

# Statement of Accounts 2008/09



Babergh District Council  
Corks Lane  
Hadleigh  
IPSWICH  
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# **Babergh District Council Statement Of Accounts 2008/09**

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## Explanatory Foreword

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### 1. Introduction

This foreword provides an explanation of the most significant matters affecting the Council's accounts in 2008/09, a comparison of actual income and expenditure against the budget and the Council's financial position. The aim is to assist readers in understanding key aspects of the Council's finances for the year and the accounting statements.

### 2. Background

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

### 3. Accounting and Disclosure Changes

The Statement of Accounting Policies has been amended to reflect the following:

- The treatment of Retirement Benefits has been amended to reflect the SORP changes regarding the basis for Pension Fund asset valuations. Quoted securities were formerly valued at mid-market value, and unlisted securities at average of the bid and offer rates. Both are now valued at current bid price.
- In addition, "Deferred Charges" is now classified as "Revenue Expenditure Financed from Capital under Statute" and charges to revenue for fixed assets now reflects statutory guidance for a Minimum Revenue Provision (MRP) for the repayment of debt.
- Revenue Expenditure Funded from Capital under Statute is charged to the Income & Expenditure Account. Similarly, specific Grants and Contributions used to finance this expenditure are treated as revenue income to match qualifying expenditure. These Grants and Contributions are regarded as revenue grants despite their classification as capital grants for capital control purposes. Both the expenditure and grant are then removed to ensure there is no direct charge against council tax.

- Salary costs include the lump sum amount paid to staff under the Council's Performance Related Pay (PRP) scheme. In the past these payments were accounted for in the year of payment, normally May following the year to which the performance relates. These payments relate to the previous year's accounts and have, therefore, been accrued in 2008/09 for the first time.

#### 4. Audit Opinion

The accounts are published subject to audit.

#### 5. Statements Included

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

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

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

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

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

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

###### Income and Expenditure Account.

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

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

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

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

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

###### Balance Sheet.

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

###### Cash Flow Statement.

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

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

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

### (v) Supplementary Financial Statements:

#### Housing Revenue Account (HRA).

The HRA records revenue expenditure and income relating to an authority's housing stock.

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

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

#### Notes to the Housing Revenue Account

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

#### Collection Fund

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

#### Notes to the Collection Fund

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

### (vi) Accompanying Statements

#### Audit Report

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

#### Annual Governance Statement

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

#### Glossary of Terms

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

## 6. Net Revenue Expenditure

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

It also includes changes resulting from the revaluation of assets, on which there has been a major impact as a result of the economic down turn (this impacts most notably on the HRA in relation to Council Housing, but also affects the reported costs of other services in the General Fund).

In broad terms, the position is summarised below:

	£'000
Reported deficit for the year	35,362
Less:	
Impairment/ revaluation of asset due to economic downturn	-32,613
Other changes	-2,270
Actual decrease in General Fund balance	479

**General Fund**

The following information compares the position with the budget i.e. all income and expenditure excluding Council Housing.

	Original Budget £000	Revised Budget £000	Actual £000
Net Expenditure	10,596	11,130	10,797
Income from Government Grants and Council Taxpayers	<u>(10,310)</u>	<u>(10,310)</u>	<u>(10,333)</u>
	286	820	464
Transfer to (from) Earmarked Reserves	<u>50</u>	<u>(64)</u>	<u>15</u>
Decrease/(Increase) in General Fund Balance	<u>336</u>	<u>756</u>	<u>479</u>
Variance from Revised Budget			(277)
Carry forward requests			<u>244</u>
Possible net impact on balances			<u>(33)</u>

Performance Related Pay (PRP) of approximately £306k has been accrued for the first time in 2008/09 and is included in the actual costs shown in the accounts. This additional cost was not allowed for in the budget. This amounted to £229k for the General Fund (and £77k for the Housing Revenue Account).

The reduced spending compared to the budget has arisen in a number of areas, as indicated below. It is envisaged that some of this expenditure will now take place in 2009/10, as there are carry forward requests of £244k. The eventual impact on reserves will, therefore be lower than the amount indicated above if all of these are approved.

	£000
<b>Savings or higher income:</b>	
Concessionary Bus Fares scheme expenditure	145
Planning Income	54
Carbon reduction/ Climate change	30
Hadleigh Swimming Pool	55
Grants & Contributions	32
Training, Recruitment & other divisional costs	48
Supplies & Services(postage, printing & IT)	60
Street cleansing & Abandoned Vehicles	20
Asset Management, including car parks	46
Other areas	69
<b>Higher expenditure or lower income:</b>	
Amenity Areas & Parks and Open spaces	(9)
Waste (Domestic, Trade & Green)	(26)
Public conveniences	(8)
Building Control	(10)
Performance Related Pay	(229)
<b>Total net saving compared to budget</b>	<u>277</u>

## Housing Revenue Account (Council Housing)

	Original Budget £000	Revised Budget £000	Actual £000
Income	(13,573)	(13,464)	(13,544)
Expenditure (net of appropriations)	<u>13,623</u>	<u>13,797</u>	<u>13,645</u>
Decrease/(Increase) in Housing Revenue Account Balance	<u>50</u>	<u>333</u>	<u>101</u>
Variance from Revised Budget			(232)

An analysis of the variation is shown below:

	£000
<b>Key variations:</b>	
Rent Income & charges	(43)
Savings on pre-painting & repair	(126)
Repairs Contract	(66)
Other net savings	(74)
Performance Related Pay (PRP)	77
<b>Total net saving compared to budget</b>	<u>(232)</u>

## 7. Capital Expenditure

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

	Original Budget £000	Revised Budget £000	Actual £000
Council Housing Improvements	3,136	3,860	3,395
New IT Systems	821	1,032	582
Private sector Housing	859	720	410
Community Development/Environment	1,885	1,109	853
<b>Total</b>	<b>6,701</b>	<b>6,721</b>	<b>5,240</b>

Variance from Revised Budget (1,481)

An analysis of the variance is shown below:

	£000
Council Housing Improvements	(465)
New IT Systems	(450)
Affordable Housing/ Renovation Grants	(310)
Other	(256)
	<u>(1,481)</u>

Some savings have arisen but the majority of this expenditure will be carried forward and undertaken in 2009/10 – 2010/11.

Capital Expenditure has been financed as follows:

	£000
Revenue Financing	649
Major Repairs Reserve	2,329
Capital Receipts	398
Grants and third party contributions	533
Borrowing (supported by Government Grant)	550
Borrowing (not supported by Government Grant)	781
	<u>5,240</u>

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

	£000
Underlying need to borrow at 31 March 2009 (Capital Financing Requirement)	5,506
Long Term Borrowing at 31 March 2009 (Public Works Loan Board)	<u>(1,100)</u>
Net Borrowing Facility at 31 March 2009	<u>4,406</u>

## 8. Pensions

There is a substantial deficit on the Council's Pension Fund, administered by Suffolk County Council. The most recent triennial valuation and actuarial review was on 31 March 2007 and costs in 2008/09 onwards are based on this review. Costs in 2007/08, however, were based on the previous review on 31 March 2004 which estimated a Fund deficit of £10.5m and fixed the contribution rates for the three years 2005/06 to 2007/08. The contribution rates for 2008/09 onwards increased from 13.3% to 16.0%.

For accounting purposes, the estimated deficit (under Financial Reporting Standard 17) stood at £14.7m as at 31 March 2009. Not surprisingly, given the economic downturn in 2008/09, this is considerably higher than the £6.5m as at 31 March 2008. The reasons as assessed by the Fund's actuary, are given in the Notes to the Core Financial Statements (Note 45. Pensions Reserve).

The next full actuarial review is due on 31 March 2010.

## 9. Sources of Funds/Reserves.

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

	<b>31 March 2009 £000</b>	31 March 2008 £000
<b>General Fund</b>		
General Reserves	2,359	2,838
Earmarked Reserves	1,229	1,215
Collection Fund	<u>(128)</u>	<u>(120)</u>
	<u>3,460</u>	<u>3,933</u>
<b>Housing Revenue Account</b>		
General Reserves	1,060	1,161
Major Repairs Reserve	<u>520</u>	<u>688</u>
	<u>1,580</u>	<u>1,849</u>
	<u><u>5,040</u></u>	<u><u>5,782</u></u>

There are plans to use some of these reserves in future years and, specifically in 2009/10, some of the money will be needed to meet expenditure carried over from 2008/09.

## 10. Future Plans and Challenges

### Annual Efficiency Targets and savings

The Council needs to achieve significant savings and efficiencies to meet its future plans and the Government's annual efficiency targets.

### Comprehensive Area Assessment (CAA)

A new performance assessment framework (the CAA) is replacing the existing Comprehensive Performance Assessment (CPA) in 2009. This assesses the way in which Councils provide leadership and work together effectively to deliver high quality services.

The key emphasis will be on place and outcomes for local people, rather than individual organisations and processes, although elements of organisational accountability will be retained. CAA will focus on the delivery of outcomes that are the responsibility of Councils either working alone or in partnership with others, particularly through the Local Strategic Partnership, Sustainable Community Strategy and the Local Area Agreement (LAA).

### Local Government Review

There is a review of the structure of Local Government in Suffolk currently taking place and the prospects of the current two-tier arrangements being replaced by Unitary Council(s) from April 2011. Should this receive Government approval, the Council's staff, assets and liabilities will be transferred to the successor Council(s).

### 11. Further Information

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

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

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## Statement of Accounting Policies

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### **1. General Principles**

The financial statements have been prepared under the historical cost convention as modified by any revaluation of tangible fixed assets. They have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice* (the SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply with proper accounting practice under the terms of the Local Government and Housing Act 1989 and the Local Government Act 2003 and incorporate provisions of various Financial Reporting Standards (FRS's).

