corruption and Whistleblowing Policy, which provide measures to enable confidential public and officer concerns to be raised with the Council. The policy was reviewed and approved by the Overview & Scrutiny (Stewardship) Committee in January 2009 with progress on the ethical framework at Babergh and managing the risk of fraud and corruption being reviewed by the Committee in March 2010.
- The Overview & Scrutiny (Stewardship) Committee receive an annual report on the Council's ethical framework and how it manages the risk of fraud and corruption. This explains the arrangements in place within the Council to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provides details of proactive work undertaken by Internal Audit and the Fraud Team to deter, prevent and detect fraud and corruption. In addition, a formal complaints policy exists to deal with other matters of public concern regarding services provided by the Council.
- A Significant Business Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The Risk Management process is reviewed to ensure its relevance to the Council and the Overview and Scrutiny (Stewardship) Committee receive quarterly updates on risk management. In addition, significant risks within divisions are included in the Service Plans and are regularly monitored and reviewed. These are now reported alongside the significant business risks to the Overview and Scrutiny (Stewardship) Committee. Clear risk training and refresher programmes, including partnership risks, ensure that all Members and staff have a level of understanding of how risks and opportunities could affect the performance of the Council and to regard the management of those risks as part of their everyday activities.
- The Council has in place arrangements to ensure effective performance monitoring and management arrangements. The Management Team, Heads of Service and relevant managers actively manage that framework. The Overview & Scrutiny (Stewardship) Committee receives quarterly reports on Finance and Performance Management. Reports are linked on areas identified as requiring the attention of both Overview and Scrutiny Committees.
- In addition, staff have followed up on areas for improvement identified through the data quality audit. The Council now has a clear set of policies (approved by Strategy Committee) and action plan in place to ensure that we continue to secure further improvements in 2010.

### *External arrangements*

- The external auditor reports on the Council's governance, performance and accounting arrangements. The key messages from the External Auditor's Audit Letter for 2008/09, (Paper J168), include:
  - An unqualified opinion on the financial statements and an unqualified value for money conclusion.

- The Council's Organisational Assessment for 2008/09, which was produced by the Audit Commission, highlighted a number of strengths and concluded that the Council is one that is 'Performing Well' overall. It was seen that the Council is tackling issues that local people recognise as priorities and reflect the challenges facing the local area.
- Included in the above, a Use of Resources assessment score of Level 2, performing adequately. Although the auditor's assessment recognises some key areas of strengths in the Council's effective management and use of resources, officers still remain of the view that the Council's strengths, achievements and outcomes in 2008/09 had not been adequately recognised. Notwithstanding this view, the focus in 2009/10 has been to address the key areas highlighted by the auditors. The auditors have indicated that the Council has significantly strengthened arrangements during 2009/10.

***Governance Issues Identified***

4.5 The table below details the main issues that were identified following the 2008/09 review of the Council's governance arrangements, together with the action taken to address the issues:

Issue Identified	Action Taken
<p>Ensure that informal and 'lower level' complaint are dealt with more effectively, through the Customer Access and Service Transformation (CAST) Action Plan.</p>	<p>The Council has a documented procedure for handling complaints. Each of the 5 Divisions maintains a complaints log which is overseen by the relevant Head of Service. This ensures that complaints are tracked, and addressed, in accordance with the Council's Service Standards, audit trails are available if a complaint is escalated and that any learning points or procedural changes are fed back into the organisation as a whole.</p> <p>Customer satisfaction surveys on complaints handling is undertaken at regular intervals using samples extracted from the complaint logs for each Division. That enables surveys to be undertaken from different perspectives, e.g. targeting specific services, specific geographical areas, equality issues etc or any combination of factors.</p> <p>The Overview &amp; Scrutiny Committees receive a report annually on complaints.</p> <p>Managers &amp; Team Leaders receive regular training on handling and responding to complaints.</p>
<p>Ensure that there are clear arrangements for partnership working to provide assurance that the governance arrangements within the partnerships the Council belongs to are appropriate to manage risks, finances and data quality.</p>	<p>Approved Partnership Strategy in place, supported by a self-assessment toolkit to assess the effectiveness of its existing and new partnerships, which focuses on performance, outcomes, value for money and the governance arrangements, including risk.</p> <p>Partnership Risk workshops undertaken to raise Lead Officer awareness of risks associate with partnership working and how these can be identified and managed effectively. Contents of workshop include how to meet the Use of Resources requirements covering partnerships.</p>

