

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

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**BABERGH DISTRICT COUNCIL  
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**EXPLANATORY FOREWORD**

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**1. GENERAL COMMENTARY**

The Council's accounts for the year 2004/05 are set out on pages 2 to 77.

They consist of:

- **The Statement of Responsibilities**
- **Statement on the System of Internal Control** – explains the systems and procedures that are in place ensuring the effective exercise of the Council's functions, that these are conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for..
- **The Consolidated Revenue Account** - details income and expenditure on all of the Council's services and how this is financed from Government grants and local taxpayers.
- **The Housing Revenue Account** - a separate statutory account for local authority housing provision.
- **The Collection Fund** - shows the transactions in relation to Non Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to the Council's General Fund and Precepting Authorities.
- **The Consolidated Balance Sheet** - sets out the financial position of the Council on 31 March 2005.
- **The Statement of Total Movement in Reserves** - shows all losses and gains on disposal or revaluation of fixed assets and the surpluses and deficits on capital and revenue reserves.
- **The Cash Flow Statement** - summarises the inflows and outflows of cash arising from revenue and capital expenditure and income.
- **Statement of Accounting Policies**
- **The Auditor's Opinion.**

These accounts are supported by **explanatory notes** to the accounts and a **glossary of terms**.

This report provides a general commentary on the Council's finances for the year and gives an indication of the Council's overall financial position.

**2. CONSOLIDATED REVENUE ACCOUNT**

- This account incorporates all revenue expenditure and income relating to services provided by the Council, including that relating to Council Housing. It also includes the amounts paid to Town and Parish Councils in respect of Parish precepts to cover expenditure incurred by them on local services.
- By excluding both Council Housing (See Section 3 below) and the Parish/Town Council Precepts, the remaining net expenditure relates to the services that are provided and paid for by Council Tax payers and Government grants in the Council's General Fund. The statement below shows this net expenditure for the year compared with the Council's budget:

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	Original Budget (£m)	Revised Budget (£m)	Actual (£m)	Variance from Revised Budget (£m)
Net expenditure	8.745	9.133	8.348	(0.785)
Income from Government grants and Council Taxpayers	(8.195)	(8.195)	(8.195)	-
Reduction (and variation) in General Fund reserves	0.550	0.938	0.153	(0.785)

- The original budget was revised early in 2005 to reflect anticipated changes in income and expenditure for the year. Actual net expenditure for the year was £0.785m less than this revised budget.
- This arose due to lower net expenditure on service costs during the year, though there is delayed revenue expenditure of £0.507m, which is now due to be spent in 2005/06. This will result in reserves being £0.278m higher than anticipated.

**Variations in Net Expenditure between 2003/04 and 2004/05**

Net operating expenditure was £1.390m lower in 2004/05 than in the previous year. Council Housing net operating expenditure was £0.294m less than the previous year. Thus the net operating expenditure for the General Fund is £1.096m lower than in the previous year due to:

	£000
Pay award, and inflation	340
Interest costs, income, asset management account changes and pension accounting adjustments (net)	(1,533)
Net service cost increase	53
Increase in parish precepts	44
<b>Total Decrease</b>	<b>(1,096)</b>

**3. COUNCIL HOUSING**

- A comparison of actual spending for the year with the original and revised budget for the Housing Revenue Account (HRA) is summarised below:

	Original Budget (£m)	Revised Budget (£m)	Actual (£m)	Variance from Revised Budget (£m)
Income	11.638	11.800	11.762	0.038
Expenditure – net of Appropriations	11.719	11.817	11.685	(0.132)
Decrease (increase) in reserves	0.081	0.017	(0.077)	(0.094)

- From this it can be seen that there has been an addition to, rather than the small reduction to reserves anticipated when the revised budget was agreed early in 2005.
- However, once budget carry forwards of £0.055m are allowed for, the reserves will be £0.040m more than expected.

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- The main variations in income and expenditure compared to the revised budget are set out below:

	£m
Anticipated deficit for the year	0.017
<u>Add:</u> Increased costs on void properties	0.029
<u>Less:</u> Expenditure delayed to 2005/06	(0.055)
Lower supervision and management costs	(0.069)
Other net variations	0.001
Actual surplus for the year	(0.077)

**Variations in Net Expenditure between 2003/04 and 2004/05**

The deficit in 2003/04 of £0.133m changed by £0.210m from the previous year to a surplus of £0.077m in 2004/05. The main variations are detailed below:

	£000
Reduction in direct revenue financing and capital charges	(63)
Increase in management, repairs and other costs	388
Increase in rent and other charges	(392)
Increase in HRA Subsidy (net of rent rebates) payable	(143)
Total increase	(210)

**4. CAPITAL INVESTMENT**

- Capital investment in 2004/05 was substantial for a council of Babergh's size. During the year £4.7m was spent on capital projects, (£6.7m in 2003/04) compared to a revised forecast for the year of £6.1m. A large part of the balance of £1.4m relates to schemes that should be completed in the year 2005/06.
- This money was spent on providing the following schemes or services:

	£m
Council Housing improvements, major repairs and renewals	2.5
New computer systems	0.3
Renovation grants – private housing	0.4
Other capital schemes	1.5
Total	4.7

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- This expenditure was financed from the following sources:

	2004/05 £m	2003/04 £m
Revenue Financing	0.1	0.1
Major Repairs Reserve	2.1	2.5
Capital Receipts	2.0	2.2
External Contributions/grants	1.4	0.5
Finance Leases	-	1.1
Capital Accruals	(0.9)	0.3
<b>Total</b>	<b>4.7</b>	<b>6.7</b>

- Capital receipts totaling £2.1m were received in 2004/05, of which £0.3m was paid over to the government (pooled) and £1.8m was used to fund capital expenditure. £0.2 m of the balance carried forward from 2003/04 was also used to finance expenditure in 2004/05, leaving a balance of £1.1m at 31 March 2005. This balance is needed to finance schemes that have been delayed and that will be undertaken in 2005/06.
- Contributions and capital grants of £1.4m, mainly from the Government and Suffolk County Council were used to finance capital expenditure. The Major Repairs Reserve relates to Council Housing and the Government makes an annual contribution to cover this. In 2004/05, £2.1m was received and this was used to finance capital work.

**5. RESERVES, PROVISIONS AND REVENUE BALANCES**

- The level of general revenue reserves and balances, including those related to Council Housing, changed during the year as set out in the table below. This table also incorporates other reserves and balances as indicated:

	31 March 2005 £m	31 March 2004 £m
<b>General Fund</b>		
General Reserves/Balances	3.372	3.525
Collection Fund deficit (Babergh element)	(0.121)	(0.111)
Deferred Credits	0.246	0.284
	3.497	3.698
<b>Housing Revenue Account</b>	1.569	1.492
<b>Total</b>	<b>5.066</b>	<b>5.190</b>

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- More details in respect of the Collection Fund, Deferred Credits and Provisions are to be found in the Statement of Accounts – these sums will be credited or debited to the General Fund accounts over a period of years as appropriate.
- In addition to the above, there are two further significant reserves in the balance sheet, which are the Fixed Asset Restatement Account and the Capital Financing Account. These are required under Government rules.
- The Fixed Asset Restatement Account stands at £201.5m and reflects the difference between the historic or book value of the Council's assets and its current value. The Capital Financing Account of £39.4m reflects the net effect of the amounts that the Council is required to set aside under Government legislation for credit liabilities/debt redemption and the amount of money spent from revenue sources and capital receipts on actual capital expenditure over the years. These amounts are not available to fund the Council's future capital or revenue expenditure.

**6. REVENUE COLLECTION**

- The Council is responsible for collecting Council Tax (not only for its own services, but also for Suffolk County Council, Suffolk Police Authority and Town and Parish Councils in the district) and Business Rates. It also collects Council House rents.
- The total amounts collected during the year as a proportion of the amount collectable for the year, and the comparison with the previous year are shown below:

	Total Receipts £m	Proportion of amount due for year collected	
	2004/05	2004/05	2003/04
Council Tax	34.558	98.7%	98.6%
Business Rates	14.308	98.9%	98.6%
Council House Rents (net of housing benefits)	4.532	98.9%	98.5%

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- Arrears at the year-end compared to the previous year are shown below:

	31 March 2005 £m	31 March 2004 £m
Council Tax	0.896	0.890
Business Rates	0.303	0.363
Council House Rents	0.290	0.314
Total	1.489	1.567

- Provisions for bad and doubtful debts have been made in respect of the above arrears at the end of the year as follows:

	31 March 2005 £m	31 March 2004 £m
Council Tax	0.256	0.238
Business Rates	0.151	0.194
Council House Rents	0.109	0.110
Total	0.516	0.542

## **7. OTHER MATTERS**

### **Pension Fund**

- 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 the 31 March 2004, which estimated the long-term deficit at £10.5m. Contribution rates increased from 30.1% of employees' pensionable pay in 2003/04 to 31.4% in 2004/05.
- For accounting purposes, it should be noted that the estimated deficit (under FRS17) stood at nearly £14.9m as at 31 March 2005 and the reasons for this, as assessed by the actuary, are given on page 48. This is a significant deterioration on the figure of almost £8.7m reported as at 31 March 2004. The main reason for this deficit increase is a change to the discount rate applied to scheme liabilities required under accounting regulations. For accounting periods prior to 2004/05, a real discount rate of 3.5% per annum was applied. The Consolidated Revenue Account figures for the year to 31<sup>st</sup> March 2005 are calculated based on a discount rate derived from corporate bond yields which was 2.4% real. Other reasons for the estimated deficit, as assessed by the actuary, are given on pages 48 and 49.

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**Future Challenges**

- Looking to the future, there are many known and potential challenges facing the Council, which include:
  - Customer Access and Service Transformation – the Council is undertaking a wide-ranging review of customer access and the provision of services.
  - The Euro - The Council's main I.T. systems are Euro compliant and the Council will prepare and implement plans to be ready for any future entry by the UK into the European Monetary Union (EMU) as and when required. Other resource commitments have been identified, although the full costs to be incurred will be more accurately known once firm plans are in place.
  - Achieving efficiencies to meet the Government's 2½% annual efficiency targets between 2005/06 and 2007/08.
  - Ensuring the Council continues to improve to achieve the best possible CPA ratings in the future. The Council was judged to be a 'good' authority under the Government's assessment in 2004.

**8. FURTHER INFORMATION**

- A Statement of Responsibilities for the Statement of Accounts is included on page 9, which confirms, amongst other matters, that the Statement of Accounts for the year has been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The accounts for the year have been closed promptly and within laid down Government deadlines. They are published subject to audit, and the Auditor's opinion on the accounts should be received by 31 October 2005
- Also, a Statement on Internal Control operated by the Council is shown on pages 10 to 13. The Statement covers a review of the Council's whole system of internal control including corporate governance and risk management.
- In addition, interested members of the public have a statutory right to inspect the accounts before the audit of the accounts for the year is completed. An advert will be placed in the local press indicating when the accounts are available for inspection.

Further information about the Council's finances and the Statement of Accounts is available from:

Geoff Kistner, Corporate Director

Telephone: 01473 825810

Email: [geoff.kistner@babergh.gov.uk](mailto:geoff.kistner@babergh.gov.uk)

Barry Hunter, Head of Finance and Performance Review

Telephone: 01473 825819

Email: [barry.hunter@babergh.gov.uk](mailto:barry.hunter@babergh.gov.uk)

The address to contact the above is Babergh District Council, Corks Lane, Hadleigh, Ipswich IP7 6SJ.

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**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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**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 Corporate Director, Geoff Kistner;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the accounts.

The unaudited Statement of Accounts was presented to and approved by the Council on 26 July 2005.

Sue Wigglesworth, Chairman of the Council

Dated: .....

**The Corporate Director's Responsibilities**

The Corporate Director is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code of Practice').

In preparing the Statement of Accounts for the year ended 31 March 2005, the Corporate Director has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Corporate Director has also:

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

I certify that the Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

Geoff Kistner  
Corporate Director

Dated: .....

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**STATEMENT ON INTERNAL CONTROL**

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**1. Introduction**

The Accounts and Audit Regulations 2003 require the Council to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the Council's financial statements.

**2. Scope of Responsibility**

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. The Council also has a duty under the Local Government Act 1999 to make arrangements for continuous improvements in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

**3. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 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.

The system of internal control has been in place at the Council for the year ended 31<sup>st</sup> March 2005 and up to the date of approval of the annual accounts.

**4. The Internal Control Environment**

The key elements of the Council's internal control environment are as follows:

- A constitution, which sets out how the Council operates, how decisions are made, and the procedures, which are followed to ensure that these are efficient, transparent and accountable to local people.
- A 'Local Code of Corporate Governance' has been adopted in accordance with the CIPFA/SOLACE Framework for Corporate Governance.

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**The Internal Control Environment (continued)**

- An overall policy framework and budget agreed by full Council. Within that framework decision making is delegated to the Strategy Committee or to officers under delegated authority. There are two Overview and Scrutiny Committees, which support the work of the Strategy Committee and the Council as a whole.
- Reviews by external auditors and inspectors, external agencies, Internal Audit, and the Corporate Support section, to seek improvements in ensuring the economic, effective and efficient use of resources and in the way in which functions are exercised.
- Services are delivered by trained and experienced staff. All posts have a detailed job profile and targets that are linked to the Corporate Plan. Training needs are identified through the appraisal system and addressed through a corporate training plan.
- The Head of Legal and Administrative Services is the designated Monitoring Officer, who ensures lawfulness and fairness of decision making. After consulting with the Head of Paid Service and Chief Finance Officer, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The financial management of the Council is conducted in accordance with the financial regulations and procedures set out in Part 4 of the Constitution. The Council has designated one of the Corporate Directors as Chief Finance Officer in accordance with section 151 of the Local Government Act 1972.
- The Council maintains an Internal Audit Section, which operates in accordance with the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.
- The Council has a performance management framework. The system is driven by the Corporate Plan, which is approved by the Full Council. The Plan focuses attention on corporate priorities. It is cascaded through departmental service plans and individual staff targets, achievement against those targets is monitored by officers. The Overview and Scrutiny Committees monitor and scrutinise progress against targets and consider and recommend corrective action where necessary on a quarterly basis.
- The Risk Management Strategy explains the Council's attitude to risk and documents the responsibilities for managing risk throughout the Council.
- Corporate and divisional business continuity plans are in place, but haven't been subjected to a testing programme. This will be set out in 2005/06, and all plans will be reviewed in 2006/07.
- A wide variety of systems, policies and procedures are in place.

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**5. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of internal auditors and senior managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors and other review agencies and inspectorates.

Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A report of each audit undertaken is submitted to the relevant head of service, service manager and external auditors. A management summary and action plan is submitted to the Chief Finance Officer and/or relevant Corporate Director or the Chief Executive. Reports include recommendations for improvements, the implementation of which are followed up on a bi-monthly basis. An annual report on the work of Internal Audit is considered by the Overview and Scrutiny (Stewardship) Committee.

From the work undertaken in 2004/05, Internal Audit has provided satisfactory assurance that the internal controls are fundamentally sound and accord with proper practice.

The work of the Internal Audit section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

The Comprehensive Performance Assessment undertaken during 2004/05 rated the Council's overall performance as 'Good', with a score of 17 out of 20 in respect of the Appointed Auditor Assessment. That assessment covered the following areas of Council activity:

- Financial standing
- System of internal financial control
- Standards of financial conduct and the prevention and detection of fraud
- Financial statements
- Legality of significant financial transactions

The Benefit Fraud Inspectorate (BFI) assessment, found that the Benefits service was providing a Fair towards Good performance and that the proven capacity to improve was good.