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

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

This means that all material sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been paid or received in the year. In previous years, lump sum payments to staff under the Performance Related Pay scheme were included in the accounts at the time of payment and were not accrued but they have been accrued for the first time in 2008/09.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Events After the Balance Sheet Date

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

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

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

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

FRS 21 requires that the date the financial statements are *authorised for issue* be disclosed. This is the date beyond which there can be no reasonable expectation that events could have been taken into account by the Council. The authorised for issue date i.e. when the Statement is ready for publication, was determined as the 25 June, the date on which the Council approved the unaudited accounts.

The Director of Finance certified the 2008/09 Statement of Accounts on 21 September and authorised the audited accounts to be issued on 22 September 2009.

### 4. Financial Assets

Financial assets are classified into two types:

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

#### *Loans and Receivables*

Loans and receivables (debtors) are initially measured at fair value and shown at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the value of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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

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

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

### **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

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

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

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

## **5. Financial Liabilities**

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

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

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

### 6. Government Grants and Contributions

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

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

### 7. Group Accounts

The Group Accounting requirements of the 2008 Statement of Recommended Practice (SORP) have been fully acknowledged. No arrangement requiring Group Accounting has been identified.

### 8. Intangible Fixed Assets

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

### 9. Interest in Companies and Other Entities

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

### 10. Investments

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

### 11. Leases

#### *Finance Leases*

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

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

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

#### *Operating Leases*

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

### 12. Overheads and Support Services

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

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

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

### 13. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

### 14. Reserves

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

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

### 15. Retirement Benefits

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

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

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

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

The liabilities of the Suffolk County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

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

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

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

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

#### **Current Service Cost**

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

#### **Past Service Costs**

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

#### **Interest Cost**

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

***Expected Return on Assets***

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

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

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

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

***Actuarial Gains and Losses***

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

***Contributions to the Pension Fund***

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

**16. Revenue Expenditure Funded from Capital under Statute**

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

**17. Stocks and Works in Progress**

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

**18. Tangible Fixed Assets**

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

***Recognition***

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

### *Measurement*

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

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

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

Valuations for 2008/09 have been carried out by the Valuation Office.

### *Impairment*

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

### *Disposals*

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

### *Depreciation*

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Where an asset has major components with different estimated useful lives, these may be depreciated separately. No provision is made for non-depreciable land and non-operational assets, or if the charge would be immaterial.

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

Assets are depreciated on the basis shown in the Notes to the Core Financial Statements (Note 28. Depreciation Methodologies).

### *Grants and Contributions*

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

### *Charges to Revenue*

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

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

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

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

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

## **Statement of Responsibilities for the Statement of Accounts**

### **The Council's Responsibilities**

The Council is required to:

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

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

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

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority SORP.

The Director of Finance has also:

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

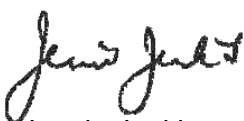
I certify that the Statement of Accounts presents fairly the financial position of the Authority at the 31 March 2009 and its income and expenditure for the year then ended.

Barry Hunter CPFA

Director of Finance to Babergh District Council      21 September 2009

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

In accordance with the requirements of s10 of the Accounts and Audit Regulations, I confirm that the Statement of Accounts was approved by a resolution of the Babergh District Council on 25 June 2009.



Jennie Jenkins

Chairman of Babergh District Council      21 September 2009

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

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

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## Income and Expenditure Account

for the year ended 31 March 2009

2007/08		2008/09	2008/09	2008/09
Net		Gross	Gross	Net
Expenditure	Notes	Expenditure	Income	Expenditure
£000		£000	£000	£000
510	Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	6,187	(5,252)	935
3,047	Environmental and Regulatory Services	4,894	(1,737)	3,157
2,011	Cultural and Related Services	2,391	(261)	2,130
1,583	Planning and Development Services	2,942	(977)	1,965
948	Transport Services	1,034	(333)	701
(497)	Local Authority Housing (HRA) 21 & 11 HRA	45,823	(13,544)	32,279
959	Other Housing Services	16,256	(15,116)	1,140
1,888	The Corporate and Democratic Core 6	2,135	(181)	1,954
90	Non Distributed Costs	482	-	482
10,539	<b>Net Cost of Services</b>	<b>82,144</b>	<b>(37,401)</b>	<b>44,743</b>
	<b>Other Income and Expenditure</b>			
	(Gain) / Loss on the disposal of Fixed			
1,253	Assets 7	788	-	788
-	(Gains) / Losses on the early settlement of borrowing 4	-	-	-
329	Interest payable and similar charges	316	-	316
1,314	Contribution of Housing Capital Receipts to the Government Pool 43	90	-	90
(698)	Interest and Investment Income 8	-	(578)	(578)
(160)	Pensions interest cost and expected return 51	337	-	337
1,785	Parish/Town Council Precepts	1,894	-	1,894
14,362	<b>Net Operating Expenditure</b>	<b>85,569</b>	<b>(37,979)</b>	<b>47,590</b>
	<b>Principal Sources of Finance</b>			
	General Government Grants:			
-	Area Based Grant			(23)
(839)	Revenue Support Grant			(734)
(4,997)	Non Domestic Rates Redistribution			(5,271)
(5,893)	Council Tax Payers (Demand on Collection Fund)			(6,190)
(36)	Collection Fund (surplus) / deficit			(10)
2,597	<b>(Surplus) / Deficit for the year</b>			<b>35,362</b>

The 2008/09 financial statements include £31.5m relating to Revaluation Impairment of the Council's dwellings charged to the consolidated I&E Account. This element is reversed out in the Statement of Movements in the General Fund & HRA Balances and therefore does not affect the overall working balance. This reflects the impact of the fall in property values in the year due to the economic downturn. For a detailed analysis please see note 21 and note 11 for the HRA.

An explanation of the significance of this account can be found in the Notes to the Core Financial Statements (note 5. Income and Expenditure Account).

## Statement of Movement on the General Fund Balance

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

- Capital investment is accounted for as it is financed, rather than when the assets are consumed.
- Retirement benefits are charged as contributions and as other amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

		<b>2008/09</b>	2007/08
		<b>Net</b>	Net
		<b>Expenditure</b>	Expenditure
	<b>Notes</b>	<b>£000</b>	£000
Deficit on Income & Expenditure Account		<b>35,362</b>	2,597
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year.		<b>(34,883)</b>	(2,650)
(Increase)/Decrease in General Fund Balance in the year	46	<b>479</b>	(53)
General Fund Balance brought forward		<b>(2,838)</b>	(2,785)
General Fund Balance carried forward		<b>(2,359)</b>	(2,838)

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

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

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

		2008/09 Net Expenditure	2007/08 Net Expenditure
	Notes	£000	£000
<b>Amounts included in the Income &amp; Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Amortisation (write down) of Intangible Fixed Assets	21	(377)	(297)
Depreciation / Impairment of Fixed Assets	21	(33,382)	(721)
Government Grants Deferred amortisation	39	342	379
Revenue Expenditure Funded from Capital under Statute	23	(673)	(776)
Financed from government Grants and Contributions		434	-
Deferred Charges financed from Government Grants		-	413
Net loss on sales of Fixed Assets	7	(788)	(1,253)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt.	49	-	-
Net charges for retirement benefits under FRS 17	51	(1,809)	(1,179)
		<u>(36,253)</u>	<u>(3,434)</u>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year</b>			
Capital Expenditure charged in-year to the General Fund Balance	23	649	447
Usable Capital Receipts to meet Housing Receipts transferred to Government Pool	43	(90)	(1,314)
Derecognition of over-hanging debt premia	4	-	1,290
Employer's contributions to Suffolk County Council Pension Fund & Direct Pension Payments to pensioners	51	2,059	2,080
		<u>2,618</u>	<u>2,503</u>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
Housing Revenue Account Balance		(101)	304
Transfer to the Financial Instruments Adjustment Account	49	233	(1,060)
Net transfer to/from Earmarked Reserves	47	15	235
Net transfer to/from Earmarked Reserves (MRR part)		(1,395)	(1,198)
		<u>(1,248)</u>	<u>(1,719)</u>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>		<u>(34,883)</u>	<u>(2,650)</u>

## Statement of Total Recognised Gains and Losses

for the year ended 31 March 2009

		<b>2008/09 Net Expenditure</b>	2007/08 Net Expenditure
	<b>Notes</b>	<b>£000</b>	£000
Deficit on Income & Expenditure Account		<b>35,362</b>	2,597
Deficit/(surplus) on revaluation of Fixed Assets	41	<b>6,672</b>	(9,332)
Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	51	<b>8,454</b>	(3,520)
Net Movement on Collection Fund balance		<b>8</b>	61
Derecognition of overhanging debt premia	4	-	1,290
Other Gains and Losses		<b>4</b>	-
Total Recognised (Gains)/Losses in the year		<b><u>50,500</u></b>	<b><u>(8,904)</u></b>
Net Worth at 1 April		<b>230,166</b>	221,262
Net Worth at 31 March		<b><u>179,666</u></b>	<u>230,166</u>
		<b><u>50,500</u></b>	<b><u>(8,904)</u></b>