Issue Identified	Action Taken
<p>Continue to develop new ways to deliver and demonstrate Value for Money, linked to achieving efficiencies and using cost and performance information to inform that.</p>	<p>The Council has put in place a number of new approaches and mechanisms in 2009/10 to help it to better understand and challenge costs in order to inform decisions on partnership working, service delivery, savings and efficiencies, financial planning and Budget information.</p> <p>This includes a comprehensive “Budget Deconstruction” exercise. In addition further use has been made of benchmarking data and comparisons to inform decisions on areas where service changers could be achieved.</p>
<p>Improve workforce planning through use of HR establishment data and the Organisational Development (OD) Plan.</p>	<p>The actions supporting delivery of the OD Plan have progressed well across the year according to timetable and a detailed programme for establishment monitoring and management has been developed, with quarterly reporting to the HR Panel. The Council are working with all Councils across Suffolk to establish a County-wide Workforce Plan in 2010.</p>
<p>Further develop and monitor its internal and external communications and consultation strategy to secure meaningful two-way engagement and feedback.</p>	<p>The Council has a comprehensive external communication and consultation strategy. This has been in place for a number of years and will be reviewed in the new year to ensure that it deals with changes in technology.</p> <p>A new communication strategy has been approved and is being implemented both within Babergh and across Mid Suffolk District Council with the internal communication implications of the ongoing managerial and operational integration between the two Councils. This strategy includes the use of a wide range of ways of delivering two-way communications between the Council and staff and includes face-to-face briefings and regular newsletters.</p>

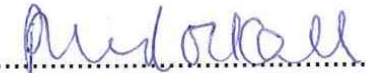
***Further actions taken to strengthen governance arrangements during 2009/10***

- 4.6 The Council have continued to consolidate existing arrangements and, in addition to the above, has put in place further arrangements to strengthen governance in specific areas during 2009/10. Details are available through the following link:

<http://www.babergh.gov.uk/NR/rdonlyres/53CE148B-C94C-4169-992E-4CB669477603/0/SupportingtheCoreGovernanceAnnex.pdf>

**5. Chief Executive and Chairman of Strategy Committee Statement of Assurance**

5.1 We propose over the coming year to review and update the Local Code of Corporate Governance and (based on the issues highlighted in section 4.5) take further steps to ensure that governance arrangements are strengthened where necessary. We are satisfied that these steps will continue to address the need for any improvements that are required and that the Council will monitor their implementation and operation as part of our next annual review

Signed.....  
Pat Rockall, Chief Executive

Signed .....  
Nick Ridley, Chairman of  
Strategy Committee

Date .....  
  
30th June 2010

Date.....  
30<sup>th</sup> June 2010

## Audit Report

## Glossary of Terms

<i>Accruals</i>	The recognition in the correct accounting period of income and expenditure as it is earned or incurred rather than as cash is received or paid.
<i>Accrued Retirement Benefits (Pensions)</i>	The retirement benefits for service up to a given point in time, whether vested rights or not.
<i>Actuarial Gains And Losses (Pensions)</i>	For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.
<i>Agency Services</i>	The provision of services by an Authority (the agent) on behalf of another Authority, which is legally responsible for providing those services. The responsible Authority reimburses the Authority providing the service.
<i>Amortisation</i>	The process of decreasing or accounting for an amount over a period of time. Amortisation of capital expenditures of certain assets under accounting rules, particularly intangible assets, in a manner analogous to depreciation.
<i>Appropriations</i>	Amounts transferred to or from revenue or capital reserves.
<i>Asset</i>	An item owned by the Council which has an economic value e.g. land & buildings, debts or cash.
<i>Audit Commission</i>	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Local Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
<i>'Beacon' Valuation Principle</i>	The beacon principle is used for large groups of properties that contain properties of similar design, age, type, or construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.
<i>Best Value Accounting Code of Practice (BVACOP)</i>	A CIPFA Code that is designed to ensure a consistent and comparable approach to the calculation of the Cost of Services.
<i>Budget</i>	A financial statement of the Council's plans for any given year.
<i>Capital Expenditure</i>	Expenditure on the acquisition of new assets or on the enhancement of existing assets.

<i>Capital Adjustment Account</i>	A complex balance, it is debited with the historical cost of acquiring, creating or enhancing assets over the life of those assets, and of Revenue Expenditure Financed from Capital under Statute over the period of benefit (usually one year), and is credited with resources set aside to finance capital expenditure.
<i>Capital Grants</i>	Grants received towards capital spending on a particular service or project.
<i>Capital Receipts</i>	Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt.
<i>CIPFA</i>	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services
<i>Collection Fund</i>	A Fund administered by District Councils to receive Council Tax from chargeable persons. Suffolk County Council and the Suffolk Police Authority precept on the Fund to finance part of their Net Revenue Expenditure.
<i>Collection Fund Adjustment Account</i>	Established in 2009/10. The entry represents the difference between the income included in the I & E and the amount required to be credited to the General Fund. The entry also appears as a reconciling item in the SMGFB.
<i>Community Assets</i>	Assets the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restriction on their disposal. Examples are parks and historic buildings.
<i>Creditors</i>	Amounts owed by the Council for work done, goods received or services rendered, but for which payment had not been made at the date of the balance sheet.
<i>Current Assets</i>	Asset where the value may change because the volume held can vary through day to day activity, e.g. cash, debtors and stock
<i>Current Liabilities</i>	Amounts which will become payable in the next accounting period (e.g. creditors, cash overdrawn).
<i>Current Service Costs (Pensions)</i>	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.
<i>Curtailment (Pensions)</i>	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
<i>Debtors</i>	Sums of money due to the Council, but unpaid at the balance sheet date.
<i>Defined Benefit Scheme (Pensions)</i>	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.