The Council carried out a review of the Constitution during 2004/05. The Monitoring Officer monitors and reviews the operation of the Constitution to ensure its aims and principles are given full effect. A key role for the Overview and Scrutiny (Stewardship) Committee is to be aware of the strengths and weaknesses of the Constitution and made recommendations for ways in which it could be amended.

The Council has two Overview and Scrutiny Committees. They monitor the decisions of the Strategy Committee and can 'call-in' a decision, which has been made but not yet implemented, to enable them to consider whether the decision is appropriate. There were no 'call-ins' during the year.

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**6. Significant Internal Control Issues**

The review of the effectiveness of the system of internal control has identified some internal control issues, which are shown below along with the action plans that are in place to address them and ensure continuous improvement of the system:

<b>Issue</b>	<b>Action</b>
Strengthen the Council's Corporate Governance arrangements by providing training on Corporate Governance to all key officers and Members and making the staff, public and other stakeholders aware of Corporate Governance.	Provide training through Member and officer workshops and use existing communication channels for staff, public and others.
Continue to improve the performance management system.	Implement the actions detailed in the CPA Improvement Plan. Participate in the implementation of a Performance Management process for the countywide Local Area Agreement, which will bring many funding streams together.
Continue to fully embed the risk management process.	A more formal system of review and monitoring will be introduced, together with a mechanism for involving Members in the identification of high-level risks and the action to be taken. The need for service heads to be actively involved in the process and for risk management to be considered in the annual business planning process will be reinforced within a revised risk management strategy.
Business continuity plans to be subject to regular review and testing.	Set up a testing programme for the business continuity plans. Review these plans in 2006/07.

**7. Conclusion**

A sound system of internal control has been in place at Babergh District Council throughout the year ended 31<sup>st</sup> March 2005 and work to strengthen this is ongoing.

\_\_\_\_\_  
**Patricia Rockall**  
**Chief Executive**

**Date:** \_\_\_\_\_

\_\_\_\_\_  
**Nick Ridley**  
**Chair of Strategy Committee**

**Date:** \_\_\_\_\_

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**CONSOLIDATED REVENUE ACCOUNT**

This account shows the gross expenditure, income and net expenditure in 2004/05 on all services of the Council and any amounts transferred to and from reserves. This net expenditure is financed by general reserves, government grants and local taxpayers. The notes to this statement provide further explanation of these figures and changes between 2003/04 and 2004/05.

	Note Ref	2004/05			2003/04
		Gross Expenditure £000	Income £000	Net Expenditure £000	Net Expenditure £000
Environmental Services		4,200	(1,251)	2,949	3,046
Cultural Services		1,764	(134)	1,630	1,283
Planning Services	4,20	2,660	(1,185)	1,475	1,432
Transport Services		428	(35)	393	352
Housing Services					
General Fund Housing		12,150	(11,078)	1,072	1,482
Housing Revenue Account	3	20,139	(11,692)	8,447	8,268
Central Services to the Public	19	5,224	(4,344)	880	1,005
Corporate and Democratic Core	5	2,418	(317)	2,101	2,117
Non-Distributed Costs	5	20	-	20	507
<b>Net Cost of Services</b>		<b>49,003</b>	<b>(30,036)</b>	<b>18,967</b>	<b>19,492</b>
Precepts of Town/ Parish Councils	15			1,486	1,442
Asset Management Account	12			(8,948)	(8,285)
Contribution to Housing Pooled Capital Receipts				349	-
Losses on the early settlement of borrowing	23			285	285
Pensions interest cost and expected return on pensions assets	9			67	572
Interest and Investment Income	11			(396)	(318)
<b>Net Operating Expenditure</b>				<b>11,798</b>	<b>13,188</b>
Council Housing transferred to/(from) HRA balances	3			77	(133)
HRA capital expenditure financed from revenue	13			110	108
Adjustment for provisions for loan repayment	14			(1,314)	(2,395)
Transfer to/from major repairs reserve				(1,335)	(1,028)
Movement on pensions reserve	9			835	465
Transfer from usable capital receipts				(349)	-
<b>Amounts to be financed from Government Grants and Local Taxpayers</b>				<b>9,834</b>	<b>10,205</b>
General Government Grant				(2,211)	(1,856)
Non Domestic Rate Redistribution				(2,306)	(2,915)
Council Taxpayers (Demand on the Collection Fund)	15			(5,176)	(4,963)
Transfers (from)/to the Collection Fund in respect of surpluses/deficits	16			12	-
<b>Net General Fund (surplus)/deficit</b>				<b>153</b>	<b>471</b>
<b>General Reserve</b>					
<b>Balance at 1 April 2004</b>				<b>3,525</b>	<b>3,996</b>
<b>Balance at 31 March 2005</b>				<b>3,372</b>	<b>3,525</b>

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**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**1. Classification of Expenditure**

The analysis of service costs by expenditure heading has been stated in accordance with the CIPFA's Best Value Accounting Code of Practice.

**2. Capital Accounting System**

Net expenditure on each service includes capital charges for the fixed assets used in the provision of that service. This charge covers the annual provision for depreciation where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest (3.5% for assets carried at current value and 4.8% for assets carried at historical cost), based on the net amount at which the asset is included in the balance sheet. In order that there should be no effect on the Council Tax Payer these notional charges are credited to the Asset Management Account and offset by the true capital financing costs (see note 12, page 19). Capital charges are also included in the Housing Revenue Account and are based on rules laid down by the Government (see note 8 page 27).

**3. Inclusion of Council Housing Expenditure**

The net cost of services relating to Council Housing and entries relating to corporate expenditure and income, appropriations, and the surplus or deficit for the year are required by the SORP to be included in the Consolidated Revenue Account. A full analysis of these figures is included in the Housing Revenue Account given on page 25. The net expenditure or surplus is transferred to/from the Housing Revenue Account so there is no effect on the totals to be financed from government grant and local taxpayers. Charges between the General Fund and the Housing Revenue Account are consolidated within this statement. (See also note 9 to the Housing Revenue Account).

**4. Economic Development and Industrial Estates**

Included within the net expenditure for Economic Development and Industrial Estates is the net cost resulting from the operation of Council owned industrial estates and starter units. The detailed figures are as follows:

	2004/05 £000	2003/04 £000
<b>Income</b>		
Rents	66	79
<b>Expenditure</b>		
Running Costs	(39)	(49)
Capital Charges	(38)	(36)
<b>Net Surplus / (Loss)</b>	(11)	(6)

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**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

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**5. Corporate and Democratic Core and Non-Distributed Costs**

The Council incurs corporate and democratic costs specifically due to it being an elected multi-purpose authority. These costs are not related to the direct cost of the provision of services, and therefore are shown in total in the Consolidated Revenue Account. Non-distributed costs relate mainly to contributions to meet the pension fund deficit. In 2004/05 £0.522m (£0.486m in 2003/04) relating to these costs were apportioned to the Housing Revenue Account from the General Fund.

**6. Section 137, Local Government Act 1972**

Section 137 of the Local Government Act 1972, as amended, gives powers to authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the UK and mayoral appeals. Babergh has made a small number of grants (which equated to £0.021m in both 2004/05 and in 2003/04) that fall within the remit of the amended power.

**7. Publicity Memorandum Account**

Section 5 of the Local Government Act 1986 requires Local Authorities to identify expenditure on publicity.

	2004/05 £000	2003/04 £000
Recruitment advertising	62	70
Other advertising	26	52
Tourism	248	212
Other publicity	152	143
<b>Total</b>	<b>488</b>	<b>477</b>

**8. Agency Services**

The Council has a service agreement with Suffolk County Council to carry out grass cutting on District Highways. The total reimbursed during 2004/05 was £0.023m (£0.021m in 2003/04). These amounts are included in the Consolidated Revenue Account.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**9. Pension Costs**

As part of the terms and conditions of employment of its employees, the Council offers a pension scheme. Although the pension benefits will not actually be payable until employees retire, the authority has a commitment to disclose the payments that will be needed at the time that future entitlements are earned.

The Council pays contributions to the Suffolk County Council Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial valuations of the Fund, the most recent of which was 31 March 2004.

In 2004/05 the authority paid an employer's contribution of £1.930m (2003/04 £1.804m) based on 31.4% (2003/04 30.1%) of pensionable employees' reckonable pay, as well as £0.026m (2004/05 £0.019m) in respect of past employees. A lump sum contribution was made from capital receipts in 2003/04 (£0.493m), but none was made in 2004/05.

We recognise the cost of retirement benefits in Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

	2004/05 £000	2003/04 £000
Net Cost of Services:		
- current service costs	148	(103)
- past service costs	(1,039)	(934)
	(886)	(1,037)
Net Operating Expenditure:		
- interest	1,889	1,977
- expected return on assets in the scheme	(1,822)	(1,405)
	67	572
Movement on Pensions Reserve:		
- reverse out FRS 17 composite entries	(1,122)	(1,851)
- employers' contributions payable to the scheme	1,941	2,316
	819	465
<b>Total cost of FRS 17 adjustments to Council Tax Payers</b>	<b>0</b>	<b>0</b>

Note 26 to the Consolidated Balance Sheet contains details of the assumptions made by the actuary in estimating the figures included in this note. Note 5 to the Statement of Total Movements in Reserves details the costs that have arisen through the year where estimates made in preparing figures for previous years have had to be revised (e.g. the expected return on investments).

**BABERGH DISTRICT COUNCIL**  
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**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

Further information can be found in Suffolk County Council's Pension Annual Report, which is available upon request from: Director of Resource Management, Endeavour House, Russell Road, Ipswich, IP1 2BX.

**10. Leases**

The Council's policy has been to acquire certain equipment and vehicles through operating leases. There were no new lease agreements during 2004/05. The amount paid under operating lease arrangements in 2004/05 was £0.077m (£0.117m in 2003/04). The amounts charged to revenue may vary from the actual payments depending when in the year the lease commences. The impact of these differences is set out below, with the figures analysed between general fund and housing revenue account:

<b>Operating leases</b>	2004/05 £000		2003/04 £000	
	General Fund	HRA	General Fund	HRA
Paid in year	55	22	95	22
Charged to revenue	93	22	161	21

The total amount outstanding on operating leases stands at £0.206m (2003/04 £0.281m). The council is committed to making payments of £0.075m under these leases in 2005/06, comprising the following elements:

	Total	General Fund	HRA
	£000	£000	£000
Leases expiring between 2006/07 and 2009/10	57	35	22
Leases expiring after 2009/10	18	18	-

See note 28 to the Consolidated Balance sheet on page 50 for outstanding obligations and financing charge for finance leases.

**11. Interest and Investment Income**

This relates to the interest earned on the Council's cash balances, which are invested in accordance with the Council's Treasury Management policy.

Investment income has increased from £0.318m to £0.396m mostly due to the average level of surplus funds available to invest increasing from £6.8m to £8.6m. There was also an increase in the average interest rate from 3.83% in 2003/04 to 4.63% in 2004/05.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**12. Asset Management Revenue Account**

This account eliminates the notional amounts charged to service accounts for the use of assets and replaces this with the actual capital financing costs, and incorporates charges for both the Housing Revenue Account and General Fund. The amount credited to revenue in 2004/05 in relation to General Fund services was as follows compared with 2003/04.

	2004/05 £000	2003/04 £000
Capital charges to services for the use of fixed assets	(1,201)	(1,015)
Finance leases - interest	5	-
Discount arising from debt rescheduling	(38)	(38)
Release of Government Grants/Contributions	(322)	(113)
Depreciation – General Fund	538	374
General Fund credit to Revenue Account	(1,018)	(792)
HRA credit to Revenue Account	(7,930)	(7,493)
<b>Total credit to Consolidated Revenue Account</b>	<b>(8,948)</b>	<b>(8,285)</b>

The balance on this account cannot be regarded as indicative of good or bad performance in relation to property management.

**13. Revenue Financing of Capital Schemes**

Contributions to the cost of capital schemes undertaken during the year are made from the Revenue Account. In 2004/05 a total of £0.110m was financed in this way (2003/04 £0.108m) in respect of Council Housing Schemes.

**14. Loan Repayment Provision**

Under legislation, the Council must set aside a minimum revenue provision towards the repayment of external loans. For 2004/05 the statutory amount set aside was nil, as in 2003/04, due to the Council being debt-free.

An adjustment for the difference between the minimum revenue provision and the amounts charged to the Asset Management account for depreciation and the writing down of deferred charges has to be made to ensure there is no impact on Council Taxpayers. The calculation of the amounts involved and the credit to the Revenue Account is shown below:

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

	2004/05 £000	2003/04 £000
<b>General Fund</b>		
Minimum Revenue Provision:		
MRP Commutation Adjustment	-	67
Minimum Revenue Provision Required	-	67
Adjustment for charges to Asset Management Account:		
Depreciation – General Fund	(538)	(374)
Deferred Charges	(995)	(1,678)
Appropriation re: impairment	-	(21)
Appropriation re: Govt. Grants/Contributions	322	114
Credit to Revenue Account	(1,211)	(1,892)
<b>HRA</b>		
Minimum Revenue Provision:		
2% of Total Credit Ceiling	-	59
Appropriation re: impairment	(109)	(567)
Appropriation re: Govt. Grants/Contributions	6	5
HRA Sub-total	(103)	(503)
<b>Total</b>	<b>(1,314)</b>	<b>(2,395)</b>

**15. Demand on the Collection Fund (Council Tax)**

The total demand from Council Taxpayers includes the amount required by the Town/Parish Councils. An analysis is shown below:

	2004/05 £000	2003/04 £000
Babergh District Council	3,690	3,521
Town/Parish Councils	1,486	1,442
<b>Total Demand</b>	<b>5,176</b>	<b>4,963</b>

**16. Collection Fund Transfer**

Under Collection Fund legislation any surplus/deficit on the Collection Fund balance relating to Council Tax is shared between Suffolk County Council, Suffolk Policy Authority and Babergh District Council in proportion to the precept/demand on the Fund for the year.

The amount of the transfer in the year is based on an estimate made on the 15 January preceding the start of the year. Any difference between this and the actual amount of surplus/deficit will be transferred in subsequent years.

**17. Council Staffing - Remuneration**

The Council employs a considerable variety of staff with different skills and expertise. An analysis of the numbers of full and part-time staff employed as at 31 March 2005 in remuneration bands above £50,000 per year is set out in the table below.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

Remuneration includes salary and other benefits as defined in the Accounts and Audit Regulations, which includes basic pay, overtime and bonus payments as well as health cover and car benefits where appropriate, but excludes employer's contributions to pension costs.

Remuneration £	Full Time	Part Time	Full Time	Part Time
	2004/05		2003/04	
100,000 – 109,000	1	-	-	-
90,000 – 99,999	-	-	1	-
80,000 - 89,999	-	-	-	-
70,000 - 79,999	2	-	2	-
60,000 - 69,999	-	-	-	-
50,000 - 59,999	11	-	8	-
Total	14	-	11	-

**18. Related Party Transactions**

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

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

Members of the Council have direct control over the Council's financial and operating policies. There were no transactions that were controlled or influenced by Members during the year.

There were no transactions with Officers that were under their control or influence.