## Balance Sheet

as at 31 March 2009

31 March 2008 £000	Notes	31 March 2009 £000      £000	
1,437			1,626
	<b>Fixed Assets</b>		
	<b>Intangible Fixed Assets</b>		
	<b>Tangible Fixed Assets</b>		
	<b>Operational assets:</b>		
211,781	Council House Dwellings	173,836	
13,579	Land & Buildings	12,486	
946	Vehicles, Plant & Equipment	787	
663	Infrastructure	689	
815	Community Assets	<u>805</u>	188,603
	<b>Non-operational assets:</b>		
3,424	Land Awaiting Development	2,383	
-	Assets Under Construction	180	
2,999	Investment Property	2,539	
1,456	Surplus Assets held for Disposal	<u>1,044</u>	<u>6,146</u>
<u>237,100</u>	<b>Total Fixed Assets</b>		<u>196,375</u>
80	Long-term Investments		-
376	Long Term Debtors		<u>386</u>
<u>237,556</u>	<b>Total Long Term Assets</b>		<u>196,761</u>
	<b>Current Assets</b>		
59	Stocks and Work in Progress	75	
2,726	Debtors	3,143	
223	Other	210	
6,777	Investments	6,342	
421	Cash and Bank	<u>-</u>	<u>9,770</u>
<u>247,762</u>	<b>Total Assets</b>		<u>206,531</u>
	<b>Current Liabilities</b>		
(7)	Short-term Borrowings		(7)
(6,756)	Creditors	(7,556)	
(68)	Capital Grants/Capital Contributions Reserve	(167)	
(76)	Provisions	(76)	
-	Cash and Bank Overdrawn	<u>(369)</u>	<u>(8,175)</u>
<u>240,855</u>	<b>Total Assets less current liabilities</b>		<u>198,356</u>
(1,100)	Long-term Borrowing		(1,100)
(1,191)	Government Grants Deferred		(918)
(1,438)	Capital Contributions Deferred		(1,431)
(718)	Deferred Liabilities		(543)
-	Long Term Liabilities		(46)
(6,242)	Defined Benefit Pension Scheme Liability		<u>(14,652)</u>
<u>230,166</u>	<b>Total Assets Less Liabilities</b>		<u>179,666</u>
	<b>Financed by:</b>		
7,709	Revaluation Reserve		989
222,945	Capital Adjustment Account		187,915
(1,060)	Financial Instruments Adjustment Account		(826)
916	Usable Capital Receipts Reserve		1,180
117	Deferred Capital receipts		20
(6,242)	Pensions Reserve		(14,652)
2,838	General Fund Reserve Balance		2,359
1,161	Housing Revenue Account Balance		1,060
688	Major Repairs Reserve		520
1,214	Earmarked Reserves		1,229
(120)	Collection Fund Balance		<u>(128)</u>
<u>230,166</u>	<b>Total Net Worth</b>		<u>179,666</u>



Barry Hunter CPFA (Director of Finance/Babergh District Council) 21 September 2009

## Cash Flow Statement

	Notes	2008/09 £000	2007/08 £000 <i>Restated</i>
<b><u>Revenue Activities</u></b>			
<b>Cash outflows:</b>			
Cash paid to and on behalf of employees		10,796	10,401
Other operating cash payments		6,648	7,295
Housing Benefit paid out		14,444	13,014
National Non-Domestic Rate payments to National Pool		19,015	17,411
Precepts paid		41,839	39,899
Payments to the Capital Receipts Pool		259	1,239
		<u>93,001</u>	<u>89,259</u>
<b>Cash inflows:</b>			
Rents (after Rebates)		(7,936)	(7,985)
Council Tax receipts		(37,127)	(35,767)
National Non-Domestic Rate receipts from National Pool		(5,782)	(4,378)
National Non-Domestic Rate income		(19,047)	(17,609)
Revenue Support Grant		(734)	(839)
DWP Grants for Housing Benefits		(18,348)	(17,404)
Other government grants	55	(1,431)	(1,784)
Cash received for goods and services		(3,201)	(2,981)
Other operating cash receipts		(1,611)	(2,552)
		<u>(95,217)</u>	<u>(91,299)</u>
<b>Net Cash (Inflow)/outflow from Revenue Activities</b>	52	<u>(2,216)</u>	<u>(2,040)</u>
<b><u>Servicing of Finance</u></b>			
<b>Cash outflows</b>			
Interest paid		46	41
Interest element of finance lease rental payments		59	(122)
		<u>105</u>	<u>(81)</u>
<b>Cash inflows</b>			
Interest received		(637)	(650)
		<u>(637)</u>	<u>(650)</u>
<b>Net Cash Flow from Finance Servicing</b>		<u>(532)</u>	<u>(731)</u>
<b><u>Capital Activities</u></b>			
<b>Cash outflows</b>			
Purchase of fixed assets		3,774	2,489
Other capital cash payments		1,202	1,210
		<u>4,976</u>	<u>3,699</u>
<b>Cash inflows:</b>			
Sale of fixed assets		(688)	(2,699)
Capital grants received	55	(158)	(94)
Other Capital Cash receipts		(400)	(516)
		<u>(1,246)</u>	<u>(3,309)</u>
<b>Net Cash Flow from Capital Activities</b>		<u>3,730</u>	<u>390</u>
<b>Net cash (inflow)/outflow before financing</b>		<u>982</u>	<u>(2,381)</u>
<b>Management of liquid Resources</b>			
Net (increase)/decrease in short-term deposits		(376)	1,544
	54	<u>(376)</u>	<u>1,544</u>
<b>Financing</b>			
<b>Cash outflows</b>			
Capital elements of finance lease rental payments		184	193
		<u>184</u>	<u>193</u>
<b>(Increase)/Decrease in cash</b>	53	<u>790</u>	<u>(644)</u>

## Notes to the Core Financial Statements

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### **1. Core Financial Statements**

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

### **2. Prior Period Adjustments**

There have been no material adjustments made with regard to prior accounting periods.

### **3. Authorisation of Accounts**

Financial Reporting Standard (FRS) 21 requires that the date the financial statements are authorised for issue be disclosed. This is the date beyond which there can be no reasonable expectation that events could have been taken into account by the Council. The Director of Finance authorised paper copies of the accounts to be printed for dispatch to Council members on the 17 June i.e. when the accounts will be ready to be issued for publication has been determined as the authorised for issue date of the 2008/09 accounts.

### **4. Gains and Losses on the Early Settlement of Borrowing**

A derecognition of £1,290k Premiums and Discounts (an amount of £1,060k extra to the £230k otherwise chargeable to the Income and Expenditure Account) was made to the Statement of Movement on the General Fund Balance in 2007/08. This write-off was the result of changes to the SORP. However there was no net impact on the General Fund Balance as the £1,060k was reversed out of the Statement of Movement on the General Fund Balance to the Financial Instruments Adjustment Account. Ongoing amounts are recognised in the General Fund from 2008/09 as the Financial Instruments Adjustment Account is written down to the Statement of Movement on the General Fund Balance (see note 49. Financial Instruments Adjustment Account).

### **5. Income and Expenditure Account**

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

The first section provides information on the costs of the local authority's different continuing operations, net of specific grants and income from fees and charges, to give a net cost of services. This section would also include the net cost of any acquired and discontinued operations. Expenditure in 2008/09 includes the accrual of Performance Related payments to staff that were paid in May 2009. The total amount involved was £306k of which £229k related to the General Fund and £77k to the Housing Revenue Account.

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

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

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

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

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

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

### 6. The Corporate and Democratic Core

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

### 7. Asset Disposal Gains and Losses

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

	2008/09	2007/08
	£000	£000
Cost of Selling Council Houses	30	67
Discount on Land to Housing Assoc. and loss on sale of Council Houses	758	1,186
	<u>788</u>	<u>1,253</u>

### 8. Interest and Investment Income

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

### 9. Discretionary Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was mainly on donations to voluntary bodies working in the local area. There is no specified limit on such expenditure. Expenditure is shown below.

	2008/09 £000	2007/08 £000
Grants	75	68
	<u>75</u>	<u>68</u>

### 10. Publicity Expenditure

A local authority is required to keep a separate account of its expenditure on publicity.

	2008/09 £000	2007/08 £000
Staff Recruitment Advertising	30	31
Other Advertising	22	21
Tourism Publicity	232	209
Other Publicity	156	203
	<u>440</u>	<u>464</u>

### 11. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function, with the aim of covering all costs incurred, relating to fee-earning activities over a three-year period. Certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities (non fee-earning). The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Non-Fee Earning £000	Fee Earning £000	Total £000
<b>2008/09</b>			
Expenditure			
Central Support Charges	100	428	528
Income			
Building Regulation Charges	-	(417)	(417)
Other	-	(7)	(7)
Deficit/(Surplus) for year	<u>100</u>	<u>4</u>	<u>104</u>
<b>2007/08</b>			
Expenditure	109	388	497
Income	-	(372)	(372)
Deficit/(Surplus) for year	<u>109</u>	<u>16</u>	<u>125</u>
<b>2006/07</b>			
Expenditure	93	399	492
Income	-	(391)	(391)
Deficit/(Surplus) for year	<u>93</u>	<u>8</u>	<u>101</u>
Deficit/(Surplus) for the last three years	<u>302</u>	<u>28</u>	<u>330</u>

**12. Agency Income and Expenditure**

Under various statutory powers, an authority may agree with certain other public bodies to do work on their behalf. The body carrying out the agency services is reimbursed by the responsible body to the extent of approved expenditure together with any agreed contribution toward administrative costs. The Council has a service agreement with Suffolk County Council to carry out grass cutting on District Highways. The actual costs, fully reimbursed, are shown below.

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Grass cutting on District Highways	<u>28</u>	<u>27</u>
	<u><b>28</b></u>	<u>27</u>

**13. Local Authority (Goods and Services) Act 1970**

The Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) specifies conditions under which authorities can enter into agreements to supply goods and services to each other and to other public bodies.

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Net Income re Housing Association design work	<u>(11)</u>	<u>(35)</u>
Total	<u><b>(11)</b></u>	<u>(35)</u>

**14. Operating Leases**

Operating Lease rentals paid to lessors are shown below.