<i>Depreciation</i>	The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset. The measure of the cost or revalued amount of the benefits of the fixed assets that have been consumed during the period by wearing out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passage of time (leases) or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
<i>Direct Revenue Financing</i>	A charge to the revenue account to finance capital expenditure.
<i>Discretionary Benefits (Pensions)</i>	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.
<i>DIYSO</i>	Do It Yourself Shared Ownership scheme. This is an "affordable housing" initiative whereby part of the property is owned, and the remainder is rented from the Council. There is the option for the owner/tenant to purchase the remainder (rented portion). This can be done in stages if and when required.
<i>Earmarked Reserves</i>	Funds set aside from the Revenue Account that can only be used for specific purposes.
<i>Emoluments</i>	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.
<i>Expected Rate of Return on Pension Assets</i>	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
<i>Fair Value</i>	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.
<i>Financial Reporting Standards (FRSs)</i>	Standards developed by the Accounting Standards Board to regulate the preparation and presentation of financial statements (see Statements of Standard Accounting Practice).
<i>Finance Lease</i>	A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee
<i>Fixed Assets</i>	Intangible and tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
<i>Government Grants</i>	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Housing Benefits Grant; or general (see Revenue Support Grant).


<i>Impairment</i>	A reduction in the value of a fixed asset below its carrying amount on the balance sheet to bring into the books the fair market value of fixed assets.
<i>Income</i>	Amounts that an Authority receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether they have been received in that period.
<i>Infrastructure Assets</i>	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
<i>Interest Cost (Pensions)</i>	For a defined benefit scheme, the expected increase during the period in the present value of the scheme's liabilities because the benefits payable are one year closer to settlement.
<i>Investments (Pensions)</i>	The Council's share of pension scheme assets associated with its liability to pay future retirement benefits.
<i>Local Authority Modernisation Programme (LAMP)</i>	A project undertaken to make major improvements to the quality and usability of the Authority's land and property information.
<i>Minimum Revenue Provision (MRP)</i>	The minimum amount the Council is required by statute to set aside on an annual basis for the repayment of debt.
<i>National Non-Domestic Rates (NNDR)</i>	The business rate in the pound is set annually and centrally by Government. The income arising is collected in a central pool for distribution to Local Authorities on the basis of a formula.
<i>Past Service Cost (Pensions)</i>	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to staff service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits payable.
<i>Precept</i>	The cash sum levied by one Authority which is collected by another (a charging Authority). Suffolk County Council, the Suffolk Police Authority and various Babergh District Local Councils are precepting authorities and the District Council is the charging Authority.
<i>Projected Unit Method (Pensions)</i>	An actuarial method of valuing a pension scheme's liability to pay future retirement benefits taking into account estimated increases in future earnings.
<i>Provisions</i>	Liabilities that are of uncertain timing or amount to be settled by the transfer of economic benefits.
<i>Reserves</i>	Amounts set aside by the Council that do not fall within the definition of a provision.
<i>Retirement Benefits (Pensions)</i>	All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the

	engagement.
<i>Revenue Expenditure</i>	The day-to-day spending and income of the Council on such items as staff, goods, services and equipment.
<i>Revenue Support Grant (RSG)</i>	The general grant paid by Central Government to aid Local Authority spending generally. It is distributed with the aim that a standard service can be provided everywhere in England and Wales for the same level of Council Tax.
<i>Scheme Liabilities (Pensions)</i>	The liabilities to pay future retirement benefits, measured using the projected unit method, of a defined benefit scheme for outgoings falling due after the valuation date.
<i>Settlement (Pensions)</i>	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.
<i>Statement of Recommended Practice (SORP)</i>	The SORP is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts. It is the Accounting Code of Practice for local authorities published by CIPFA. The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority. It prescribes the accounting treatment and minimum requirement for disclosures for all normal transactions. It is given mandatory effect by the statutory framework in all parts of the UK. Accounting standards in the form of Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and other SORPs determine the development of the SORP, which provides guidance on the application of UK GAAP to local authorities.
<i>Statements of Standard Accounting Practice (SSAPs)</i>	Standards developed by the Accounting Standards Board and its predecessor bodies to regulate the preparation and presentation of financial statements. Any new standards are now referred to as Financial Reporting Standards (FRS's). The CIPFA Code of Practice on Local Authority Accounting requires Local Authorities to comply with SSAPs and FRSs or to disclose the nature and effect of non-compliance (see Financial Reporting Standards).
<i>UK GAAP</i>	There is no precise definition of this term and not even agreement as to whether the abbreviation stands for generally accepted accounting 'principles' or 'practice'. However, it should be taken as a reference to the accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements, whether by force of law, weight of authoritative pronouncement or common consensus. Apart from Urgent Issues Task Force (UITF) Abstracts, all other elements of UK GAAP (FRSs, SSAPs, SORPs) are kept in reserve by the SORP, to advise the accounting treatment and disclosure requirements of transactions that are not covered by the SORP. Where the SORP differs from UK GAAP, the SORP takes precedence.

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