During the year transactions with related parties were as follows:

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

	Receipts £000	Payments £000	Receipts £000	Payments £000
	<b>2004/05</b>		<b>2003/04</b>	
<b>Central Government</b>				
• Revenue Grants				
- Specific and Special Grants	15,483		8,355	-
- Redistributed NNDR	2,306		2,915	-
- Revenue Support Grant	2,211		1,856	-
• Capital Grants				
- Government	1,056		506	-
<b>Precepts</b>				
• Suffolk County Council		29,589	-	27,958
• Suffolk Police Authority		3,831	-	3,434
• Parish Council Precepts		1,486	-	1,442
<b>Chief Executive, Corporate Directors and Heads of Service</b>				
- Car loans made available under the Council's scheme	6	3	6	-
<b>Suffolk County Council Pension Fund</b>				
- Payment of employer's pension contributions in respect of employees	-	1,957	-	1,804
- Additional lump sum contribution from capital receipts	-	0	-	493
<b>Hadleigh Swimming Pool</b>				
- Sole Trustee, revenue and capital transactions	-	44	-	37
<b>Grants to Parish Councils, Community Councils and Village Halls</b>	-	237	-	77
<b>Other Grants to Voluntary Organisations</b>	-	138	-	327

Outstanding balances at the year-end were as follows:

	<b>2004/05</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>
<b>Central Government</b>		
• Revenue Grants		
- Specific and Special Grants	(23)	199
<b>Chief Executive, Corporate Directors and Heads of Service</b>		
- Car loans made available under the Council's scheme	2	5

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**19. Trading Accounts**

The Council has trading operations covering Council Tax Collection. Details of expenditure and income in relation to this activity is shown below:

Trading Activity	Income £000	Expenditure £000	Surplus/ (Deficit) £000	Surplus/ (Deficit) 2003/04 £000
Council Tax Collection	343	318	25	15

**20. Building Control Account**

The Building (Local Authorities Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Babergh sets charges for work carried out with the aim of covering all costs incurred. However, certain activities carried out by the Building Control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control section, divided between the fee-earning and non-fee earning activities:

	Non-fee earning	Fee earning	TOTAL
	2004/05 £000	2004/05 £000	2004/05 £000
<b>Expenditure:</b>			
Central and support charges	(101)	(327)	(428)
<b>Income:</b>			
Building regulation charges	-	367	367
Other	-	7	7
TOTAL INCOME	-	374	374
<b>Surplus/(deficit) for the year</b>	<b>(101)</b>	<b>47</b>	<b>(54)</b>
	2003/04 £000	2003/04 £000	2003/04 £000
Expenditure	(100)	(335)	(435)
Income	-	321	321
Surplus/(deficit) for the year	(100)	(14)	(114)

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED REVENUE ACCOUNT**

**21. Local Authorities (Goods and Services) Act 1970**

The council is empowered by the above Act to provide goods and services to other public bodies. During the year the council provided services for Housing Associations and undertook project work that was of benefit to other public bodies as well as to Babergh.

	2004/05		2003/04	
	Income £000	Expenditure £000	Income £000	Expenditure £000
Housing Associations	-	24	-	16
Other public bodies	(15)	15	(15)	15
<b>Total</b>	(15)	39	(15)	31

**22. Members' Allowances**

The total amount of Members' allowances paid during 2004/05 was £0.178m (£0.175m in 2003/04).

**23. Gains or Losses on the Early Settlement of Borrowing**

Premiums for the premature repayment of external borrowing are debited to the HRA over a period of ten years. An amount of £0.285m in 2004/05 (£0.285m in 2003/04) relating to this amortisation charge is shown in the Consolidated Revenue Account. Because these amounts are paid initially from the General Fund there is a loss of interest to the General Fund and this is charged to the HRA and credited to the General Fund over the ten years. The charge in 2004/05 was £0.106m (£0.099m in 2003/04).

**24. Audit and Inspection Costs**

In 2004/05 Babergh District Council incurred the following fees relating to external audit and inspection:

	2004/05	2003/04
	£000	£000
• Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	69	99
• Fees payable to the Audit Commission in respect of statutory inspection	10	16
• Fees payable to the Audit Commission for the certification of grant claims and returns	57	49
• Fees payable in respect of other services provided by the appointed auditor.	1	0

The fees for other services in 2004/05 are in respect of the National Fraud Initiative.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**HOUSING REVENUE ACCOUNT**

The Housing Revenue Account shows the major elements of Council housing revenue expenditure - maintenance, administration, housing benefit - and capital financing costs, and how these are met by rents, subsidy and other income. In 2004/05 the Government introduced a significant change in relation to Housing Benefit and subsidy. There is a statutory requirement to keep this account separate from those of the Council's other activities.

	Note Ref	2004/05 £000	2003/04 £000
<b>INCOME</b>			
Dwelling rents	4	10,384	10,114
Non-dwelling rents		220	211
Charges for services and facilities	6	1,034	923
Contributions towards expenditure	9	118	113
HRA Subsidy receivable (including MRA)	16	-	1,996
Other income		6	10
		<b>11,762</b>	<b>13,367</b>
<b>EXPENDITURE</b>			
Repairs and maintenance		1,890	1,688
Supervision and management	2		
- General	11	1,593	1,617
- Special		1,479	1,279
Rents, rates, taxes and other charges	11	61	55
Housing Benefit	5	-	5,807
Negative Subsidy payable to Secretary of State	16	3,439	-
Sums directed by the Secretary of State – Transfers to General Fund	21	229	-
Provision for bad and doubtful debts	7	12	13
Cost of capital charge	17	8,113	7,640
Depreciation and impairment of fixed assets	15	3,534	3,692
Debt management costs		32	29
		<b>20,382</b>	<b>21,820</b>
<b>Net Cost of Services</b>		<b>8,620</b>	<b>8,453</b>
Net HRA income or expenditure on the Asset Management Revenue account	8	(7,930)	(7,493)
Interest on loan premium	18	106	99
Amortised premiums and discounts	18	285	285
Investment income	3	(73)	(46)
<b>Net Operating Expenditure</b>		<b>1,008</b>	<b>1,298</b>
<b>Appropriations:</b>			
Revenue contribution to capital expenditure	10	110	108
Contribution to minimum repayment provision	20	(103)	(503)
Transfer to/from Major Repairs Reserve	13	(1,335)	(1,028)
Movement on pensions reserve	19	243	258
<b>Total: Deficit/(Surplus) for the year</b>		<b>(77)</b>	<b>133</b>
<b>Housing Revenue Account Balance: at 1 April 2004</b>		<b>1,492</b>	<b>1,625</b>
<b>Housing Revenue Account Balance: at 31 March 2005</b>		<b>1,569</b>	<b>1,492</b>

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

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**1. Housing Stock**

The Council was responsible for managing an average of 3,684 dwellings during 2004/05. The stock was made up as follows as at 31 March 2005:

	No. of properties
Houses and bungalows	2,944
Flats	674
Other	44
Total Stock at 31 March 2005	3,662

The change in the stock can be summarised as follows:

	2004/05	2003/04
Stock at 1 April	3,707	3,762
Less : sales	(31)	(55)
Less: transfers re system built properties	(14)	-
Stock at 31 March	3,662	3,707

The Council has part ownership (50%) of 4 houses, acquired under the Do-It-Yourself Shared Ownership (DIYSO) Scheme, included in the above figures.

**2. Supervision and Management**

This is divided into two areas, general and specialised support services. General relates to the general management of the Council's housing stock and includes the cost of policy and management, ensuring the welfare of tenants, tenancy applications and selection, and rent collection and accounting. Special services relates to services provided for specific dwellings or residents and includes items such as central heating, caretaking and cleaning, wardens services and estate maintenance.

**3. Investment Income**

This relates to interest credited to the Housing Revenue Account in respect of the working balance of the fund. The interest rate applicable in 2004/05 was 4.63% compared with 3.83% in 2003/04.

**4. Gross Rent Income**

During the year 1.5% of dwellings were vacant (1.1% in 2003/04). The actual average rent per week in 2004/05 was £55.34 (52 week basis), an increase of £2.25 (4.2%) over the previous year. The amount of rent/service charges due to be collected from tenants (net of rebates granted) was £5.686m (£5.441m in 2003/04).

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**5. Housing Benefit**

Assistance with rents and service charges is available under the Housing Benefits Scheme for those on low incomes. Approximately 61% of the Council's tenants received some help in 2004/05 (60% in 2003/04). In 2004/05 Housing Benefit is charged to the General Fund, where the cost is met by Government subsidy.

**6. Service and Facility Charges**

These charges relate particularly to heating and scheme management services provided to residents in sheltered accommodation and homeless units, including charges and grants received towards the provision of support services to tenants. They also include the charges for community alarm systems in Council Houses.

**7. Rent Arrears**

At the end of the year rent arrears, as a proportion of gross rent income, stood at 2.7% of the amount due (2003/04 = 3.0%) of the amount due. The figures are as follows:

	2004/05 £000	2003/04 £000
Arrears at 31 March	290	314

The balance sheet provision in respect of uncollectable debts is £0.109m, which includes a decrease of £0.001m for 2004/05. The arrears figure includes some other charges that are normally paid by tenants with their rent.

**8. Asset Management Revenue Account**

This account reverses out charges for the use of assets included in the Net Cost of Services and replaces them with the actual financing costs. Depreciation costs are compensated by the major repairs allowance included in the Government subsidy assessment and from transfers to/from the Major Repairs reserve, in order to ensure that there is no impact on Council tenants.

	2004/05 £000	2003/04 £000
Capital charge – interest (notional)	(8,113)	(7,640)
Interest	135	108
Financing charge re finance leases	54	44
Depreciation – dwellings and non-dwellings	3,425	3,126
Depreciation charged to net cost of services	(3,425)	(3,126)
Release of government grants/contributions	(6)	(5)
<b>Total</b>	<b>(7,930)</b>	<b>(7,493)</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**9. Contributions towards expenditure**

The General Fund makes a contribution to reflect the benefit the community as a whole receives from amenities provided in Council Housing areas. This relates to the cost of amenity area maintenance in respect of sold Council houses.

**10. Direct Revenue Financing of Capital Schemes**

In 2004/05, £0.110m of the Housing Revenue Account capital programme was financed directly from revenue, which was £0.080m less than planned. The reduction was due to lower expenditure on capital projects.

**11. Rent, Rates, Taxes and other charges**

	2004/05 £000	2003/04 £000
Miscellaneous rents payable	4	4
Rates and charges	10	7
Premises insurance	25	22
Operating lease payments	22	22
<b>Total</b>	<b>61</b>	<b>55</b>

Figures for rates & charges and for premises insurance have been restated for 2003/04 (these were both previously nil). Due to reclassification of these costs, the relevant amounts above have been deducted from 'Supervision and Management – General' where they were originally recorded in 2003/04.

**12. HRA Fixed Assets 2004/05**

	Value as at 31 March 2005 £000	Value as at 1 April 2004 £000
Land	3,518	3,404
Houses	222,769	210,635
Other Property	3,839	2,378
Leased Heating Systems	1,229	1,405
	<b>231,355</b>	<b>217,822</b>
Operational assets comprising dwellings and other land and buildings	225,104	211,930
Leased Heating Systems	1,229	1,405
Non operational assets	5,022	4,487
	<b>231,355</b>	<b>217,822</b>

The value of the dwellings within the HRA shows the economic cost to Government of providing Council housing at less than open market rents. The vacant possession value of dwellings as at 31 March 2005 was £392.8m.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**13. Major Repairs Reserve**

The Major Repairs Reserve is established from the Government's annual Major Repairs Allowance (MRA). It is credited with an amount equal to the depreciation on dwellings, borrowed from the Capital Financing Reserve (CFR). It is written back to the CFR when capital expenditure is incurred that is eligible to be funded from MRA monies.

	2004/05	2003/04 (restated)
	£000	£000
Balance as at 1 April 2004	-	(390)
Amount transferred to the reserve (equivalent to depreciation on HRA dwellings)	(3,425)	(3,126)
Amount transferred from the reserve to the HRA	1,335	1,028
Capital Expenditure in the year (all on Council Housing)	2,090	2,488
Balance as at 31 March 2005	-	-

**14. Capital Expenditure and Financing Summary**

Capital expenditure in 2004/05 in the HRA was financed as follows:

	2004/05	2003/04		2004/05	2003/04
	£000	£000		£000	£000
Dwellings	2,546	3,141	Capital receipts	799	464
Central	-	857	Revenue contributions	110	108
Heating			Major repairs reserve	2,090	2,488
			Contributions	50	22
			Finance Lease	-	857
			Change in working capital	(503)	59
	2,546	3,998		2,546	3,998

Total capital receipts from disposals of Council houses through the Right to Buy scheme during 2004/05 were £1.762m (this includes one rent to mortgage of £0.047m), receipts from sale of DIYSO properties were £0.060m and receipts from sale of other dwellings including block built bungalows were £0.225m

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**15. Depreciation and Impairment**

The total charges were as follows:

	2004/05		2003/04	
	Depreciation £000	Impairment £000	Depreciation £000	Impairment £000
Houses	3,183	109	2,950	567
Other Property	78	-	45	-
Central Heating (leased)	164	-	130	-
	3,425	109	3,125	567
Operational assets comprising dwellings and other land and buildings and leased heating	3,392	109	3,103	567
Non operational assets	33	-	22	-
	3,425	109	3,125	567

The impairment charge reflects the revised valuations applied by the external valuer. Further details are provided in accounting policies note 18, page 72.

**16. Breakdown of the Amount of HRA Subsidy Receivable/Payable**

From 1<sup>st</sup> April 2004 housing benefits and related subsidy are no longer accountable in the HRA. Instead they have been transferred to the General Fund.

The amounts paid to and received from the Government are based on a notional assessment of the HRA and details on how this is determined are set out below:

	2004/05 £000	2003/04 £000
Management Allowance	1,009	1,009
Maintenance Allowance	2,473	2,003
Major Repairs Allowance	2,090	2,098
Housing Benefits	-	5,615
Charges for capital	603	617
Admissable Allowance	11	-
ASBO Allowance	1	-
Other items of reckonable expenditure	5	5
	6,192	11,347
Interest on Receipts	(4)	(5)
Notional Income from Rents	(9,631)	(9,345)
Adjustment to 2003/04 subsidy	4	(1)
Total subsidy (payable)/receivable	(3,439)	1,996

**17. Cost of Capital Charge**

A cost of capital charge is included in the Housing Revenue Account. This represents a financing charge at a specified notional rate of interest (3.5% for assets carried at current value and 4.8% for assets carried at historical cost) based on the net amount at which the asset is included in the balance sheet. The charge is then credited out of the account below the 'Net Cost of Services' in order to ensure that there is no impact on tenants.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE HOUSING REVENUE ACCOUNT**

**18. Amortised Premiums and Interest on Loan Premium**

See note 23 to the Consolidated Revenue Account on page 24.

**19. Pension Costs**

Details of total revenue retirement benefit transactions are shown in note 9 to the Consolidated Revenue account on page 17.

As was the case in 2003/04, Authorities have been permitted to individually form their own views on that methodology which they consider to be most appropriate for the HRA, as explained in the accounting policies. Hence the appropriate share of all pension cost components have been allocated (except actuarial gains and losses) to the HRA. A pension reserve movement entry adjusts the pension cost borne by the HRA so that there is no impact on the bottom line. Entries to the HRA are as follows:

	2004/05 £000	2003/04 £000
Repairs and maintenance	4	(2)
Supervision & management		
- General	(253)	(253)
- Special services	7	(3)
	(242)	(258)
Movement on pensions reserve:		
- reverse out FRS 17 composite entries	(259)	(203)
- employers' contributions payable to the scheme	501	461
	242	258
Total cost of FRS 17 adjustments to HRA	-	-

**20. Contribution to minimum repayment provision**

See note 14 to the Consolidated Revenue Account on page 19.