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Payments in the year	<b>22</b>	22
Charged to Revenue in the year	<b>22</b>	22

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Leases expiring:		
In 1 year	-	-
Between 2 and 5 years	-	-
More than 5 years	<b>18</b>	18
	<u><b>18</b></u>	<u>18</u>

**15. Area Based Grant**

From 2008/09 Local Area Agreement (LAA) Grant is replaced by Area Based Grant (ABG). ABG is a non-ringfenced general grant, and no conditions on use is imposed as part of the grant determination ensuring full local control over how funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets. Also, unlike LAA Grant, ABG is paid directly to the authority that benefits from the grant, rather than being paid to the upper-tier authority for the area in the capacity of 'accountable body' for onward distribution. ABG is a general grant, which is included in the Income and Expenditure Account with other general income sources such as income from Revenue Support Grant.

**16. Members' Allowances**

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
General and Special Allowances-	<u>216</u>	<u>200</u>
	<u><b>216</b></u>	<u>200</u>

2008/09 allowance includes Co-opted and Standards Representatives

**17. Officers' Remuneration**

The Accounts and Audit Regulations require a note to be published of the number of employees in the year of account whose remuneration fell in each bracket of a scale in multiples of £10k, starting with £50k.

The numbers of officers whose remuneration, excluding employer's pension contributions, was £50k or more, in bands of £10k, was as follows:

	<b>2008/09</b>	2007/08
		(Restated)
£50,000 to £59,999	5	6
£60,000 to £69,999	5	5
£70,000 to £79,999	2	-
£80,000 to £89,999	-	1
£90,000 to £99,999	1	-
£100,000 to £109,999	-	-
£110,000 to £119,999	1	-
£120,000 to £129,999	-	1
	<u>14</u>	<u>13</u>

Pay bandings have been restated to account for PRP accruals (see Explanatory Forward, page 4, note 6)

In addition, details of officers falling within each remuneration band for 2007/08 have been reviewed and restated.

**18. Related Parties**

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

**South Suffolk Leisure Trust**

The South Suffolk Leisure Trust (SSLT) was appointed on 1 April 2006 to provide services, through a normal service provision agreement that is set out in the Annual Delivery Plan, for a management fee. SSLT is a registered charity. The status and advantages would not have been granted if Charity Commissioners and HMRC considered the Council had a significant influence over SSLT. The Council is not a member of the SSLT charity, so does not have dominant influence potential. The Council has management board nominee rights, but these are less than 20% of the total management board. These nominees are not Council representatives speaking on behalf of the Council, nor can they prematurely be dismissed by the Council. For 2008/09 the Council nominees were Cllrs Brian Lazenby & Gerald White.

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Furthermore, on SSLT's demise, the Council has no entitlement to any surpluses, which have to be transferred to a similar Not-For-Profit organisation.

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

### Hadleigh Swimming Pool

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

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

	2008/09 £000	2007/08 £000
<b>Central Government</b>		
Revenue Grants		
Specific and Special Grants	(19,986)	(18,377)
Redistributed NNDR	(5,271)	(4,997)
Revenue Support Grant	(734)	(839)
Capital Grants		
Government	(425)	(382)
<b>Precepts</b>		
Suffolk County Council	35,224	33,889
Suffolk Police Authority	4,909	4,496
Parish Council Precepts	1,895	1,785
<b>Management Team and Heads of Service</b>		
Car loans made available under the Council's scheme	-	(2)
<b>Suffolk County Council Pension Fund</b>		
Employer's pension contributions in respect of employees	2,059	2,080
<b>South Suffolk Leisure Trust</b>		
Revenue and capital transactions	211	176
<b>Hadleigh Swimming Pool</b>		
Sole Trustee, revenue and capital transactions	179	148
<b>Grants to Parish Councils, Community Councils and Village Halls</b>	219	116
<b>Total</b>	<u>18,280</u>	<u>18,093</u>

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

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

	2008/09 £000	2007/08 £000
<b>Central Government</b>		
Revenue Grants		
Specific and Special Grants	<u>439</u>	<u>(238)</u>
	<u>439</u>	<u>(238)</u>

**20. External Audit Costs**

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Fees payable to the External Auditor		
regarding external audit services carried out by the appointed auditor	<b>108</b>	85
regarding Statutory Inspections	<b>6</b>	6
for the certification of grant claims and returns	<b>41</b>	48
Fees payable regarding other services provided by the appointed auditor	-	-
	<b>155</b>	139

**21. Fixed Assets Movement Summary**

	Operational Assets					Intangibles	Non-Operational	Total
	Tangible Assets							
	Council House Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Software licences	-	
Cost or Valuation at 1 Apr 2008	211,781	13,579	2,841	1,344	815	3,079	7,879	241,318
Accumulated Depreciation and Impairment at 1 Apr 2008	-	-	(1,895)	(681)	-	(1,642)	-	(4,218)
Balance Sheet Amount at 1 Apr 2008	<u>211,781</u>	<u>13,579</u>	<u>946</u>	<u>663</u>	<u>815</u>	<u>1,437</u>	<u>7,879</u>	<u>237,100</u>
Cost or Valuation Movements in 2008/09:								
Additions	3,316	307	99	59	3	566	180	4,530
Disposals	(1,141)	(36)	-	-	-	-	(293)	(1,470)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(8,588)	(1,072)	-	-	(8)	-	(836)	(10,504)
Impairment	(31,532)	(292)	-	-	(5)	-	(784)	(32,613)
	<u>(37,945)</u>	<u>(1,093)</u>	<u>99</u>	<u>59</u>	<u>(10)</u>	<u>566</u>	<u>(1,733)</u>	<u>(40,057)</u>
Depreciation/Amortisation and Impairments:								
Additional depreciation/Amortisation	(3,467)	(437)	(258)	(33)	-	(377)	(107)	(4,679)
On Disposals	18	1	-	-	-	-	-	19
On Revaluations	3,449	436	-	-	-	-	107	3,992
	<u>-</u>	<u>-</u>	<u>(258)</u>	<u>(33)</u>	<u>-</u>	<u>(377)</u>	<u>-</u>	<u>(668)</u>
Balance Sheet Amount At 31 Mar 2009	<u><u>173,836</u></u>	<u><u>12,486</u></u>	<u><u>787</u></u>	<u><u>689</u></u>	<u><u>805</u></u>	<u><u>1,626</u></u>	<u><u>6,146</u></u>	<u><u>196,375</u></u>
<b>Nature of Asset Holding</b>								
Owned	172,131	12,486	480	689	805	1,626	6,146	194,363
Finance Lease	1,705	-	307	-	-	-	-	2,012
Total	<u><u>173,836</u></u>	<u><u>12,486</u></u>	<u><u>787</u></u>	<u><u>689</u></u>	<u><u>805</u></u>	<u><u>1,626</u></u>	<u><u>6,146</u></u>	<u><u>196,375</u></u>

**22. Valuations Information**

The following statement shows the progress of the Council's programme of the quinquennial revaluation of fixed assets. Asset values are reviewed at 5 yearly intervals, or sooner where there is a material change in value in any year. The next full revaluation of properties is due on 31/03/2014 for all categories of General Fund properties and on 31/03/2014 for all Housing Revenue Account property. Valuations for 2008/09 have been carried out by the Valuation Office (as a desk-top exercise only in respect of the Housing Revenue Account properties). Properties were valued as at 1 April 2009 and have been treated as at 31 March 2009. The valuations undertaken reflect a significant level of impairment covering all land and buildings, largely resulting from the economic downturn. The largest impact has been on Council House dwellings of over £31m.

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

	Tangible Assets					Intangibles	Non-Operational	Total
	Council House Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Software licences	-	
Assets valued at historical cost:	720	-	787	689	-	1,626	180	4,002
Valued at current Value in:								
2008/09	173,116	12,486	-	-	805	-	5,966	192,373
	173,116	12,486	-	-	805	-	5,966	192,373
	<u>173,836</u>	<u>12,486</u>	<u>787</u>	<u>689</u>	<u>805</u>	<u>1,626</u>	<u>6,146</u>	<u>196,375</u>

**23. Capital Expenditure and Financing**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Borrowing:		
Supported	<b>550</b>	550
Unsupported	<b>781</b>	81
Government Grants and Contributions	<b>533</b>	628
Capital Receipts	<b>398</b>	1,147
Revenue	<b>649</b>	447
Revenue-Major Repairs Reserve	<b>2,329</b>	1,515
	<b>5,240</b>	4,368

The Capital Financing Requirement represents the underlying need to borrow.

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Capital Investment		
Operational Assets Expenditure	<b>3,785</b>	2,794
Non-operational Assets Expenditure	<b>180</b>	-
Intangible Assets Expenditure	<b>566</b>	743
Revenue Expenditure Funded from Capital Under Statute	<b>673</b>	776
Mortgages/Loans	<b>36</b>	55
	<b>5,240</b>	4,368
Sources of Finance		
Capital Receipts	<b>(398)</b>	(1,147)
Government Grants and Contributions	<b>(533)</b>	(628)
Sums set aside from Revenue		
Revenue Contributions to Capital Outlay	<b>(649)</b>	(447)
Major Repairs Reserve	<b>(2,329)</b>	(1,515)
Finance Lease	<b>-</b>	-
	<b>(3,909)</b>	(3,737)
Increase in underlying need to borrow	<b>1,331</b>	631
Opening Capital Financing Requirement	<b>4,176</b>	3,545
Closing Capital Financing Requirement	<b>5,507</b>	4,176

*Explanation of Movements in the year*

Increase in underlying need to borrow (supported by Government financial assistance)		
Additional Borrowing	<b>550</b>	550
Less Revenue Provision for the repayment of debt	<b>-</b>	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	<b>781</b>	81
Total increase in underlying need to borrow	<b>1,331</b>	631
Opening Capital Financing Requirement	<b>4,176</b>	3,545
Closing Capital Financing Requirement	<b>5,507</b>	4,176

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

	2009	2008
	£000	£000
Revenue Expenditure to be funded from Capital	673	776
Financed from Government Grants & Contributions	(434)	(413)
Net Cost chargeable to Service Revenue Accounts	<u>239</u>	<u>363</u>
Write-down in Year		
General Fund	239	363
Housing Revenue Account	-	-
Total written to Service Revenue Accounts	<u>239</u>	<u>363</u>

#### **24. Capital Contracts Commitments**

As at 31 March 2009, the Council was contractually committed to certain capital works. The major commitments (over £100k) are shown below.