**21. Sums directed by the Secretary of State – transfers to General Fund**

Authorities are required to make any debits directed by the Secretary of State and to transfer an equivalent amount to the General Fund. This amount of £229,000 in 2004/05 relates to the rent rebate limitation scheme.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**THE COLLECTION FUND**

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund. It shows the transactions in relation to Council Tax, and Non-Domestic Rates and illustrates the way in which these have been distributed to Suffolk County Council, the Suffolk Police Authority, Parish and Town Councils and the Council's General Fund.

	Note Ref	2004/05 £000	2003/04 £000
<b>INCOME</b>			
Income from Council Tax	1	34,891	32,962
Transfers from General Fund			
- Council Tax Benefits	2	3,631	3,333
- Council Tax transitional relief	2	(1)	(1)
Income collectable from business ratepayers	3	14,628	12,981
Contribution from the General Fund (Discretionary Rate Relief)	6	76	74
		53,225	49,349
<b>EXPENDITURE</b>			
Precepts and Demands	5	38,596	36,355
Business Rates			
- Payment to National Pool	3	14,594	12,942
- Costs of collection	3	116	115
Council Tax - Bad and doubtful debts			
- Write offs		36	57
- Provisions	4	18	20
Contributions			
- Towards previous year's estimated Collection Fund Deficit	5	(85)	-
		53,275	49,489
Movement on Fund Balance	6	(50)	(140)
<b>FUND BALANCE</b>			
(Deficit)/Surplus at 1 April		(329)	(189)
Movement on fund balance		(50)	(140)
(Deficit)/Surplus at 31 March	6	(379)	(329)

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE COLLECTION FUND ACCOUNT**

**1. Council Tax Income**

This figure reflects the net amount receivable from taxpayers in 2004/05 after allowing for entitlements to Council Tax benefits and transitional relief.

All domestic properties are banded according to their value at 1 April 1991 and a tax level is set to meet the demands from Suffolk County Council, Suffolk Police Authority, Babergh District Council and Parish/Town Councils.

The tax is set by dividing these demands by the Council's tax base, which is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts and estimated changes during the year apply) expressed as an equivalent number of Band D dwellings.

The calculation of the tax base for 2004/05 and the income it was forecast to generate is shown below:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £000
A	3,499.85	6/9ths	2,333.23	2,814
B	9,808.90	7/9ths	7,629.14	9,200
C	6,991.35	8/9ths	6,214.53	7,494
D	6,175.62	9/9ths	6,175.62	7,447
E	3,589.75	11/9ths	4,387.47	5,291
F	1,865.00	13/9ths	2,693.89	3,249
G	1,420.05	15/9ths	2,366.75	2,854
H	155.50	18/9ths	311.00	375
Total	33,506.02		32,111.63	38,724
Less provision for bad and doubtful debts (0.25%)			(78.96)	(96)
Less provision for non-collection of Council Tax for 2 <sup>nd</sup> homes (0.50%)			(26.43)	(32)
Tax base for tax setting			32,006.24	38,596

The shortfall of £0.203m between the forecast gross income from the tax base of £38.724m and the amount of income from Council Tax payers, Benefits and Transitional Relief was equivalent to a reduction of 168 Band D properties and arose due to actual growth in the tax base being less than anticipated during the year.

**2. Transfers from General Fund**

These amounts represent the total of individual entitlements to reductions in the amount of Council Tax payable in the year. Council Tax benefit and Transitional Relief granted are credited to the Collection Fund and charged to the General Fund. Transactions in relation to reimbursement by the Government of benefits and reliefs granted and the costs of administration are accounted for in the General Fund.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE COLLECTION FUND ACCOUNT**

**3. Business Rates**

The Council collects business rates in the district. The amount collected less an allowance for the cost of collection (of £0.116m in 2004/05) is paid over to the Government's National "Pool" for redistribution. The rateable value of all properties in the district at 31 March 2005 was £35.856m and the national rate in the pound (fixed by the Government) for the year was 45.6p. The comparable figures for 2003/04 were £35.213m and 44.4p.

The net amount collectable from ratepayers increased from £12.981m in 2003/04 to £14.628m in 2004/05 due to a range of factors including movements in the rating list following the 2000 revaluation. Reductions are made from gross charges for reliefs (transitional and charitable), allowances for empty properties and a provision for non-collection. This amount, less the allowance towards the cost of collection, which is transferred to the General Fund, is paid to the National Pool.

Every 5 years, all business properties are re-valued by the District Valuer to reflect movement in market prices This has been undertaken in 2005.

**4. Bad and Doubtful Debts**

Provision has been made for a 0.09% non-collection rate in respect of Council Tax, compared to 0.10% as at 31 March 2004.

**5. Precepts / Demands**

The amounts included in the accounts are as follows:

	2004/05		2003/04	
	£000	£000	£000	£000
Suffolk County Council		29,589		27,958
Suffolk Police Authority		3,831		3,434
Babergh District Council				
District Council purposes	3,690		3,521	
Town/Parish Council purposes	1,486		1,442	
		5,176		4,963
<b>Total</b>		<b>38,596</b>		<b>36,355</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE COLLECTION FUND ACCOUNT**

**6. Fund Balance / Allocations of Estimated Collection Fund Surplus**

The Fund balance relating to Council Tax is shared between Suffolk County Council, Babergh District Council and the Suffolk Police Authority in proportion to the precept/demand on the fund for the year. This is based on an estimate of the balance made on 15 January in the preceding financial year. As at 31 March 2005 there was a deficit on Council Tax overall of £0.298m.

The movement on fund balance in respect of individual precepting bodies in 2004/05 is as follows:

	Fund Balance 31 March 2005 £000	Movement on Fund Balance 2004/05 £000	Balance 1 April 2004 £000
Babergh District Council			
- Council Tax	(40)	(5)	(35)
- Discretionary Rate Relief	(81)	(5)	(76)
Suffolk County Council			
- Council Tax	(228)	(34)	(194)
Suffolk Police Authority			
- Council Tax	(30)	(6)	(24)
<b>Total</b>	<b>(379)</b>	<b>(50)</b>	<b>(329)</b>

The deficit of £0.081m relating to discretionary rate relief granted to businesses is not met by the General Fund until the following year in accordance with Government regulations. However, the expenditure has been allowed for in the Consolidated Revenue Account for 2004/05.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**CONSOLIDATED BALANCE SHEET**

This shows the overall financial position of the Council and summarises its assets and liabilities at the end of the financial year.

	Note Ref	31 March 2005		31 March 2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	5-7		406		612
Tangible fixed assets:					
Operational assets					
- Council housing dwellings		223,999		212,040	
- Other land and dwellings		11,468		10,276	
- Vehicles, plant and equipment		1,179		614	
- Infrastructure		790		721	
- Community assets		595		599	
Non operational assets:					
- Assets under construction		7		93	
- Land awaiting development		3,317		3,135	
- Commercial property		1,880		1,761	
- Surplus assets		196		234	
- Other		1,753		1,471	
			245,184		230,944
Total fixed assets	1-7		245,590		231,556
Long term debtors/mortgages	8		1,918		2,101
Long term investments	9		80		80
<b>Total Long Term Assets</b>			247,588		233,737
Current Assets					
Stocks and Stores		56		45	
Debtors	10	2,653		3,955	
Investments (short term)	11	5,534		2,469	
Cash and bank		281		366	
Other current assets	12	944		725	
		9,468		7,560	
Current Liabilities					
Creditors	13	(4,182)		(2,899)	
Other current liabilities	14	(1,657)		(1,748)	
Net current assets			3,629		2,913
<b>Total Assets less Current Liabilities</b>			251,217		236,650
Deferred capital receipts	16	(151)		(160)	
Deferred credits	24	(246)		(284)	
Deferred liability (finance leases)	28	(1,310)		(1,517)	
Pensions liability	26	(14,866)		(8,670)	
			(16,573)		(10,631)
<b>Total Assets less Liabilities</b>			234,644		226,019

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**CONSOLIDATED BALANCE SHEET (Continued)**

	Note Ref	31 March 2005		31 March 2004	
		£000	£000	£000	£000
Fixed asset restatement account	18		201,463		186,742
Capital financing account	18		39,345		39,579
Capital contributions unapplied	22		175		133
Capital grants unapplied	22		293		154
Capital receipts unapplied	20		1,144		1,328
Government grants – deferred	17		1,049		492
Capital contributions – deferred	17		1,479		1,573
Revenue balances	23		4,562		4,688
Pensions reserve	26		(14,866)		(8,670)
<b>Total Equity</b>			<b>234,644</b>		<b>226,019</b>

Geoff Kistner, Corporate Director.....Dated:.....

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**1. Fixed Assets**

	Council Housing Dwellings £000	Other land and buildings. £000	Vehicles Plant and Equipment £000	Infra-structure £000	Communi-ty assets £000	Non-Operational incl. HRA £000	Assets under construc- tion £000	Total £000
Book value as at 1 April 2004	212,040	10,276	614	721	599	6,601	93	230,944
Expenditure in year	2,546	189	813	18			7	3,573
Disposals in year	(2,080)	(58)			(8)	(1)		(2,147)
Adjustments in year				93			(93)	-
Revaluations in year	14,949	1,345	(27)		4	619		16,890
Gross book Value 31 March 2005	227,455	11,752	1,400	832	595	7,219	7	249,260
Depreciation for year	(3,347)	(284)	(221)	(42)		(73)		(3,967)
Impairment	(109)							(109)
Net book value 31 March 2005	223,999	11,468	1,179	790	595	7,146	7	245,184
Note: Accumulated depreciation and impairment at 1 April 2004	(10,163)	(1,710)	(534)	(513)	(16)	(566)		(13,502)
Accumulated depreciation and impairment to 31 March 2005	(13,619)	(1,994)	(755)	(555)	(16)	(639)		(17,578)

The revaluation figures are analysed below:

Revaluations in Year 2004/05	£m
Annual indexing update of value of HRA assets and revaluation of general fund assets as at 31 March 2005	19.5
Capital expenditure in year that does not increase asset values	(2.7)
Total Variation	16.8

The revaluation figures reflect the fact that not all capital expenditure adds to the value of the asset - capital expenditure can also be incurred on extending the life of an asset or enhancing its use. Assets held under finance leases include Central Heating systems (all HRA) valued at £1,229k as at 31 March 2005 (2003/04: £1,405k) and Wheeled bins valued at £282k as at 31 March 2005 (2003/04: £307k). See also note 28 on page 50.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**2. Capital Commitments**

As at 31 March 2005 the Council was contractually committed to certain capital works. There are major commitments on the following items of capital expenditure:

	£000
<b>Housing</b>	
Kitchen/Bathroom Improvements	305
Renovation Grants approved	152
Other commitments	335
<b>Total</b>	<b>792</b>

Other commitments, above, are contracts and grants that, individually, are not of sufficient value to require separate disclosure.

**3. Information on Assets Held**

Fixed assets owned by the Council include the following:

	Number at 31 March 2005	Number at 31 March 2004
<b>Operational Assets</b>		
<b>HRA</b>		
Council Dwellings (incl. DIYSO)	3,662	3,707
<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	22
Leisure Centres and Swimming Pools	1	1
Public Conveniences	13	13
Refuse vehicles	4	-
Bus Stations	1	1
Amenity Land and Community Assets	30	29
<b>Non-operational assets</b>		
<b>HRA</b>		
Shops	9	9
Misc. Properties	8	8
Vacant Land	27	26
<b>General Fund</b>		
Commercial Property available for rent	14	14
Other dwellings	5	5
Surplus property	2	2
<b>Infrastructure Assets</b>		
<b>General Fund</b>		
Town Centre CCTV System	1	1
Gt. Cornard Drainage System	1	1

The authority also owns a number of other assets, such as CCTV cameras, IT equipment and wheeled bins.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**4. Fixed Asset Valuation**

The freehold and leasehold properties that comprise the authority's general fund property portfolio (and certain housing accommodation for the homeless) were professionally valued as at 1 April 2004 and an indexation exercise was carried out as at 31 March 2005 by an external independent FRICS qualified valuer from The Valuation Office on the undermentioned basis in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors. Specific assets are revalued on an annual basis where appropriate.

Plant, machinery and furniture & equipment in the main office accommodation is included in the valuation of the buildings.

Properties regarded by the authority as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost.

Properties regarded by the authority as non-operational have been valued on the basis of open market value.

Council dwellings were revalued on an Existing Use Value for Social Housing basis as at 1 April 2000, by an external independent FRICS qualified valuer from Countrywide Surveyors, in accordance with the requirements of Resource Accounting for the HRA. Due to an impending change in valuation guidelines, a 'desktop' valuation has been undertaken for 2004/05. The authority appointed the District Valuer to carry out valuation work and this desktop exercise was carried out by them to reflect any increase in valuations up to 31 March 2005.

Infrastructure assets represent the value of the Great Cornard Flood Relief Drainage System and the CCTV equipment installed in Sudbury and Hadleigh. These assets have been valued on the basis of historical cost.

	Council Housing Dwellings	Other land and buildings	Vehicles Plant and Equipment	Infra-structure	Communi-ty assets	Non-Operational incl. HRA	Assets under constructi on	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	1,229		1,179	790			7	3,205
Valued at current value in:								
2004/05		9,284			595	2,124		12,003
2003/04								
2001/02								
2000/01								
Earlier years	222,770	2,184				5,022		229,976
<b>Total</b>	<b>223,999</b>	<b>11,468</b>	<b>1,179</b>	<b>790</b>	<b>595</b>	<b>7,146</b>	<b>7</b>	<b>245,184</b>

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**  
**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**5. Depreciation and Amortisation**

Depreciation is charged on all Council assets, except in a few cases where the charge would not be material. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives of the assets, which are set out in the table below.

<b>Class of asset</b>	<b>Remaining life (years)</b>
Council housing	49
Other land & buildings	2 – 49
Vehicles, plant & equipment	2 – 13
Infrastructure assets	4 – 30
Non-operational assets	11 – 49
Intangible assets	5

The wide range of useful lives reflects the individual nature of the assets concerned. Central heating systems installed in Council Housing and financed by lease have been depreciated over the length of the leases (10 years). Council housing has a range of estimated useful lives and 50 years was deemed to be the most appropriate and representative mid-point of these lives when depreciation rates were reviewed in 2003/04. See further information in note 18 of accounting policies on page 72.

**6. Capital Expenditure and Financing**

Capital expenditure in 2004/05 was financed as follows compared with 2003/04:

	2004/05 £000	2003/04 £000
Opening capital financing requirement	3,170	3,170
<b>Capital investment</b>		
Operational assets	3,573	5,045
Deferred charges	1,023	1,700
PSR Loans	112	-
<b>Sources of finance</b>		
Capital receipts	(1,999)	(2,199)
Government Grants and other contributions	(1,369)	(520)
Revenue provision (including MRR)	(2,200)	(2,596)
Finance lease & adjustments	(13)	(1,164)
Change in accruals		(266)
Closing capital financing requirement	2,297	3,170

The reduction of £0.873m in 2004/05 represents a decrease in the underlying need to borrow.

**7. Intangible Assets and Deferred Charges**

Under the capital accounting system deferred charges arose where expenditure was charged to capital and financed by loan but no tangible asset was acquired (e.g. grants towards capital costs incurred by other bodies/individuals). The accounting policy in respect of deferred charges has changed (see note 3, page 58) and they are now fully amortised to revenue. For information purposes, the movements in the year compared with 2003/04 were:

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

	2004/05 £000	2003/04 £000
Balance at 1 April	612	368
Prior year adjustment re E-Gov't/HB grant used to fund IT	-	106
Expenditure (including accruals)	1,023	1,700
Amounts financed from usable receipts/revenue etc	(1,064)	(1,348)
Amortisation charged to consolidated revenue account	(165)	(214)
Balance at 31 March	406	612

The balance at 31 March is now classified as intangible assets:

Software and other ICT expenditure	Historical cost £000	Cumulative amortisation £000	Net carrying amount £000
At 1 April 2004	1,223	(611)	612
At 31 March 2005	1,182	(776)	406

**8. Long Term Debtors**

These are amounts owing to the Council which become due over a longer period of time than one year, although some repayments will be made in the next financial year. The amounts are analysed below:

	31 March 2005 £000	Written down in year	31 March 2004 £000
Loan premium repayments	1,727	(286)	2,013
Housing mortgages	71	(9)	80
Other	8	-	8
PSR Loans	112	112	-
Total	1,918	(183)	2,101

**9. Long Term Investment**

The investment concerned is £80,000 debentures issued by the Association of District Councils (ADC), which is now incorporated within the Local Government Association. This investment was in respect of new office accommodation; the earliest that any part of this could have been redeemed was June 2001. Interest is not receivable on these debentures but on redemption the Council will be repaid in full and will receive a share of any accrued capital appreciation (less tax) on the property acquired by the ADC from the amount raised by the debenture issue. Any future dividend arising from appreciated capital value of the ADC office building will accrue at the end of the debenture scheme in 2011. The Council has taken a prudent view in respect of the current property market and therefore no allowance for capital appreciation has been made in the accounts at this time and the investment is included at cost price.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**10. Debtors**

An analysis of amounts due is shown below:

	31 March 2005 £000	31 March 2004 £000
HM Customs & Excise	220	267
Government departments	80	239
Other Local Authorities	571	1,058
Business ratepayers	307	369
Council taxpayers	968	959
Housing rents	298	314
Rent rebate overpayments	213	134
Employee car loans	120	135
Sundry debtors	221	734
Listed debtors	171	288
	3,169	4,497
Less: bad debt provision (see below)	(516)	(542)
<b>Total</b>	<b>2,653</b>	<b>3,955</b>

The reduction in amounts owed by other Local Authorities is due to collaborative funding of £0.695m owed by Suffolk County Council at the end of 2003/04. This has been paid in the year.

The Council is required to use estimation techniques in establishing a provision for bad and doubtful debts in respect of local taxation and housing rent arrears. The provisions in relation to council tax and business rates are based upon experience of debt recovery and the specific stage within the debt recovery process that individual accounts stand.

The provisions at 31 March were:

	2005 £000	2004 £000
Council Tax	256	238
Non Domestic Rates (NNDR)	151	194
Housing Rents	109	110
<b>Total</b>	<b>516</b>	<b>542</b>

**11. Short-Term Investments**

Short-term investments were deposited with the following lenders at 31 March.

	2005 £000	2004 £000
UK Clearing Banks	3,334	969
Foreign Banks	1,000	500
Building Societies	1,200	1,000
<b>Total</b>	<b>5,534</b>	<b>2,469</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**12. Other Current Assets**

These include payments made in advance for goods and services to be received in 2004/05. The total is £0.219m more than the previous year. This is mainly due to payments in advance for lease rental on Central Heating and Wheeled bins.

**13. Creditors**

An analysis of amounts due is shown below:

	31 March 2005 £000	31 March 2004 £000
Government departments	1,687	244
Inland Revenue	16	180
Other Local Authorities	289	220
Sundry creditors	2,190	2,255
<b>Total</b>	<b>4,182</b>	<b>2,899</b>

The significant increase in amounts owing to Government departments reflects additional amounts due to the non-domestic rates 'pool'.

**14. Other Current Liabilities**

An analysis of amounts due is shown below:

	31 March 2005 £000	31 March 2004 £000 (restated)
Receipts in advance:		
- Council Tax	727	696
- Business rates	270	334
- Housing rents	46	47
- Other	236	210
Finance Leases	195	195
Miscellaneous	183	266
<b>Total</b>	<b>1,657</b>	<b>1,748</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**15. Long Term Borrowing**

The Council remained debt-free at 31 March 2005.

**16. Deferred Capital Receipts**

Deferred capital receipts are amounts derived from sales of assets, which will be received in installments over agreed periods of time. They arise principally from mortgages on sales of Council houses which form the main part of mortgages under long term debtors and £80,000 is also included in respect of the ADC debenture (see note 9 page 42).

**17. Government Grants / Capital Contributions Deferred**

These balances represent monies received in respect of the acquisition or improvement of a fixed asset. For depreciable assets, the balance will be released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates. At 31 March these amounts were:

Capital Scheme	Grant/Contribution	2005 £000	2004 £000
Closed Circuit TV	Home Office Grant	39	52
Great Cornard Surface Water Drainage – Phase 1	Ministry of Agriculture Grant Suffolk County Council	114	119
Great Cornard Surface Water Drainage – Phase 2	Ministry of Agriculture Grant Suffolk County Council	160	167
Drainage – Anglia Estates	Ministry of Agriculture Grant Suffolk County Council	49	52
	Suffolk County Council GF	68	71
	Suffolk County Council HRA	-	44
Kingfisher Leisure Centre	National Lottery Award	98	100
	Other Sources	201	209
East House	Insurance	67	70
	Suffolk County Council	482	495
Flatford TIC	National Lottery Award	42	43
Girling Street Car Park	Tesco	147	152
Raydon Way, Great Cornard	Insurance Claim	-	38
Recycling bins	DEFRA	45	46
Garden Waste bins	DEFRA	241	114
Refuse Vehicles	DEFRA	53	-
IT (E-Gov't grant)	ODPM	266	-
IT (HB admin grant)	ODPM	238	145
CAST project (S & C grant)	ODPM	8	10
Other Schemes	Various contributions	41	-
		169	138
<b>Total</b>		<b>2,528</b>	<b>2,065</b>

**18. Fixed Asset Restatement Account and Capital Financing Account**

The movement on these reserves is fully detailed in the Statement of Total Movement on Reserves and the accompanying notes.

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**19. Capital Receipts**

From April 2004, the Government introduced a ‘pooling’ arrangement for capital receipts, which replaced the system of setting amounts aside for the repayment of external loans. Prior to April 2004, the proportions of capital receipts to be set aside were 50% for Housing land sales, 75% of Council House sales and 100% of Housing Corporation Grant, except for debt-free councils. The remaining proportions could be used for new capital investment.

Under the new pooling arrangement, the council has to pay these set aside proportions over to the Government. However, due to the council’s debt-free status, only 25% of the 75% of Council House sales has to be paid over, with the rest being usable for capital investment. The figures for the last two years are as follows, which show a considerable reduction in 2004/05 due to 100% being usable in 2003/04 as a result of the council being debt-free and also as a result of a lower number of council house sales in 2004/05:

	2004/05 £000	2003/04 £000
Pooled	349	-
Usable	1,815	3,526
<b>Total Receipts</b>	<b>2,164</b>	<b>3,526</b>

**20. Usable Capital Receipts**

	2004/05 £000	2003/04 £000
Balance at 1 April	1,328	1
Receipts in year	2,095	3,526
Converted from PCL (Provision for Credit Liability)	69	-
Applied during the year:		
- on new expenditure	(1,999)	(1,706)
- to reduce pension fund deficit		(493)
Paid over to Pool	(349)	-
<b>Balance at 31 March</b>	<b>1,144</b>	<b>1,328</b>

**21. Amount set aside for Loan Debt Redemption (Memorandum Account)**

The Council is required to set aside sums for the repayment of debt or the financing of capital expenditure (providing there are sufficient unused credit approvals). The balance is included within the capital financing reserve. No new borrowing was undertaken in 2004/05.

	2004/05 £000	2003/04 £000
Balance at 1 April	14,402	14,335
Minimum revenue provision	-	67
Conversion to capital receipts	(69)	-
<b>Balance at 31 March</b>	<b>14,333</b>	<b>14,402</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**22. Capital Contributions/Grants Unapplied**

These are sums that are not defined as capital receipts but have been received in connection with capital schemes and will be used to finance new capital expenditure or repay debt in the future.

**23. General Fund Reserves and Balances**

The movements on the various reserves are shown below:

	Balance 31 March 2005 £000	(Used)/ Added in Year £000	Balance 1 April 2004 £000
General Fund Reserves/Balances	3,372	(153)	3,525
Housing Revenue Account	1,569	77	1,492
Collection Fund	(379)	(50)	(329)
<b>Total</b>	<b>4,562</b>	<b>(122)</b>	<b>4,688</b>

The collection fund balance consists of a £0.298m deficit on Council Tax, and a deficit of £0.081m resulting from the treatment of discretionary rate relief. The Council Tax deficit will be debited to the General Fund and to Suffolk County Council/Suffolk Police Authority in due course, although the actual debit will be dependent on future tax yields and collection rates. The discretionary rate relief will be charged to the General Fund in 2005/06 and an accrual has been made for this liability (see note 6 to the Collection Fund on page 35).

**24. Deferred Credits**

This is the balance of the discounts received on premature repayment of external debt and will be credited to the revenue account in future years to reduce capital financing costs in the asset management account. The current balance of deferred credits will be credited to revenue over the next 10 years. Note 15 of the accounting policies describes the basis (see page 71).

**25. Analysis of Net Assets Employed**

The table below shows the reserves (both revenue and capital) attributable to the General Fund, the Housing Revenue Account and the authority's trading operations (see note 19, page 23).

	31 March 2005 £000	31 March 2004 £000
General Fund	16,844	20,996
Trading Operations	50	25
Housing Revenue Account	217,750	204,998
<b>Total</b>	<b>234,644</b>	<b>226,019</b>

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**  
**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**26. Pension Fund**

Note 9 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Suffolk County Council) in providing retirement benefits. The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March are as follows:

	31 March 2005 £000	31 March 2004 £000
Estimated liabilities in scheme	(44,903)	(34,385)
Estimated assets in scheme	30,037	25,715
Net asset/(liability)	(14,866)	(8,670)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £14.866m has an impact on the net worth of the authority as recorded in the balance sheet, which is reflected in the total equity figure of £235m.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is only required to be raised to cover pensions when the pensions are actually paid.

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. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates being based on the last full valuation of the scheme as at 31 March 2004. The main assumptions used in their calculations are:

Assumptions as at:	31 March 2005 %	31 March 2004 %
Rate of inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	2.9
Rate for discounting scheme liabilities	5.4	6.5

Assets in the Suffolk County Council's Pension Fund 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:

Assets (Whole Fund)	Long term return %	31 March 2005 % of assets	31 March 2004 % of assets
Equity investments	7.7	69	67
Bonds	4.8	17	18
Property	5.7	12	11
Cash	4.8	2	4
Total	6.9	100	100

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

The movement in net pension liability is as follows:

	Year to 31 March 2005	Year to 31 March 2004
	£000	£000
Net pensions liability at 1 April	(8,670)	(13,018)
Movements in the year:		
Current service cost	(1,039)	(786)
Employers' contributions payable to scheme	1,957	2,316
Retirement benefits payable to pensioners	0	0
Past service costs	(16)	0
Interest costs	(1,889)	(1,977)
Expected return on assets in the scheme	1,822	1,405
Actuarial gains / (losses)	(7,031)	3,390
Net pensions liability at 31 March	(14,866)	(8,670)

The above figures have been provided by the actuaries to the Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possibilities.

**27. Hadleigh and District Swimming Pool**

The Council acts as sole Trustee for the Hadleigh and District Swimming Pool, which is a registered charity. The asset relating to the pool building is not included in the balance sheet as it is not an asset of Babergh District Council in its Local Authority role. The Authority, however, fully funds the net revenue expenditure of the pool as part of the Council's normal activities and this is recorded as such in the General Fund. This is equivalent to Babergh giving an annual grant to the charity and is reflected as such in the charity's accounts.

During the year, the authority incurred gross expenditure of £0.045m (2003/04 £0.052m) in its capacity of trustee of the pool. As part of the management agreement for the pool, a share of the pool's income is deducted from the monthly management fee charged to Babergh. The charity's share of this income amounted to £0.001m (2003/04 £0.001m). Additional income was received in 2003/04 by way of a rate refund amounting to £0.014m, but there was no such additional income in 2004/05.

Due to the funding mechanism mentioned above, the charity has no liabilities at any given year-end.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CONSOLIDATED BALANCE SHEET**

**28. Deferred Liabilities and Asset Values (re Finance leases)**

In order to fully convey the impact of finance leases on the Authority's statement of accounts, the following information is required. The central heating assets listed below form part of the asset category of 'Council House Dwellings' and wheeled bins are included within 'Vehicles, Plant & Equipment'.

<b>Finance Lease Assets</b>	<b>Central Heating £000</b>	<b>Wheeled Bins £000</b>	<b>Total £000</b>
Gross value	1,785	307	2,092
Disposals	(58)	-	(58)
Accumulated depreciation	(498)	(25)	(523)
<b>Net value</b>	<b>1,229</b>	<b>282</b>	<b>1,511</b>
Memo: depreciation charge in 2004/05	(164)	(31)	(195)

<b>Finance Lease Liabilities</b>	<b>Central Heating £000</b>	<b>Wheeled Bins £000</b>	<b>Total £000</b>
Deferred liability as at 1 April 2004	1,405	307	1,712
Disposals re sold council houses	(12)	-	(12)
Payments in year	(164)	(31)	(195)
Deferred liability as at 31 March 2005	1,229	276	1,505

The deferred liability falls due in future periods as follows:

Amount due in 2005/06	163	31	194
Amounts due between 2006/07 and 2009/10	637	123	760
Amounts due after 2009/10	429	122	551
<b>Total</b>	<b>1,229</b>	<b>276</b>	<b>1,505</b>

<b>Financing charge</b>	<b>Central Heating £000</b>	<b>Wheeled Bins £000</b>	<b>Total £000</b>
Amounts charged to revenue in the year	54	5	59

See also note 10 to the Consolidated Revenue Account (page 18) in respect of liabilities on operating leases.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**STATEMENT OF TOTAL MOVEMENT IN RESERVES**

The Statement of Total Movement in Reserves brings together all the recognised gains and losses of the Council during the year. The statement separates the movement between revenue and capital reserves. The current statutory framework for accounting for capital income and expenditure requires that profits and losses upon the disposal of fixed assets do not pass through the Consolidated Revenue Account. These transactions are reflected in the account below as movements in reserves.