Kitchen Improvements (HRA)	£266k
LAMP	£399k
Other Commitments	£208k*

(\* includes £127k Major repairs and roofing and £50k Play equipment. )

**25. Assets Information**

Fixed Assets at 31 March include the following.

	2009	2008
<b>Operational Assets</b>		
<b>Housing Revenue Account</b>		
Council Dwellings (including DIYSO)	3,522	3,563
<b>General Fund</b>		
Council Headquarters	1	1
Offices and other Buildings	1	1
Tourist Information Centres	2	2
Depots and Workshops	3	3
Off-street Car Parks	21	21
Leisure Centre	1	1
Hadleigh Swimming Pool	1	1
Public Conveniences	13	13
Refuse Vehicles	4	4
Bus Stations	1	1
Amenity Land and Community Assets	34	33
<b>Non-Operational Assets</b>		
<b>Housing Revenue Account</b>		
Shops	2	2
Miscellaneous Properties	5	5
Vacant Land - Awaiting Development	17	17
Vacant Land - Other	9	9
<b>General Fund</b>		
Commercial Properties Available for Rent	14	14
Other Dwellings	5	5
Surplus Property	1	2
<b>Infrastructure Assets</b>		
<b>General Fund</b>		
Town Centre CCTV System	1	1
Gt Cornard Drainage System	1	1

**26. Assets Held under Leases**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Leases that are not finance leases are operating leases (see note 14. Operating Leases). The Council has capitalised, within the balance sheet, Wheeled Bins (General Fund-Vehicles, Plant & Equipment) and Heating Systems (HRA-Council Dwellings) assets acquired under finance lease agreements. In order to convey fully the impact of these leases, the following disclosures are required.

	2008/09			2007/08		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Balance 1 April						
Gross Book Value	307	1,705	2,012	307	1,709	2,016
Accumulated Depreciation	(103)	(985)	(1,088)	(77)	(824)	(901)
Net Book Value	204	720	924	230	885	1,115
In Year						
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(4)	(4)
Depreciation	(26)	(160)	(186)	(26)	(161)	(187)
Balance at 31 March						
Net Book Value	178	560	738	204	720	924
Accumulated Depreciation	(129)	(1,145)	(1,274)	(103)	(985)	(1,088)
Gross Book Value	307	1,705	2,012	307	1,705	2,012

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

	2008/09			2007/08		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Deferred Liability 1 April	184	718	902	215	884	1,099
Disposals	-	-	-	-	(4)	(4)
Payments	(31)	(153)	(184)	(31)	(162)	(193)
Deferred Liability 31 March	153	565	718	184	718	902

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

	2008/09			2007/08		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Falling due:						
In 1 year	30	145	175	31	153	184
More than 1 year:						
Between 2 and 5 years	123	420	543	123	496	619
More than 5 years	-	-	-	30	69	99
Total more than 1 year	123	420	543	153	565	718
	153	565	718	184	718	902

## 27. Assets Leased out

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

## Statement of Accounts 2008/09

	2008/09 £000	2007/08 £000
<b>General Fund</b>		
Kingfisher Leisure Centre	4,298	4,820
Hadleigh Swimming Pool	299	400
Industrial Units	1,298	1,552
Total General Fund	5,895	6,772
<b>Housing Revenue Account</b>		
Various Properties	1,385	1,267
Total Housing Revenue Account	1,385	1,267
Gross Book Value at 31 March	7,280	8,039

Income from these facilities and properties is disclosed below:

	2008/09 £000	2007/08 £000
<b>General Fund</b>		
Industrial Units	68	70
Total General Fund	68	70
<b>Housing Revenue Account</b>		
Various Properties	60	74
Total Housing Revenue Account	60	74
Total Rental Income for the Year	128	144

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

### 28. Depreciation Methodologies

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

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

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

### 29. Depreciation Methods Changes

There was no change made in the basic methods of depreciation in 2008/09.

### 30. Long Term Investments

The investment of £80k in 2007/08 related to 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 debenture was held at zero interest, but on redemption, the Council received the investment in full together with a dividend of £15k which has been treated as revenue income.

**31. Long Term Debtors**

	Balance	2007/08		Balance	2008/09		Balance
	1 April 2007	Increase	Written Down	31 March 2008	Increase	Written Down	31 March 2009
	£000	£000	£000	£000	£000	£000	£000
Housing Mortgages	43	-	(6)	37	-	(17)	20
PSR Loans	286	55	(10)	331	36	(9)	358
Other	8	-	-	8	-	-	8
	<u>337</u>	<u>55</u>	<u>(16)</u>	<u>376</u>	<u>36</u>	<u>(26)</u>	<u>386</u>

**32. Stocks and Works in Progress**

	2008/09 £000	2007/08 £000
Stocks and Stores	75	59
Provision for obsolete Stocks	-	-
Total	<u>75</u>	<u>59</u>

**33. Debtors**

	2008/09 £000	2007/08 £000
Government Departments	804	625
Local Authorities	635	420
Business Rate Payers	382	236
Council Tax Payers	777	787
Housing Rents	328	288
Rent Rebate Overpayments	336	322
Employee Car Loans	44	63
Sundry Debtors	323	366
	<u>3,629</u>	<u>3,107</u>
Less: Provisions for Doubtful Debts	(486)	(381)
	<u>3,143</u>	<u>2,726</u>
Imprests	10	11
Other	8	8
Payments in Advance	192	204
	<u>210</u>	<u>223</u>
	<u>3,353</u>	<u>2,949</u>

### 34. Short-term Investments

	2008/09 £000	2007/08 £000
UK Clearing Banks	3,801	5,177
Building Societies	<u>2,500</u>	<u>1,500</u>
Total Nominal Value	6,301	6,677
Accrued Interest	<u>41</u>	<u>100</u>
	<u><u>6,342</u></u>	<u><u>6,777</u></u>

The SORP now requires accrued interest to be included in the investment value. Previously this was under debtors.

### 35. Creditors

An analysis of the Creditors outstanding:

	2008/09 £000	2007/08 £000
Local Authorities	770	511
Inland Revenue	203	202
Other Government Departments	586	521
Sundry Creditors	<u>2,938</u>	<u>2,604</u>
	4,497	3,838
Receipts in Advance-General	1,498	1,363
Receipts in Advance-Developers Contributions	<u>1,561</u>	<u>1,555</u>
	3,059	2,918
	<u><u>7,556</u></u>	<u><u>6,756</u></u>

#### Long Term Liability: -

Local Authorities	<u><u>46</u></u>	<u><u>-</u></u>
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### 36. Government Grants and Contributions Account

	2008/09 £000	2007/08 £000
Balance at 1 April	68	157
Add: Capital Grants and Contributions in the year	632	539
Less:		
Amount used for Capital Financing	<u>(533)</u>	<u>(628)</u>
Balance at 31 March	<u><u>167</u></u>	<u><u>68</u></u>

**37. Long Term Borrowing**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	<u>1,100</u>	<u>1,100</u>
Total Nominal Value of Loans	<u><u>1,100</u></u>	<u><u>1,100</u></u>
Accrued Interest (Short Term)	7	7
<b>Analysis of Loans by Maturity</b>		
More than 15 years	<u>1,100</u>	<u>1,100</u>
	<u><u>1,100</u></u>	<u><u>1,100</u></u>
<b>Fair Value</b>		
Public Works Loan Board	<u>1,009</u>	<u>1,042</u>
	<u><u>1,009</u></u>	<u><u>1,042</u></u>

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

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

**38. Provisions**

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

	<b>Balance</b>	<b>2007/08</b>		<b>Balance</b>	<b>2008/09</b>		<b>Balance</b>
	<b>1 April</b>	<b>Added to</b>	<b>Applied</b>	<b>31 March</b>	<b>Added to</b>	<b>Applied</b>	<b>31 March</b>
	<b>2007</b>	<b>Provision</b>	<b>£000</b>	<b>2008</b>	<b>Provision</b>	<b>£000</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Legal Costs	(52)	(24)	-	(76)	-	-	(76)

**39. Government Grants and Contributions Deferred**

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Balance at 1 April	<u>(2,628)</u>	<u>(2,792)</u>
Capital Financing	(63)	(215)
Amortised (written down) to Service Revenue Accounts	<u>342</u>	<u>379</u>
Balance at 31 March	<u><u>(2,349)</u></u>	<u><u>(2,628)</u></u>

**40. Reserves**

Amounts set aside for purposes falling outside the definition of provisions must be considered as reserves, and transfers to and from them must be distinguished from expenditure disclosed in the Income and Expenditure Account. Expenditure may not be charged direct to any reserve. Reserves include earmarked reserves set aside for specific

policy purposes and general balances which represent resources set aside for contingencies and cash flow management (see note 47. Earmarked Reserves).

The various reserves are shown on the following page.

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

Further details of the Housing Revenue Account and of the Collection Fund are in the Supplementary Financial Statements Section. For information regarding the Major Repairs Reserve, see the Housing Revenue Account note 4. Major Repairs Reserve, and for the Collection Fund, see Collection Fund Note 6. Collection Fund Balance.

## Statement of Accounts 2008/09

Reserve	Note	Balance 1 April 2007 £000	Net Movement 2007/08 £000	Balance 31 March 2008 £000	Net Movement 2008/09 £000	Balance 31 March 2009 £000
Revaluation Reserve <i>(Gains on revaluation of fixed assets not yet realised through sales)</i>	41	-	7,709	7,709	(6,720)	989
Capital Adjustment Account <i>(Capital resources set aside to meet past expenditure)</i>	42	226,498	(3,553)	222,945	(35,030)	187,915
Financial Instruments Adjustment Account <i>(Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments)</i>	49	-	(1,060)	(1,060)	234	(826)
Usable Capital Receipts Reserve <i>(Proceeds of fixed asset sales available to finance future capital investment)</i>	43	742	174	916	264	1,180
Deferred Capital Receipts <i>(Proceeds of fixed asset sales deferred to future date then to be available to finance future capital investment)</i>	44	123	(6)	117	(97)	20
Pensions Reserve <i>(Balancing account to allow inclusion of Pension Liability in the Balance Sheet)</i>	45	(10,663)	4,421	(6,242)	(8,410)	(14,652)
Housing Revenue Account <i>(Resources to meet future running costs for council)</i>	See Above	857	304	1,161	(101)	1,060
Major Repairs Reserve <i>(Resources available to meet capital investment in council housing)</i>	See Above	-	688	688	(168)	520
General Fund Reserve <i>(Resources available to meet future running costs for non-HRA services)</i>	46	2,785	53	2,838	(479)	2,359
Earmarked Reserves <i>(Resources set aside for future spending plans)</i>	47	979	235	1,214	15	1,229
Collection Fund <i>(Balance to be taken into account in setting future Council Tax levels)</i>	See Above	(60)	(60)	(120)	(8)	(128)
<b>Total</b>		<u>221,261</u>	<u>8,905</u>	<u>230,166</u>	<u>(50,500)</u>	<u>179,666</u>

### 41. Revaluation Reserve

The Revaluation Reserve was established on 1 April 2007 following changes to the SORP. The net carrying value on the Balance Sheet at that time became a proxy for depreciated historical cost. It replaces the Fixed Asset Restatement Account (see also note 42. Capital Adjustment Account). Gains arising before 1 April 2007 have been consolidated into the Capital Adjustment Account.

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

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

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Balance at 1 April	<u>7,709</u>	-
Unrealised gains/(losses) from revaluation of fixed assets	-	9,331
Impairment losses on fixed assets due to a general change in prices		
Cost	<b>(10,504)</b>	
Depreciation	<b>3,992</b>	
Current value depreciation less historic cost depreciation, etc	<u><b>(160)</b></u>	
	<b>(6,672)</b>	
Disposal of fixed assets in the year	<u><b>(48)</b></u>	<u>(1,622)</u>
Balance at 31 March	<u><b>989</b></u>	<u>7,709</u>

### 42. Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Financed from Capital under Statute). The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

## Statement of Accounts 2008/09

	2008/09	2007/08
	£000	£000
Balance at 1 April	222,945	226,498
Financing of Capital Expenditure		
from Capital Receipts	398	1,147
from revenue	2,978	1,962
from capital grants and contributions	27	413
Excess of Depreciation over Minimum Revenue Provision	(4,302)	(4,079)
Impairment	(32,613)	(44)
Depreciation Revaluation Adjustments	164	-
Historical Cost of Disposals	(1,408)	(2,259)
Amortisation (write down)		
of Government Grants Deferred	342	379
of Capital Under Statute	(239)	(776)
of Intangible Assets	(377)	(296)
Balance at 31 March	<u>187,915</u>	<u>222,945</u>

### 43. Usable Capital Receipts Reserve

	2008/09	2007/08
	£000	£000
Balance at 1 April	916	742
Add: Capital Receipts in the year	751	2,635
Less:		
Amount used for Capital Financing	(398)	(1,147)
Paid to the Government Pool	(89)	(1,314)
Balance at 31 March	<u>1,180</u>	<u>916</u>

### 44. Deferred Capital Receipts

	Balance	2007/08		Balance	2008/09		Balance
	1 April 2007	Increase	Capital Receipts	31 March 2008	Increase	Capital Receipts	31 March 2009
	£000	£000	£000	£000	£000	£000	£000
Housing Mortgages	43	-	(6)	37	-	(17)	20
Debenture (ADC)	80	-	-	80	-	(80)	-
	<u>123</u>	<u>-</u>	<u>(6)</u>	<u>117</u>	<u>-</u>	<u>(97)</u>	<u>20</u>

**45. Pensions Reserve**

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

	2008/09	2007/08
	£000	£000
Employer Contributions	2,059	2,080
Unfunded Benefits Contributions	-	-
Net Cost Of Services	<u>2,059</u>	<u>2,080</u>
Current Service Cost	(995)	(1,339)
Transfers	-	-
Adjustment for the change in revaluation	(206)	-
Past Service costs	(477)	-
Curtailments and Settlements	-	-
Interest Costs	(3,301)	(2,892)
Return on Assets	2,964	3,052
Actuarial Gains / (Losses)	<u>(8,454)</u>	<u>3,520</u>
Movement for Year	<u>(8,410)</u>	<u>4,421</u>
Surplus / Deficit at Year Start	<u>(6,242)</u>	<u>(10,663)</u>
Surplus / Deficit at Year End	<u><u>(14,652)</u></u>	<u><u>(6,242)</u></u>

2007/08 deficit does not reflect the £206k increase in deficit resulted from the change in valuation method. This has been explained and reflected in note 51.

**46. General Fund Reserve**

	2008/09	2007/08
	£000	£000
Balance at 1 April	2,838	2,785
Movement in year	<u>(479)</u>	<u>53</u>
Balance at 31 March	<u><u>2,359</u></u>	<u><u>2,838</u></u>

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

**47. Earmarked Reserves**

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

	Balance 1 April 2007 £000	2007/08		Balance 31 March 2008 £000	2008/09		Balance 31 March 2009 £000
		Added to	Applied		Added to Reserve	Applied	
		£000	£000		£000	£000	
<b>General Fund</b>							
Invest to Save (Efficiencies)	(50)	-	-	(50)	-	7	(43)
Capital Projects	(775)	(45)	44	(776)	-	174	(602)
Business Rate Growth	(127)	(261)	-	(388)	(30)	5	(413)
Local Government Review	-	-	-	-	(21)	-	(21)
Legal Costs	-	-	-	-	(150)	-	(150)
Insurance	(27)	-	27	-	-	-	-
	(979)	(306)	71	(1,214)	(201)	186	(1,229)

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

### **Invest to Save**

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

### **Capital Projects**

A revenue Fund for the financing of Capital Projects.

### **Business Rate Growth**

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

### **Local Government Review**

A Fund established to meet any immediate costs that may arise in relation to Local Government Review in Suffolk and that cannot be met from existing budgets.

### **Legal Costs**

A Fund established to meet the potential costs relating to contingent liabilities. Further details are provided in note 50, commencing on page 54.

### **Insurance**

The purpose of this reserve was to help offset uninsured liabilities relating to a claim regarding Mesothelioma. The has now been settled.

## **48. Financial Instruments**

Loans and receivables – These have been reviewed and bad debt provision has been considered where the likelihood of irrecovery is considered significant. No significant items have been identified. Investment interest outstanding is now shown as part of the investment rather than short-term debtors. Accrued interest is shown in Current Assets as an addition to Investments rather than Debtors.

The fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

Discount rates used are indicative rates applicable at the balance sheet date;

No early repayment or impairment is recognised;

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

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

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

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

Long Term Debt is shown at original value. A fair value is shown in the notes to represent the value if the debt was prematurely redeemed. Accrued interest is now added to the debt value rather than being shown as a current liability. As the interest is short-term, it is shown under Short-term Borrowing.

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

Financial Instrument Risk:

- The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code of Capital Finance for Local Authorities. The Council approves a Treasury Management Strategy before the commencement of each financial year, which sets out the parameters for the management of risks associated with Financial Instruments. It also includes an Annual Investment Strategy in compliance with the Government's Investment Guidance to local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.
- The main risks covered are Credit Risk (the possibility that one party will fail to meet their contractual obligations), Liquidity Risk (the possibility that a party will be unable to raise funds to meet the commitments) and Market Risk (the possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc).
- Credit Risk is managed by ensuring that investments are placed with central government, other local authorities or Banks and Building Societies having sufficiently high credit ratings. Also a limit is placed on the amount of money that can be invested with a single counterparty. The Council has no experience of counterparty default.
- Liquidity risk is managed by cash flow forecasting of the current financial year and the Council has an authorised borrowing limit for unforeseen emergencies. At present the Council does not invest for periods of more than 364 days although the Treasury Management Strategy allows for investments to be placed for longer periods. These conditions are specified annually in accordance with prudential indicator requirements. PWLB loans are maturity loans not due for redemption for over 15 years.
- Market Risk is usually considered in terms of Interest Rate, Price, and Foreign Exchange risk. However the Council does not invest in equity shares and therefore is not subject to any price risk, nor are there financial asset or liabilities denominated in a foreign currency. The main Interest Rate Risk concerns short-term investments, which are made at fixed rates for short periods of time.