	Note ref.	2004/05		2003/04	
		£000	£000	£000	£000
Surplus/(Deficit) for the year					
- General Fund		(153)		(471)	
- Housing Revenue Account		77		(133)	
- Collection Fund		(50)		(140)	
- Deferred Credits		(38)		(38)	
- Major Repairs Reserve		-		(390)	
- Appropriation from pensions reserve	6	835		958	
- Actuarial gains and losses relating to pensions	5	(7,031)		3,390	
<b>Total increase/(decrease) in revenue resources</b>	6		(6,360)		3,176
Increase/(decrease) in usable capital receipts		(184)		1,327	
Increase/(decrease) in unapplied capital grants and contributions		181		130	
<b>Total increase/(decrease) in realised capital resources</b>	1		(3)		1,457
<b>Total increase/(decrease) in unrealised value of fixed assets</b>	2		19,618		16,831
<b>Value of assets sold, disposed of or decommissioned</b>	3		(4,897)		(7,075)
Capital receipts set aside		-		-	
Revenue resources set aside		(165)		(387)	
Movement on Government Grants deferred		557		249	
Movement on contributions deferred		(94)		(25)	
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	4		298		(163)
<b>Total recognised gains and losses</b>			<b>8,587</b>		<b>14,226</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES**

	2004/05		2003/04	
	Usable capital receipts £000	Unapplied capital grants and contributions £000	Usable capital receipts £000	Unapplied capital grants and contributions £000
<b>1 Movements in realised capital resources</b>				
Amounts receivable in year	2095	1,550	3,526	650
Converted from PCL	69			
<b>Amounts applied to finance new capital investment in year</b>	<b>(1,999)</b>	<b>(1,369)</b>	<b>(2,199)</b>	<b>(520)</b>
Capital Receipts paid over to pool	(349)	-	-	-
<b>Total increase/(decrease) in realised capital resources in year</b>	<b>(184)</b>	<b>181</b>	<b>1,327</b>	<b>130</b>
Balance brought forward at 1 April	1,328	287	1	157
<b>Balance carried forward at 31 March</b>	<b>1,075</b>	<b>468</b>	<b>1,328</b>	<b>287</b>

	2004/05	2003/04
<b>2 Movements in unrealised value of fixed assets</b>	Fixed asset restatement account £000	Fixed asset restatement account £000
Gains/(losses) on revaluation of fixed assets in year	19,618	16,831
<b>Total increase/(decrease) in unrealised capital resources in year</b>	<b>19,618</b>	<b>16,831</b>
<b>3 Value of assets sold, disposed of or decommissioned</b>		
Amounts written off fixed asset balances for disposals in year	(2,135)	(3,499)
Other movement on the reserve	(2,762)	(3,576)
	<b>(4,897)</b>	<b>(7,075)</b>
<b>Total movement on reserve in year</b>	<b>14,721</b>	<b>9,756</b>
Balance brought forward at 1 April	186,742	176,986
<b>Balance carried forward at 31 March</b>	<b>201,463</b>	<b>186,742</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES**

	2004/05				2003/04
	Capital Financing Reserve £000	Government Grants Deferred £000	Contributions Deferred £000	Total £000	Total £000
<b>4 Movements in amounts set aside to finance capital investment</b>					
<b>Capital receipts set aside in year</b>	-			-	-
- capital expenditure financed from revenue	110			110	108
- capital expenditure financed by capital receipts	1,514			1,514	1,027
- capital expenditure financed by MRA	2,090			2,090	2,488
- reconciling amount for provision for loan repayment	(379)			(379)	(402)
- adjustment re HRA depreciation	(3,425)			(3,425)	(3,126)
- impairment	(109)			(109)	(588)
- other adjustments	34			34	106
- conversion of PCL to capital receipts	(69)			(69)	-
<b>Total revenue resources set aside in year</b>	(234)			(234)	(387)
Grants applied to capital investment in year		741	50	791	343
Amounts credited to the asset management revenue account in year		(184)	(144)	(328)	(119)
<b>Movement on Government Grants Deferred</b>		<b>557</b>	<b>(94)</b>	<b>463</b>	<b>224</b>
<b>Total increase in amounts set aside to finance capital investment</b>				<b>229</b>	<b>(163)</b>
Total movement on reserve in year	(234)	557	(94)	229	(163)
Balance brought forward at 1 April	39,579	492	1,573	41,644	41,807
<b>Balance carried forward at 31 March</b>	<b>39,345</b>	<b>1,049</b>	<b>1,479</b>	<b>41,873</b>	<b>41,644</b>

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES**

**5. Actuarial Gains/(Losses) on Pensions Reserve**

The actuarial gains identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

	£000	%
Differences between the expected and actual return on assets	1,074	3.6
Differences between actuarial assumptions about liabilities and actual experience	(759)	(1.7)
Changes in the demographic and financial assumptions used to estimate liabilities	(7,346)	(16.4)
<b>Total</b>	<b>(7,031)</b>	<b>(14.5)</b>

Comparative total for 2003/04	3,390
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**6. Movement in revenue resources**

	General Fund Balances £000	HRA Balances £000	Pensions Reserve £000	Collection Fund & Deferred Credits £000
Surplus/(deficit) for 2004/05	(149)	85		
Appropriations to/from revenue				(88)
Actuarial gains and losses relating to pensions			(7,031)	
Reversal of FRS17 composite pension entries			(1,122)	
Charging of pension costs payable to Council Tax			1,957	
	(149)	85	(6,196)	(88)
Balance brought forward at 1 April 2004	3,525	1,492	(8,670)	(45)
Balance carried forward at 31 March 2005	3,376	1,577	(14,866)	(133)

Further details of the reporting requirements for pension payments and on the pensions reserve can be found in note 9 to the Consolidated Revenue Account (page 17) and in note 26 to the Consolidated Balance Sheet (page 48).

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**

**CASH FLOW STATEMENT**

	Note Ref	2004/05		2003/04	
		£000	£000	£000	£000
<b>Revenue Activities</b>					
<u>Cash Outflows</u>					
Cash paid to and on behalf of employees		9,874		9,440	
Other operating cash payments		4,748		6,095	
Housing Benefit paid out	6	10,726		4,486	
National non-domestic rates payments to national pool		14,594		12,942	
Precepts paid		34,821		32,834	
Payments to the capital receipts pool		284		-	
<u>Cash inflows</u>					
Rents (after rebates)		(7,273)		(4,704)	
Council Tax receipts		(31,252)		(29,542)	
National non-domestic rate receipts from national pool		(3,475)		(3,612)	
Non-domestic rate receipts		(14,657)		(13,179)	
Revenue Support Grant		(2,211)		(1,855)	
DWP grants for housing benefits	6	(14,220)		(9,291)	
Other Government grants	4	(1,378)		(1,181)	
Cash received for goods and services		(3,262)		(2,739)	
Other operating cash receipts		(1,531)		(703)	
	2		(4,212)		(1,009)
<b>Servicing of Finance</b>					
<u>Cash Outflows</u>					
Interest paid		-		45	
Interest element of finance lease rental payments		119		-	
<u>Cash inflows</u>					
Interest received		(435)		(374)	
			(316)		(329)
<b>Capital Activities</b>					
<u>Cash Outflows</u>					
Purchase of fixed assets		3,686		4,326	
Other capital cash payments		1,258		1,700	
<u>Cash inflows</u>					
Sale of fixed assets		(2,159)		(3,573)	
Capital grants received		(1,091)		(358)	
Other capital cash receipts		(537)		(77)	
			1,157		2,018
<b>Net cash (inflow)/outflow before financing</b>			(3,371)		680
<b>Management of Liquid Resources</b>					
Net increase/(decrease) in short term deposits	3		3,065		(1,194)
<b>Financing</b>					
<u>Cash outflows</u>					
Capital element of finance lease rental payments		391		130	
<u>Cash inflows</u>					
New loans raised		-		(1,164)	
			391		(1,034)
<b>(Increase)/decrease in cash and cash equivalents</b>	3		85		(1,548)

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**  
**NOTES TO THE CASH FLOW STATEMENT**

**1. General**

This consolidated statement summarizes the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

**2. Reconciliation of Surplus to Net Cash Flow**

This note gives a reconciliation between the (surplus) deficit on the income and expenditure accounts for the General Fund, Housing Revenue Account and Collection Fund and the net cash flow from revenue activities.

	2004/05		2003/04	
	£000	£000	£000	£000
(Surplus)/Deficit for the year		114		744
<b>Non Cash Transactions</b>				
+/- minimum revenue provision	-		(66)	
+/- provisions set aside in the year	26		(20)	
+/- contbs. to/from Major Repairs Reserve	(2,090)		(2,098)	
-/+ premature debt redemption	38		38	
		(2,026)		(2,146)
<b>Items on an Accruals Basis</b>				
+/- increase/decrease in stocks	11		(6)	
+/- increase/decrease in debtors	(1,296)		152	
+/- increase/decrease in payments in advance	(265)		(196)	
+/- increase/decrease in imprests	3		(2)	
-/+ increase/decrease in creditors	(1,846)		(33)	
-/+ increase/decrease in receipts in advance	(3)		(197)	
-/+ increase/decrease in suspense accounts	93		(94)	
-/+ increase/decrease in provisions	-		97	
		(3,303)		(279)
<b>Items Classified in another Classification in the Cash Flow Statement</b>				
Interest	316		329	
Internal recharges to capital	448		451	
Payments to the capital receipts pool	349		-	
Direct revenue financing of capital schemes	(110)		(108)	
<b>Net cash (inflow)/outflow from revenue activities</b>		(4,212)		(1,009)

**BABERGH DISTRICT COUNCIL  
STATEMENT OF ACCOUNTS 2004/05**

**NOTES TO THE CASH FLOW STATEMENT**

**3. Increase / Decrease in Cash and Liquid Resources**

The table below links the net decrease in cash overdrawn and short-term investments with the movements in the balance sheet.

	Balance 31 March 2005 £000	Movement In year £000	Balance 1 April 2004 £000
Cash overdrawn	281	85	366
Short-term investments	5,534	(3,065)	2,469
Movement in net cash	5,815	(2,980)	2,835

Short-term investments are amounts placed on deposit with approved institutions such as banks and building societies. See also note 11 to the consolidated balance sheet on page 43.

**4. Analysis of Other Government Grants**

The government grants included within the "other government grants" figure are shown below.

	2004/05 £000	2003/04 £000
HB (Admin) grant	315	305
Verification Framework Grant	80	112
Housing Defects Act subsidy	7	7
Fraud Incentive Scheme	52	142
Beacon Council Grant	79	-
Civil Protection grant (Home Office)	8	12
Supporting People grant	468	477
Pension Credits (Admin) grant	19	36
Tax Credits (Admin) grant	12	12
Planning Delivery grant	341	75
Council Tax reduction scheme grant	(1)	(1)
Discretionary Housing Payments	(2)	4
<b>Total</b>	<b>1,378</b>	<b>1,181</b>

**5. Financing Costs**

As the council repaid in full its external borrowing at the end of 2002/03 and has remained debt-free throughout 2004/05, the only financing costs relate to finance leases for central heating in council houses.

**6. Housing Benefits**

From 1 April 2004, housing benefits and related subsidy are accounted for differently to previous arrangements. Instead of the amount of benefits being netted off against subsidy receivable, all relevant amounts are payable and receivable by the local authority. This means that cash inflows and outflows relating to housing benefits have increased significantly in 2004/05.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**  
**STATEMENT OF ACCOUNTING POLICIES**

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**1. General**

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), guidance notes issued by CIPFA on the application of accounting standards and the latest Statement of Recommended Practice (SORP).

The following accounting policies are consistent with the accounting concepts and, where appropriate, the relevant accounting standard is followed in respect of the specific areas of income, expenditure and balances.

**2. Accruals of Income and Expenditure**

**a) Customer and Client Receipts**

Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. An exception to this policy relates to electricity and similar quarterly payments, which are charged at the date of meter reading rather than being apportioned between financial years. No significant estimates have been made for debtors.

**b) Employee Costs**

The full cost of the employees is charged to the accounts of the period within which the employees worked. Accrual is made for wages earned but unpaid at the year-end. Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, the accounts are charged (or credited) with the additional amount as soon as it can reasonably be estimated.

**c) Interest**

Interest payable on external borrowings and interest income is accrued and charged in the accounts of the period to which it relates. Interest charges are based on actual rates in force during the year.

**d) Supplies and Services**

The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received. Accrual is made for all material sums unpaid at the year-end for goods or services received or works completed. No significant estimates have been made for creditors.

**3. Deferred Charges**

Deferred Charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council. Because of the types of expenditure to which deferred charges usually apply, e.g. improvement grants, the Council will seldom control the economic benefits arising from the expenditure and in such cases 100% of the deferred charge is amortised to revenue in the year it is recognised.

**BABERGH DISTRICT COUNCIL**  
**STATEMENT OF ACCOUNTS 2004/05**  
**STATEMENT OF ACCOUNTING POLICIES**

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In those cases where the Council does control the economic benefits arising from the expenditure and can therefore properly recognise an asset in the balance sheet, it is not described as a Deferred Charge but as the recognised category of asset that it actually is. For example, in the case of software licences 'Intangible Asset' would be appropriate.

**4. Estimation Techniques**

Separate disclosures are given within the notes to the accounts where the amounts estimated are so significant that the use of a different amount from within the range of the technique could materially affect the financial statements. There are no significant estimates within debtors and creditors.

In assessing liabilities for retirement benefits at 31 March 2005 for the 2004/05 Statements of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.1% actual). For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high-quality corporate bond of equivalent currency and term to scheme liabilities is to be used. The actuary has advised that a rate of 3.2% real (5.9% actual) is appropriate. Application of this rate has resulted in an increase in liabilities measured at today's prices of £2m, adjusted for by an increase in actuarial losses recognised for the year in the Statement of Total Movements on Reserves.

**5. Prior Period Adjustments**

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified and are accounted for accordingly. Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the statement of account and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is also noted at the foot of the statement of total movements in reserves of the current period. The effect of prior period adjustments on the outturn for the preceding period is also disclosed where practicable.

**6. Government Grants towards Revenue Costs**

Revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.

**7. Government Grants and Contributions towards Capital Schemes**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

**8. Intangible Assets (excluding goodwill and development expenditure)**

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection.

**Recognition**

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value, which is unlikely to occur in the Council's single entity financial statements.

**Measurement**

A purchased intangible asset is capitalised at its costs.

FRS 10 permits but does not require revaluation. An intangible asset may only be revalued where it has a readily ascertainable market value. Where an intangible asset is included in the balance sheet at current value, the increase over the previous carrying amount at which that asset was included in the balance sheet immediately prior to the latest (re)valuation is credited to a fixed asset restatement account.

**Amortisation**

Intangible assets are amortised on a systematic basis over their economic lives. Where access to the economic benefits associated with an intangible asset is achieved through legal rights that have been granted for a finite period the economic life will not extend beyond that period unless the legal rights are renewable and renewal is assured. There is a rebuttable presumption that the economic lives of intangible assets are limited to periods of 20 years or less. The useful economic lives of intangible assets are reviewed at the end of each reporting period and revised if necessary.

In amortising an intangible asset a residual value may be assigned to the asset only if such residual value can be measured reliably. In practice the residual value of an intangible asset is usually nil or insignificant. The method of amortisation reflects the expected pattern of depletion. A straight-line method is normally chosen unless another method can be demonstrated to be more appropriate.

**Disposals**

Income from the disposal of intangible assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis.

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Upon disposal, the net book value of the intangible asset disposed of is written off against the fixed asset restatement account.

**Impairment**

Intangible assets that are amortised over a finite period not exceeding 20 years from the date of acquisition are reviewed for impairment:

- (a) at the end of the first full financial year following the acquisition, and
- (b) in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable.

Intangible assets that are amortised over a period exceeding 20 years from date of acquisition or are not amortised are reviewed for impairment at the end of each reporting period.