**49. Financial Instruments Adjustment Account**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Balance at 1 April	<b>1,060</b>	-
Premature Debt Premiums transfer on 1 April	-	1,462
Premature Debt Discount transfer on 1 April	-	(172)
Premature Debt Premiums written down	<b>(264)</b>	(264)
Premature Debt Discount written down	<b>30</b>	34
Balance at 31 March	<b>826</b>	1,060

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

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

	<b>2008/09</b>			2007/08		
	<b>Discounts (General Fund)</b>	<b>Premiums (HRA)</b>	<b>Total</b>	Discounts (General Fund)	Premiums (HRA)	Total
	£000	£000	£000	£000	£000	£000
To be written down:						
In 1 year	<b>(26)</b>	<b>264</b>	<b>238</b>	(30)	264	234
More than 1 year:						
In 2 years	<b>(23)</b>	<b>264</b>	<b>241</b>	(26)	264	238
In 3 years	<b>(20)</b>	<b>217</b>	<b>197</b>	(23)	263	240
In 4 years	<b>(17)</b>	<b>189</b>	<b>172</b>	(20)	218	198
In 5 years	<b>(13)</b>	-	<b>(13)</b>	(17)	189	172
In 6 years	<b>(9)</b>	-	<b>(9)</b>	(13)	-	(13)
In 7 years	-	-	-	(9)	-	(9)
In 8 years	-	-	-	-	-	-
Total more than 1 year	<b>(82)</b>	<b>670</b>	<b>588</b>	(108)	934	826
	<b>(108)</b>	<b>934</b>	<b>826</b>	(138)	1,198	1,060

**50. Contingent Liabilities**

***Concessionary Bus Fares***

Bus companies operating in Suffolk have requested a judicial review of the Secretary of State's ruling on the formula used to determine their level of reimbursement for the Concessionary Fares scheme. The hearing will be in the High Court and is scheduled for 17<sup>th</sup> November 2009. The outcome has implications nationally if the Secretary of State's decision is overturned.

Suffolk County Council is one of a number of County Councils named in the proceedings as interested parties. As the lead authority for the Suffolk Concessionary Travel scheme they are acting on behalf of the Council and other Suffolk Councils.

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

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

### ***Mesothelioma***

In June 2008 the Council were involved in a test case in the High Court to establish when the insurance cover for mesothelioma is triggered (Municipal Mutual Insurance v Zurich Municipal Insurance and Babergh DC and 9 other councils). The judge ruled in favour of the councils and a sum of £64.5k, including interest, was paid to the Council in settlement of a mesothelioma claim. In addition, the Council also received an interim reimbursement of legal costs. However, Municipal Mutual were given leave for appeal and this is expected to be heard during the late Summer of 2009. If Municipal Mutual's appeal is won the Council will need to be prepared to reimburse the £64.5k above and could also be exposed to our own and MMI's costs. Should the matter be finally decided in the House of Lords, these costs could be as high as £350k. If the appeal goes against the Council it would also result in exposure to future mesothelioma, claims of an indeterminate sum. A further consequence of the appeal going against the Council would be the possibility of having to repay sums already settled by insurers for past mesothelioma claims in the sum of £110.5k.

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

In 1992, Municipal Mutual Insurance (MMI), the Council's insurers at the time, stopped accepting new business and with its policy holders set up a Scheme of Arrangement for the orderly run down of its affairs. MMI's future liabilities under its policies could not be fully quantified until all the claims (current and yet to be made) were settled. It was therefore agreed that MMI should settle claims as they were received, and if at some future date it should become insolvent, it could reclaim from its major policy holders the value of claims settled on their behalf. If the scheme is triggered, the amount liable to clawback is the total claims less £50k. Under this arrangement, at 31 March 2009 claims settled for this Council amounting to £384k (plus £5k estimated for outstanding claims) could be the subject of a reclaim at a future date. MMI remained solvent at 31 March 2009 and any such future reclaim is considered unlikely.

## **51. Retirement Benefits**

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

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

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

**Change of accounting policy**

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The difference due to the change in accounting policy has been reflected as an adjustment in 2008/09, resulting in an increase to the pension deficit of £206k.

**Transactions relating to retirement benefits**

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
<b>Income and Expenditure Account</b>		
Net Cost of Services		
Current Service Cost	<b>995</b>	1,339
Past Service Costs	<b>477</b>	-
Curtailments and Settlements	-	-
	<b>1,472</b>	1,339
Net Operating expenditure		
Interest costs	<b>3,301</b>	2,892
Expected Return on Assets in the Scheme	<b>(2,964)</b>	(3,052)
	<b>337</b>	(160)
Net charges to the Income and Expenditure Account	<b>1,809</b>	1,179
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of cash amounts charges for Pensions in the year		
Net Cost of Services	<b>(2,059)</b>	(2,080)
Actual amount charged against the General Fund Balance for pensions in the year:	<b>(250)</b>	(901)
Appropriations to Pensions Reserve	<b>250</b>	901
Additional amounts to be met from Government Grants and Local Taxation	-	-

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Actuarial Gains/(Losses) recognised in STRGL	<b>(8,454)</b>	3,520
Cumulative Actuarial Gains/(Losses)	(8,638)	(184)

### Assets and Liabilities in Relation to Retirement Benefits

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

	2008/09	2007/08 (Restated)
	£000	£000
Estimated Liabilities in Scheme	(46,947)	(47,692)
Estimated Assets in Scheme	32,295	41,450
Net Liability	<u>(14,652)</u>	<u>(6,242)</u>

	2008/09	2007/08 (Restated)
	£000	£000
<b>Scheme Liabilities Reconciliation</b>		
Current service Cost	(995)	(1,339)
Interest Cost	(3,301)	(2,892)
Contributions by Members	(470)	(412)
Actuarial Losses/(Gains)	4,263	8,558
Past Service Costs	(477)	-
Estimated Benefits Paid	1,804	1,970
Adjustment for Early Retirement Pensions	(79)	79
	<u>745</u>	<u>5,964</u>
Present Value of Liabilities 1 April	(47,692)	(53,656)
Present Value of Liabilities 31 March	<u>(46,947)</u>	<u>(47,692)</u>

	2008/09	2007/08 (Restated)
	£000	£000
<b>Scheme Assets Reconciliation</b>		
Expected Return on Assets	2,964	3,052
Contributions by Members	470	412
Contributions by the Employer	2,059	2,080
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains/(Losses)	(12,638)	(5,038)
Benefits Paid	(1,804)	(1,970)
Adjustment for Early Retirement Pensions	-	(79)
	<u>(8,949)</u>	<u>(1,543)</u>
Fair Value of Employer Assets 1 April	41,450	42,993
In-year adjustment due to the change in accounting policy (FRS17 valuation basis)	(206)	-
Fair Value of Employer Assets 31 March	<u>32,295</u>	<u>41,450</u>

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

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

**Scheme History**

	<b>2008/09</b>	2007/08 (Restated)	2006/07	2005/06	2004/05
	<b>£000</b>	£000	£000	£000	£000
Present Value of Liabilities	<b>(46,947)</b>	(47,692)	(53,656)	(53,735)	(44,903)
Fair Value of Assets	<b>32,295</b>	41,450	42,993	38,921	29,887
Deficit	<b><u>(14,652)</u></b>	<u>(6,242)</u>	<u>(10,663)</u>	<u>(14,814)</u>	<u>(15,016)</u>

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total estimated liabilities has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the scheme will be made good by increased contributions as assessed by the scheme actuary. The total contributions expected to be made to the Pension Scheme in the year to 31 March 2010 is £2,029k.

**Basis for Estimating Assets and Liabilities**

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

The principal assumptions used by the actuary have been:

	<b>2008/09</b>	2007/08
<b>Long-term expected rate of return on assets in the scheme:</b>		
Equity investments	<b>7.0%</b>	3.6%
Bonds	<b>5.6%</b>	5.1%
Other	<b>8.9%</b>	14.0%
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	<b>20 years</b>	
Women	<b>23 years</b>	
Longevity at 65 for future pensioners:		
Men	<b>21 years</b>	
Women	<b>24 years</b>	
Rate of inflation	<b>3.1%</b>	3.6%
Rate of increase in salaries	<b>4.6%</b>	5.1%
Rate of increase in pensions	<b>6.4%</b>	7.1%
Rate for discounting scheme liabilities	<b>6.9%</b>	6.9%
Take-up of option to convert annual pension into retirement lump sum		

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

## Statement of Accounts 2008/09

Fund Assets	Value at 31 March 2009 £000	Asset Distribution %	Value at 31 March 2008 £000 (Restated)	Asset Distribution %
Equities	21,637	67.0%	28,488	68.6%
Bonds	6,782	21.0%	7,637	18.4%
Property	2,907	9.0%	4,640	11.2%
Cash	969	3.0%	685	1.7%
Total	<u>32,295</u>	<u>100.0%</u>	<u>41,450</u>	<u>99.9%</u>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2009:

	2008/09		2007/08		2006/07		2005/06		2004/05	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	<b>(12,638)</b>	<b>-39.1%</b>	(5,038)	-12.2%	403	0.9%	5,856	15.0%	1,074	3.6%
Differences between actuarial assumptions about liabilities and actual experience	-	<b>0.0%</b>	733	-1.5%	-	0.0%	-	0.0%	(759)	1.7%
Changes in the demographic and financial assumptions used to estimate liabilities	<u>4,184</u>	<b>-8.9%</b>	<u>7,825</u>	-16.4%	<u>3,079</u>	-5.7%	<u>(6,011)</u>	11.2%	<u>(7,346)</u>	16.4%
Actuarial Gain / (Loss) on Pension Plan	<u>(8,454)</u>		<u>3,520</u>		<u>3,482</u>		<u>(155)</u>		<u>(7,031)</u>	
Present Value of Assets	<b>32,295</b>		41,450		42,993		38,921		29,887	
Present Value of Liabilities	<u>(46,947)</u>		<u>(47,692)</u>		<u>(53,656)</u>		<u>(53,735)</u>		<u>(44,903)</u>	
Net Assets / (Liabilities)	<u><b>(14,652)</b></u>		<u>(6,242)</u>		<u>(10,663)</u>		<u>(14,814)</u>		<u>(15,016)</u>	