**Charges to Revenue**

General Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and trading accounts are charged with a provision for amortisation and where required, any related impairment loss (due to a clear consumption of economic benefits), for all intangible assets used in the provision of the service. Charges to the HRA are the amounts as determined by statutory provision. An amount equal to the amortisation charges for the use of intangible assets and relevant impairment losses included in revenue accounts is credited to the asset management revenue account.

**9. Investments**

All investments have been recorded in the accounts at cost less provision, where appropriate, for loss in value.

**10. Leases**

**Finance Leases**

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

The amount due from the lessee under a finance lease is recorded in the balance sheet of the lessor as a debtor at the amount of the net investment. The total gross earnings under a finance lease are allocated to accounting periods to give a constant periodic rate of return to the lessor's net cash investment in the lease in each period.

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**Operating Leases**

Rentals payable, net of benefits received or receivable, under operating leases are charged to revenue on a straight-line basis over the term of the lease, unless another systematic and rational basis is more appropriate.

**11. Overheads**

Charges or cost apportionments covering all support service costs are made to all users, including services to the public, trading undertakings, capital accounts, services provided to other bodies and other support services. The cost of service management is in the same way apportioned to the accounts representing the activities managed.

The bases of apportionment adopted are used consistently for all the heads to which apportionments are made.

The cost of service strategy and regulation of any service to the public are allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of non-distributed costs are allocated to a separate objective expenditure head and are not apportioned to other expenditure heads.

If any overheads are not charged or apportioned, the reason for not doing so, together with the nature of the overhead and the amount, are disclosed in a note to the accounts.

**12. Pension costs**

**Pensions Reserve**

The cost of providing pensions for employees is funded in accordance with the statutory requirements governing the Local Government Pension Scheme. However, accounting for employees' pensions is in accordance with generally accepted accounting practice subject to the interpretations set out in the SORP.

Where the payments made for the year in accordance with the scheme requirements do not match the change in the Council's recognised asset or liability for the same period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the pensions reserve, which equals the net change in the pensions liability recognised in the Consolidated Revenue Account.

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**Defined Benefit Scheme**

The Council pays contributions to the Suffolk County Council Pension Fund, which is a defined benefit scheme. The attributable assets of the pension scheme are measured at fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- i) any benefits promised under the formal terms of the scheme; and
- ii) any constructive obligations for further benefits where a public statement or past practice by the Council has created a valid expectation in the employees that such benefits will be granted.

The surplus/deficit in the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. An asset is recognised to the extent that the Council is able to recover a surplus either through reduced contributions in the future or through refunds from the scheme. A liability is recognised to the extent that it reflects its legal or constructive obligation.

**Measurement of scheme assets**

The scheme assets to be recognised include the attributable proportion of all related pension fund assets. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses are deducted.

Scheme assets are measured at their fair value. The basis for determining fair value for different classes of assets is as follows:

- (i) For quoted securities, the mid-market value is taken as the fair value. For unquoted securities, an estimate of fair value is used. The fair value of unitised securities is taken to be the average of the bid and offer prices;
- (ii) Property is valued at open market value or on another appropriate basis of valuation determined in accordance with the *Appraisal and Valuation Manual* published by the Royal Institution of Chartered Surveyors and the Practice Statements contained therein, and
- (iii) Insurance policies that exactly match the amount and timing of some or all of the benefits payable under the scheme are measured at the same amount as the related obligations. For other insurance policies there are a number of possible valuation methods. A method is chosen which gives the best approximation to fair value given the circumstances of the scheme.

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**Measurement of scheme liabilities**

The scheme liabilities to be recognised include the attributable proportion of all scheme liabilities. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method.

In determining the liability, benefits are attributed to periods of service according to the scheme's benefit formula, except where the benefit formula attributes a disproportionate share of the total benefits to later years of service. In such cases, the benefit is attributed on a straight-line basis over the period during which it is earned.

The assumptions underlying the valuation are mutually compatible and lead to the best estimate of the future cash flows that will arise under the scheme liabilities. The assumptions are ultimately the responsibility of the authority but are set upon advice given by an actuary and the administering authority. Any assumptions that are affected by economic conditions (financial assumptions) reflect market expectations at the balance sheet date.

Because of the long-term nature of most defined benefit schemes and the inherent uncertainties affecting them, the liabilities of the scheme are measured on an actuarial basis. This involves estimating the future cash flows arising under the scheme liabilities based on a number of actuarial assumptions such as mortality rates, employee turnover rates and salary growth, then discounting the cash flows at an appropriate rate.

Some of these assumptions are affected by the same economic factors. Actuarial assumptions are mutually compatible if they reflect the underlying economic factors consistently. To be consistent with the measurement of the assets of the scheme at fair value, they must also reflect market expectations at the balance sheet date.

For example, the rate of increase in salaries and the discount rate must reflect the same rate of general inflation. Where there is a liquid market in long-dated inflation-linked bonds, the yields on such bonds relative to those on fixed interest bonds of similar credit standing will give an indication of the expected rate of general inflation.

The actuarial assumptions reflect expected future events that will affect the cost of the benefits to which the Council is committed (either legally or through constructive obligation) at the balance sheet date.

Expected future events that will affect the cost of the benefits include:

- (i) Any expected cost of living increases either provided for in the scheme rules, publicly announced or awarded under an established practice that creates among the employees a valid expectation of receiving them;
- (ii) In the case of pensions based on final salary, any expected salary increases, and;
- (iii) Expected early retirement where the employee has that right under the scheme rules.

These events affect the measurement of benefits to which the Council is committed at the balance sheet date.

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Expected future redundancies are not reflected in the actuarial assumptions unless the Council is committed in advance (either legally or constructively) to making such redundancies. When the Council does become committed to making the redundancies, any impact on the defined benefit scheme is treated as a settlement and/or curtailment.

The scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability. Such a rate should be assumed to be the current rate of return on a high quality corporate bond of equivalent currency and term to scheme liabilities.

Full actuarial valuations by a professionally qualified actuary are obtained at intervals not exceeding three years. The actuary reviews the most recent actuarial valuation at the balance sheet date and updates it to reflect the current conditions.

**Recognition of defined benefit schemes**

An attributable surplus gives rise to an asset of the authority to the extent that:

- (i) The authority controls its use, i.e. has the ability to use the surplus to generate future economic benefits for itself, either in the form of a reduction in future contributions or a refund from the scheme and;
- (ii) That control is a result of past events (contributions paid by the employer and investment growth in excess of rights earned by the employees);

Usually the Council's obligation in a funded scheme is to pay such contributions as the actuary believes to be necessary to keep the scheme fully funded but without building up a surplus. When a surplus arises, it is unlikely that the Councils can be required to make contributions to maintain the surplus. Thus, in general, the Councils control the use of a surplus in the scheme.

Conversely, the Council has a liability if it has a legal or constructive obligation to make good a deficit in a funded benefit scheme. In general the Council will have a legal obligation; where this is not the case the Council may, by its past actions and statements, have created a constructive obligation. The legal or constructive obligation to fund the deficit is assumed to apply to the deficit based on assumptions used under the Code, not the funding assumptions.

In determining the asset to be recognised, the amount that can be recovered through reduced contributions in the future is the present value of the liability expected to arise from future service by current and future scheme members less the present value of future employee contributions. No growth in the number of active scheme members is assumed but a declining membership would be reflected if appropriate. The amount that can be recovered is based on the assumptions used under the Code, not the funding assumptions. The present value of the reduction in future contributions is determined using the discount rate applied to measure the defined benefit liability.

Any amount to be recovered from refunds from the scheme reflects only refunds that have been agreed by the pension scheme trustees at the balance sheet date.

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The amount recoverable through reduced contributions reflects the maximum possible to be recovered without assuming an increase in the number of employees covered by the scheme. There is no restriction on the period over which the reduction in contributions can be obtained, but the effect of discounting will increasingly reduce the impact of the reductions the further into the future they are, leading to an absolute limit on the amount that can be recognised.

Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability is analysed into the following components:

- i) Periodic costs:
  - a) current service cost;
  - b) interest cost;
  - c) expected return on assets; and
  - d) actuarial gains and losses; and
- ii) Non-periodic costs;
  - a) past service costs; and
  - b) gains and losses on settlements and curtailments.

The current service cost is included within net cost of services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the statement of Total Movement in Reserves for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions is measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

**Current service cost**

The current service cost is based on the most recent actuarial valuation at the beginning of the period, with the financial assumptions updated to reflect conditions at that date. The current service cost will therefore be based on the discount rate at the beginning of the period. Employee contributions during the period are set off against the current service cost.

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**Interest cost and expected return on assets**

The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period. The interest cost, in addition, reflects changes in the scheme liabilities during the period.

The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable. For quoted corporate or government bonds, the expected return is calculated by applying the current redemption yield at the beginning of the period to the market value of the bonds held by the scheme at the beginning of the period. For other assets (for example, equities), the expected return is calculated by applying the rate of return expected over the long term at the beginning of the period (given the value of the assets at that date) to the fair value of the assets held by the scheme at the beginning of the period. The expected return on assets should, in addition, reflect changes in the assets in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme. The expected rate of return is set by the authority having taken advice from an actuary.

For quoted fixed and index-linked securities, the expected return can be observed from the market. For other assets, the expected return has to be based on assumptions about the expected long-term rate of return. The rate of return expected over the long term will vary according to market conditions, but it is expected that the amount of the return will be reasonably stable.

**Actuarial gains and losses**

Actuarial gains and losses may arise on both the defined benefit scheme liabilities and any scheme assets. They comprise:

- (i) On the scheme assets, differences between the expected return and the actual return (for example, a sudden change in the value of the scheme assets) and;
- (ii) On the scheme liabilities;
  - (a) differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the period;
  - (b) the effect of changes in actuarial assumptions and;
  - (c) any adjustment necessary in accordance, resulting from the limit on the amount that can be recognised as an asset in the balance sheet.

Once an actuarial gain or loss has been recognised in the Statement of Total Movements in Reserves it is not recognised again in the Consolidated Revenue Account in subsequent periods.

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**Past service costs**

Past service costs arise when the Council makes a commitment to provide a higher level of benefit than previously promised where such a benefit did not previously exist, such as a grant of early retirement with added-on years of service. In local government such benefits tend to be granted to vest immediately. To the extent that the benefits do not vest immediately any unrecognised past service costs are deducted from the scheme liabilities and the balance sheet asset or liability adjusted accordingly.

Past service costs do not include increases in the expected cost of benefits that the Council is already statutorily, contractually or implicitly committed to, for example cost of living increases to pensions in payment and deferred pensions. Such increases are covered by the actuarial assumptions and any differences between actual experience and the assumptions or the effects of any changes in the assumptions are actuarial gains and losses.

**Settlements and curtailments**

Where under the scheme rules the employees have the option to retire early or transfer out of the scheme, the resulting settlements and curtailments are allowed for in the normal demographic assumptions made by the actuary and any gains and losses arising are actuarial gains and losses.

In contrast, some settlements and curtailments arise from decisions made by the Council that are not covered by actuarial assumptions, for example a reduction in employees because of the transfer or termination of an operation. Gains and losses arising from such events are part of the Council's Net Cost of Services for the period (unless they attach to one of the items shown immediately after Net Cost of Services).

An increase in the recoverable amount of a surplus arising from an increase in the active membership of the scheme is recognised within Net Operating Expenditure. An increase in the active membership can arise either from an increase in general recruitment or from the transfer of employees following a transfer of services.

A decrease in the recoverable amount of a surplus arising from a fall in the active membership is treated as an actuarial loss unless it arises from an event not covered by the assumptions underlying the amount originally regarded as recoverable, for example a settlement or curtailment. If it does arise from such an event, it should be treated as part of the loss arising on that event.

**Death-in-service and incapacity benefits**

A charge is made to the Net Cost of Services in the Consolidated Revenue Account to reflect the expected cost of providing any death-in-service or incapacity benefits for the period. Any difference between that expected cost and amounts actually incurred is treated as an actuarial gain or loss. Where a scheme insures the death-in-service costs, the expected cost for the accounting period is simply the premium payable for the period. Where the costs are not insured, the expected cost reflects the probability of any employees dying in the period and the benefit that would then be paid out.

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**Initial recognition**

Gains and losses arising on the initial recognition of pension items in accordance with this Code are dealt with as prior period adjustments.

**Accounting for Pensions in the HRA**

There is an inherent uncertainty in the accounting profession and with government on how FRS 17 should be applied to the HRA. Consensus has not yet been achieved over:

- a) the legislative requirements of making debits and credits to the HRA that are not designated in any general or specific provisions;
- b) whether the HRA meets the criteria for being in a "multi-employer" scheme and hence should account for retirement benefits on a defined contribution (rather than defined benefit) basis;
- c) the implications of ring-fencing the HRA for the allocation of the FRS 17 based cost components to the HRA.

Therefore for 2004/05, Authorities have been permitted to individually choose the methodology, which they consider to be most appropriate for the HRA. Accordingly, this Authority considers that the ring-fenced nature of the HRA and Resource Accounting in the HRA does require full allocation of all pension cost components on the grounds of proper practice. Hence the appropriate share of all pension cost components have been allocated (except actuarial gains and losses) to the HRA. A pension reserve movement entry adjusts the pension cost borne by the HRA so that there is no impact on the bottom line.

**General Pension Matters**

The capital cost of funding new early retirement cases is charged to revenue over a period of up to 5 years, depending on the savings payback period.

Contribution rates are determined in the long term on meeting 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations.

In respect of pension costs incurred under the Local Government Pension Scheme, additional information is disclosed in the notes to the accounts.

**13. Provisions**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Provisions are recognised when:

- a) the Council has a present obligation (legal or constructive) as a result of a past event;
- b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- c) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

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A provision is also recognised when the Council has a contract that is onerous i.e. the unavoidable costs of meeting the obligations under it exceed the economic benefit/service potential expected to be received under it.

The costs of internal and external restructuring should only be recognised as a provision when the local authority has a constructive obligation, i.e. there is an approved and detailed formal plan and the authority has raised a valid expectation in those affected that it will carry out the restructuring either by starting to implement the plan or by announcing its main features to those affected by it.

A restructuring provision should include only the direct expenditures arising from the restructuring, which are those that are both:

- a) necessarily entailed by the restructuring, and
- b) not associated with the ongoing activities of the entity, for example retraining or relocating continuing staff.

Provisions are not recognised for future operating losses.

Provisions are charged to the appropriate revenue account. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision is the best estimate taking into account the risks and uncertainties surrounding the events.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision is reversed.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement will not exceed the amount of the provision.

In the appropriate revenue account the expense relating to a provision may be presented net of the amount recognised for a reimbursement.

#### **14. Provisions for Bad and Doubtful Debts**

Provision has been made for bad and doubtful debts in respect of Council Tax, Non Domestic Rates and Housing Rents. Known uncollectable debts have been written off.

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**15. Repurchase of Borrowing**

As a part of debt restructuring exercises, discounts or premiums can arise following the premature repayment of external debt. Where a premium or discount arises, this would normally be charged to the consolidated revenue account in the year in which the debt rescheduling took place. However, when the early repayment of debt is coupled with a rescheduling or refinancing with the same overall economic effect as the original debt, the discount or premium is credited or charged to the Asset Management Revenue Account over the life of the replacement loan. In cases of debt repayment when a premium has arisen, the HRA share of the premium has been carried forward on the balance sheet as a prepayment. This will be written down over subsequent years with amounts credited to the HRA in accordance with the Item 8 determination.

**16. Reserves**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Expenditure is not charged direct to any reserve. For each reserve established, the purpose, usage and the basis of transactions should be clearly identified. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non-distributable reserves and are therefore referred to as accounts. The fixed asset restatement account and capital financing account are examples of such reserves (it should be noted that these reserves have been renamed as accounts as from 1 April 2004, there is no requirement to change the accounting treatment of these reserves). The usable capital receipts reserve is a reserve established for specific statutory purposes.

The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England. The items to be credited to the Major Repairs Reserve are:

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

Item (a) is debited to the Capital Financing Account and item (b) is debited to the HRA appropriations account.

The amounts to be debited to the Major Repairs Reserve are:

- (a) expenditure for HRA capital purposes, where this is to be funded from the Major Repairs Reserve
- (b) repayments of principal of any amounts borrowed, or to meet any liability in respect of credit arrangements, other than any liability which, in accordance with proper practice, must be charged to a revenue account

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(c) transfers to the HRA required by statutory provision

Items (a) and (b) are credited to the Capital Financing Account and item (c) is credited to the HRA appropriations account.

### **17. Stocks and Long-Term Contracts**

Stocks are included in the balance sheet at the total of the lower of cost and net realisable value of the separate items of stock or groups of similar items.

For trading activities, the amount recognised in the appropriate revenue account for contract work in progress, for which interim valuations are made, is the progress payments received and receivable, less related costs and any foreseeable losses, to the extent that the amount exceeds the corresponding amount recognised in previous periods.

The amount at which contract work in progress, for which interim valuations are made, is included in the balance sheet is the cost plus any attributable profit less any foreseeable losses and, where relevant, progress payments received and receivable.

### **18. Tangible Fixed Assets**

#### **Recognition**

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a tangible fixed asset, provided that it yields benefits to the Council and the services it provides are for a period of more than one year.

Expenditure that is capitalised includes expenditure on the:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means the carrying out of works that are intended to:

- lengthen substantially the useful life of the asset; or
- increase substantially the open market value of the asset; or
- increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the authority.

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Under this definition, improvement works and structural repairs are capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance is recognised in the revenue account as it is incurred. Expenditure on existing fixed assets is capitalised in three circumstances:

- enhancement (as defined above);
- where a component of the fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful life is replaced or restored;
- where the subsequent expenditure relates to a major inspection or overhaul of a fixed asset that restores the benefits of the asset that have been consumed by the authority and have already been reflected in depreciation.

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset is recognised and included in the balance sheet at fair value.

### **Measurement**

A fixed asset is initially measured at its cost.

Costs, but only those costs that are directly attributable to bringing the asset into working condition for its intended use, are included in its measurement.

Where the statutory framework for the Council adopts a policy of capitalising finance costs, finance costs that are directly attributable to the construction of fixed assets are capitalised as part of the cost of those assets. Where finance costs are capitalised, capitalisation only occurs whilst activities that are necessary to get the asset ready for use are in progress.

When substantially all the activities that are necessary to get the fixed asset ready for use are complete, fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting as follows:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties this is normally open market value. In the case of assets under construction net replacement cost will normally be historical cost and such assets should be held at historical cost until they are brought into commission.
- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

When an asset is included in the balance sheet at current value, it is formally revalued at intervals of not more than five years and the revised amount is included in the balance sheet.

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A full valuation may be performed on a rolling basis to cover all the properties over a five year cycle.

A full valuation of a property is conducted by either a qualified external valuer or a qualified internal valuer. A qualified valuer is a person conducting the valuations who holds a recognised and relevant professional qualification and having recent post-qualification experience, and sufficient knowledge of the state of the market, in the location and category of tangible fixed asset being valued.

The following valuation bases should be used to determine net current replacement cost for revalued properties other than investment properties that are not impaired:

- a) non-specialised operational properties are valued on the basis of existing use value (EUV)
- b) specialised operational properties are valued on the basis of depreciated replacement cost
- c) investment properties and properties surplus to an entity's requirement are valued on the basis of market value (MV)

Where a fixed asset is included in the balance sheet at current value, the increase over the previous carrying amount at which that asset was included in the balance sheet immediately prior to the latest (re-)valuation is credited to a fixed asset restatement account.

Where a fixed asset is acquired under a finance lease, at the inception of the lease the amount to be recorded both as an asset and as a liability should be the present value of the minimum lease payments derived by discounting them at the interest rate implicit in the lease (minimum lease payments and the interest rate implicit in the lease are defined in paragraphs 20 and 24 of SSAP 21).

### **Impairment**

The value at which each category of assets is included in the balance sheet is reviewed at the end of each accounting period and where there is reason to believe that its value has changed materially in the period, the valuation should be adjusted accordingly. Examples of events and changes in circumstances that indicate a reduction in value may have incurred include:

- A significant decline in a fixed asset's market value during the period
- Evidence of obsolescence or physical damage to the fixed asset
- A significant adverse change in the statutory or other regulatory environment in which the authority operates
- A commitment by the authority to undertake a significant reorganisation

Where an impairment loss on a fixed asset occurs the loss is recognised, if it is caused by a clear consumption of economic benefits (e.g. physical damage or a deterioration in the quality of the service provided by the asset, i.e. if it is similar in nature to depreciation), in the asset management revenue account and the service revenue account. Other impairments (reflecting a general fall in prices) are recognised in the fixed asset restatement account. If a reversal of an impairment loss is required the accounting will mirror the original treatment applied.

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Fixed assets, other than non-depreciable land, are reviewed for impairment at the end of each reporting period when either:

- a) no depreciation charge is made on the grounds that it would be immaterial (either because of the length of the estimated remaining useful life or because the estimated residual value of the fixed asset is not materially different from the carrying amount of the asset); or
- b) the estimated remaining useful life of the fixed asset exceeds 50 years.

### **Disposals**

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. In England only, the proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' should be charged in the Net Operating Cost Section of the Consolidated Revenue Account and the same amount appropriated from Usable Capital Receipts Reserve and credited to the Appropriations Section of the Consolidated Revenue Account.

Where a fixed asset is disposed of for other than a cash consideration, or a payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

Upon disposal, the net book value of the asset disposed of is written off against the fixed asset restatement account.

### **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life, which is determined at the time of acquisition or revaluation. For fixed assets other than non-depreciable land and non-operational investment properties, the only ground for not charging depreciation is that the depreciation charge is immaterial.

Provision for depreciation should be made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The depreciation methods used should be the ones that are the most appropriate to the type of asset and their use in the provision of services.

A change from one method of providing depreciation to another is permissible only on the grounds that the new method will give a fairer presentation of the results and of the financial position. Such a change does not, however, constitute a change of accounting policy; the carrying amount of the fixed asset is depreciated using the revised method over the remaining useful life, beginning in the period in which the change is made.

The useful lives of assets are estimated on a realistic basis. They are reviewed regularly and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

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Where the fixed asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

Depreciation is not normally provided for freehold land (whether operational or non-operation) or for non-operational investment properties. However, freehold land is depreciated where it is subject to depletion by, for example, the extraction of minerals. Investment properties held on a lease are depreciated over the period when the unexpired term is 20 years or less.

Depreciation is based on the amount at which the asset is included in the balance sheet, whether net current replacement cost or historical cost.

Subsequent expenditure on a fixed asset that maintains or enhances the previously assessed standard of performance of the asset does not negate the need to change depreciation.

Definable major assets or components within an infrastructure system or network with determinable finite lives are treated separately and depreciated over their useful economic lives. For the remaining tangible fixed assets within the system or network ('the infrastructure asset'), renewals accounting (as outlined in the next paragraph) may be used as a method of estimating depreciation in the following circumstances:

- the infrastructure asset is a system or network that as a whole is intended to be maintained at a specified level of service potential by the continuing replacement and refurbishment of its components, and
- the level of annual expenditure required to maintain the operating capacity (or service capability) of the infrastructure asset is calculated from an asset management plan that is certified by a person who is appropriately qualified, and
- the system or network is in a mature or steady state.

Where renewals accounting is adopted, the level of annual expenditure required to maintain the operating capacity of the infrastructure asset is treated as the depreciation charged for the period. Actual expenditure is capitalised as incurred.

### **Charges to Revenue**

General or County Fund service revenue accounts, as defined in CIPFA's Best Value Accounting Code of Practice, central support services and statutory trading accounts are charged with a capital charge and where required, any related impairment loss (due to a clear consumption of economic benefits), for all fixed assets used in the provision of services.

Such charges are the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. Capital charges to the HRA should be the amounts as determined by statutory provision.

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All expenditure on repairs and maintenance relating to fixed assets is charged to the appropriate service revenue account.

Finance costs, (including interest payable and interest payable under finance leases) and provisions for depreciation are charged to the asset management revenue account.

Capital charges for the use of fixed assets and relevant impairment losses included in revenue accounts are credited to the asset management revenue account.

The amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately on the face of the consolidated revenue account, below net operating expenditure.

**19. Value Added Tax**

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

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**AUDITOR'S OPINION**

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**Independent Auditor's Report to Babergh District Council**

I have audited the statement of accounts on pages 9 to 77 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 58 to 77.

This report is made solely to Babergh District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

**Respective Responsibilities of the Chief Financial Officer and Auditor**

As described on page 9 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year. I review whether the statement on internal control on pages 10 to 13 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

**Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

**BABERGH DISTRICT COUNCIL  
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**AUDITOR'S OPINION**

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**Opinion**

In my opinion the statement of accounts presents fairly the financial position of Babergh District Council as at 31 March 2005 and its income and expenditure for the year then ended.

**Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Name: Paul King

Date: 24 October 2005

Address:

Audit Commission  
Springvale Court  
Hadleigh Road  
Sproughton  
Ipswich  
IP8 3AS

(A hard copy of the signed Auditor's opinion is available on request from the Council.)

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**ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by Babergh District Council that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- 1) recognising
- 2) selecting measurement bases for, and
- 3) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

**ACCRUALS**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) the actuarial assumptions have changed.

**CAPITAL CHARGE**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

**CAPITAL RECEIPTS**

Proceeds from the sale of a fixed asset, e.g. land or a building. Capital receipts can be used to repay the debt on assets financed from loan or to finance new capital expenditure. They cannot be used to finance revenue expenditure directly.

**CLASS OF TANGIBLE FIXED ASSETS**

The classes of tangible fixed assets required to be included in the accounting statements are:

Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

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Non-operational assets

- Investments properties
- Assets under construction
- Surplus assets, held for disposal

Further analysis of any of these items is given if it is necessary to ensure fair presentation.

**COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal, Examples of community assets are parks and historic buildings.

**CONSISTENCY**

The principle that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONSTRUCTIVE OBLIGATION**

An obligation that derives from the Council's actions where:

- a) by an established pattern of past practice , published policies or a sufficiently specific current statement, the Council has indicated to other parties the will accept certain responsibilities, and
- b) as a result, the Council has created a valid expectation on the part of those parties that it will discharge those responsibilities.

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**CONTINGENT LIABILITY**

A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which the Council engages in specifically because it is an elected, multi-purpose authority. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**CURRENT ASSETS**

An asset where the value may change because the volume held can vary through day to day activity, e.g. cash, stock.

**BABERGH DISTRICT COUNCIL  
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**CURRENT LIABILITIES**

An amount which will become payable in the next accounting period (e.g. creditors, cash overdrawn).

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- a) termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DEFERRED CHARGES**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, assets controlled by the Council.

**DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**DEPRECIATION**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**DIRECT REVENUE FINANCING**

A charge to the revenue account to finance capital expenditure.

**DISCRETIONARY BENEFITS**

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.

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**EMOLUMENTS**

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. Pension contributions payable by either employer or employee are excluded.

**ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique.

- a) methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurements basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period.
- b) different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**

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.

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**FINANCE LEASE**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90 per cent or more) of the fair value of the leased asset. The present value should be calculated by using the interest rate implicit in the lease. However, where the present value of the minimum lease payments does not amount to 90 per cent or more of the fair value of the leased asset, it should not automatically assumed that the lease is not a finance lease. FRS 5 requires that the substance of the transaction is reflected and therefore the lease may still need to be classified as a finance lease.

Notwithstanding the fact that the lease meets the definition above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

**GOING CONCERN**

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**INFRASTRUCTURE ASSETS**

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.

**INTEREST COST (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**INVESTMENTS (PENSIONS FUND)**

The investments of the Pensions Fund will be accounted for in the statements of that fund. However the Council is also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**BABERGH DISTRICT COUNCIL**  
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**INVESTMENTS (NON-PENSIONS FUNDS)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

**LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

**LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

**NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**NET DEBT**

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

**NET REALISABLE VALUE**

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**NON DISTRIBUTED COSTS**

These are overheads for which no user now benefits and should not be apportioned to services.

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**NON-OPERATIONAL ASSETS**

Fixed assets held by the Council but not used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets include; investment properties and assets that are surplus to requirements, pending their sale. It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property. It would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the Council and the rental income is negotiated at arms length.

**OPERATING LEASE**

A lease other than a finance lease.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

**PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**POST BALANCE SHEET EVENTS**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

**PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is the one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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**PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

**PUBLIC WORKS LOAN BOARD (P.W.L.B.)**

A government agency which provides long term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source, the rates of interest being generally lower than "market" rates.

**RATEABLE VALUE**

A value placed on all properties subject to rating (Business properties only). The value is the annual assumed rental (determined by the Inland Revenue), calculated by deducting from the assessed gross annual rent an amount representing the cost of repairing, maintaining and insuring the property.

**RELATED PARTIES**

Two or more parties are related parties when at any time during the financial period:

- i) one party has direct or indirect control of the other party; or
- ii) the parties are subject to common control from the same source; or
- iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of the Council include:

- i) central government;
- ii) local authorities and other bodies precepting or levying demands on Council Tax;
- iii) its subsidiary and associated companies;
- iv) its joint ventures and joint venture partners;
- v) its members;
- vi) its chief officers; and
- vii) its pension fund.

Examples of related parties of a pension fund include its:

- i) administering authority and its related parties;
- ii) scheduled bodies and their related parties; and
- iii) trustees and advisors.

These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- i) members of the close family, or the same household; and
- ii) partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

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**RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- i) the purchase, sale, lease, rental or hire of assets between related parties;
- ii) the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- iii) the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- iv) the provision of services to a related party, including the provision of pension fund administration services;
- v) transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, rents and payments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because they are not given in exchange for services rendered by employees.

**REVENUE EXPENDITURE**

The day-to-day costs the Council incurs in providing services; the Council's revenue expenditure covers employee expenses, running expenses and capital financing costs.

**SCHEME LIABILITIES**

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

**SETTLEMENT**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (i) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- (ii) the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
- (iii) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

**BABERGH DISTRICT COUNCIL**  
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**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

- (a) goods or other assets purchased for resale;
- (b) consumable stores;
- (c) raw materials and components purchased for incorporation into products for sale;
- (d) products and services in intermediate stages of completion;
- (e) long term contract balances, and
- (f) finished goods.

**TANGIBLE FIXED ASSETS**

Tangible assets that yield benefits to the council and the services it provides for a period of more than one year.

**TOTAL COST**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or brought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

**USEFUL LIFE**

The period over which the Council will derive benefits from the use of a fixed asset.

**VESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- (a) for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- (b) for deferred pensioners, their preserved benefits;
- (c) for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.