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
		<i>Restated</i>
(Surplus)/Deficit on Income and Expenditure	<b>35,362</b>	2,597
Adjustment for Statutory & Non Statutory proper Practice	<b>(34,883)</b>	(2,650)
(Surplus)/Deficit on General Fund	<b>479</b>	(53)
HRA (Surplus)/Deficit on Fund	<b>101</b>	(304)
Collection Fund (Surplus)/Deficit	<b>8</b>	60
Overall (Surplus)/Deficit for the Year	<b>588</b>	(297)
Non cash transactions		
Premature Debt redemption discount	<b>30</b>	34
Contributions from/(to) provisions	<b>(105)</b>	60
Contributions from/(to) Major Repairs Reserve	<b>(2,161)</b>	(2,203)
Contributions from/(to) Earmarked Reserves	<b>(15)</b>	(235)
Adjust for items on Accruals basis		
Movement in Revenue Debtors	<b>497</b>	(48)
Movement in Payments in Advance	<b>(276)</b>	(455)
Movement in stocks and works in progress	<b>(16)</b>	20
Movement in Revenue Creditors	<b>(945)</b>	(510)
Movement in Receipts in Advance	<b>(134)</b>	(91)
Movement in provisions	-	(25)
Movement in imprests	<b>(1)</b>	3
Movement in suspense	<b>(42)</b>	(614)
Other Items		
Interest paid	<b>(105)</b>	(41)
Interest Received	<b>637</b>	772
Internal recharges to capital	<b>391</b>	360
Payments to Capital Receipts Pool	<b>90</b>	1,314
Revenue Expenditure funded from Capital under Statute	-	363
Direct Revenue Financing of Capital schemes	<b>(649)</b>	(447)
Net Cash flow from revenue activity	<b>(2,216)</b>	(2,040)

The Council has chosen the indirect method for preparing the Cash Flow Statement, the Net Cash (Inflow)/Outflow from Revenue Activities for 2007/08 has been restated to include Revenue Expenditure funded by Capital under Statute. The cost of providing capital grants to third parties is now written off to the relevant service revenue account in the year they are incurred.

**53. Cash Movements**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Cash Balance at 1 April	<b>421</b>	(223)
Cash Balance at 31 March	<b>(369)</b>	421
Change in cash balance	<b>790</b>	(644)

## Statement of Accounts 2008/09

### 54. Liquid Resource Management

	2008/09 £000	2007/08 £000
Short-term investments repayable within 3 months		
Balance at 1 April	6,677	5,133
Balance at 31 March	<u>6,301</u>	<u>6,677</u>
Increase/(decrease) in short-term investments	<u>(376)</u>	<u>1,544</u>

### 55. Government Grants

	2008/09 £000	2007/08 £000 <i>Restated</i>
<b>Revenue Grants</b>		
Business Growth Incentive Scheme Grant	(155)	(144)
Council Tax Reduction Scheme Grant	-	1
Discretionary Housing Payments Grant	(19)	(28)
Housing Benefit (Administration) Grant	(506)	(510)
Housing Benefit Fraud Incentive Scheme Grant	-	-
Housing Defects Act Subsidy	(7)	(7)
LPSA Performance Reward Grant	-	(46)
LAA Funding - CDRP Element	-	(24)
HB LHA Software Grant	-	(25)
Other Government Grants	(185)	(243)
Planning Delivery Grant	(72)	(132)
Disabled Facilities Grant	(138)	(153)
Supporting People Grant	(346)	(473)
Waste Performance and Efficiency Grant	(3)	-
	<u>(1,431)</u>	<u>(1,784)</u>
<b>Capital Grants</b>		
<b>Specific</b>		
EPC Pilot	(7)	-
East LSP Grant	-	(32)
Waste Performance and Efficiency Grant	-	(61)
Energy Saving Trust	(42)	-
LAA Funding - CDRP Element	(24)	-
HB LHA Software Grant	-	-
Electoral Registration Software Grant	-	(2)
Housing Benefit Fraud Incentive Scheme Grant	-	1
Council Tax Efficiencies	(5)	-
Air Quality Monitoring	(44)	-
Play Project Great Comard	(10)	-
Hadleigh Pool Refurbishment	(26)	-
	<u>(158)</u>	<u>(94)</u>
	<u>(1,589)</u>	<u>(1,878)</u>

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

### 56. Net Assets Employed - Analysis

	2008/09	2007/08
	£000	£000
General Fund	16,143	25,573
Housing Revenue Account	<u>163,523</u>	<u>204,593</u>
	<u>179,666</u>	<u>230,166</u>

## **The Accounting Statements: The Supplementary Financial Statements**

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

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## Housing Revenue Account

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

	Notes	2008/09 £000	2007/08 £000
<b>Income</b>			
Dwelling Rents	2	12,231	11,557
Non-dwelling Rents		217	214
Charges for Services and Facilities	3	945	1,051
Contributions towards expenditure		147	134
Other Income		4	6
		<b>13,544</b>	<b>12,962</b>
<b>Expenditure</b>			
Repairs and Maintenance		1,994	1,883
Supervision and Management		3,419	3,110
Rents, rates, taxes and other charges		54	41
Negative Subsidy payable to the Secretary of State	10	4,590	3,925
Sums Directed By Secretary of State	13	(34)	50
Provision for bad and doubtful debts		38	16
Depreciation and impairment of fixed assets	12	35,719	3,402
Debt management costs		43	38
		<b>45,823</b>	<b>12,465</b>
<b>Net Cost of HRA Services as included in the whole authority Income and Expenditure Account</b>			
		<b>32,279</b>	<b>(497)</b>
HRA services share of Corporate and Democratic Core		145	147
HRA services share of other amounts included in Net Cost of Services but not allocated to specific services		78	80
<b>Net Cost of HRA Services</b>		<b>32,502</b>	<b>(270)</b>
HRA share of operating income and expenditure included in the whole authority Income and Expenditure Account			
Gain or loss on sale of HRA fixed assets		788	1,253
Interest payable and similar charges		270	283
Interest and Investment Income		(42)	(61)
Pensions interest cost and expected return on pensions assets	8	68	(38)
<b>Deficit/(Surplus) for the year on HRA Services</b>		<b>33,586</b>	<b>1,167</b>

## Statement of Movement on the Housing Revenue Account Balance

	<b>2008/09 Net Expenditure £000</b>	2007/08 Net Expenditure £000
(Surplus) / Deficit on Housing Revenue Account	<b>33,586</b>	1,167
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the HRA Balance for the year.	<b>(33,485)</b>	(1,471)
(Increase)/ Decrease in HRA Balance in the year	<b>101</b>	(304)
HRA Balance brought forward	<b>(1,161)</b>	(857)
HRA Balance carried forward	<b>(1,060)</b>	(1,161)

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

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

		2008/09 Net Expenditure	2007/08 Net Expenditure
	Notes	£000	£000
<b>Amounts included in the HRA Income &amp; Expenditure Account but required by Statute to be excluded when determining the Movement on the HRA Balance for the year</b>			
Amortisation (write down) of Intangible Fixed Assets		(11)	-
Depreciation / Impairment of Fixed Assets		(32,165)	1
Amortisation (write down) of Premia and Discounts		320	1,547
Government Grants Deferred amortisation		8	8
Write down of Deferred Charges		-	-
Deferred Charges finance from Government Grants		-	-
Net gain / (loss) on sales of Fixed Assets		(788)	(1,253)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt.		-	(1,198)
Net charges for retirement benefits under FRS 17	8	(404)	(263)
		<u>(33,040)</u>	<u>(1,158)</u>
<b>Amounts not included in the HRA Income &amp; Expenditure Account but required to be included by Statute when determining the Movement on the HRA Balance for the year</b>			
Minimum Revenue Provision for capital financing		-	-
Capital Expenditure charged to HRA Balance	9	475	403
Transfer to/(from) Major Repairs Reserve		(1,396)	(1,198)
Employer's contributions to Pension Fund & Direct Pension Payments	8	476	483
		<u>(445)</u>	<u>(312)</u>
<b>Net additional amount required to be debited/(credited) to the HRA Balance for the year</b>		<u><u>(33,485)</u></u>	<u><u>(1,470)</u></u>

## Notes to the Housing Revenue Account

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### **1. General**

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa). Authorities are required by section 74(1) of the 1989 Act to keep the HRA in accordance with proper practices. Expenditure in 2008/09 includes the accrual of Performance Related payments to staff that were paid in May 2009 of £77k.

### **2. Rents for Dwellings**

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

	<b>2008/09</b>	2007/08
Average rent per week	<b>£67.72</b>	£63.53
Rent arrears at 31 March	<b>£328k</b>	£288k
Rent arrears at 31 March as % of the gross rent collectable	<b>2.6%</b>	2.5%
Provision for bad debts at 31 March	<b>£116k</b>	£98k

**3. Charges for Services and Facilities**

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

**4. Major Repairs Reserve**

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

**Credits to the Major Repairs Reserve**

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

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

**Debits to the Major Repairs Reserve**

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

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

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Balance at 1 April	<b>688</b>	-
Contribution from HRA - Depreciation	<b>3,568</b>	3,402
Capital Financing - dwellings	<b>(2,329)</b>	(1,516)
Transfers from/(to) the HRA	<b>(1,407)</b>	(1,198)
Balance at 31 March	<b>520</b>	688

**5. Capital Receipts**

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

	<b>2008/09</b>	2007/08
Number of disposals	<b>1</b>	17
Value of disposals	<b>£106k</b>	£1,661k

From 1 April 2004 a system of pooling for housing capital receipts was introduced to replace the HRA Set-Aside principle. Instead of being set-aside for the repayment of debt, 75% of receipts from 'Right to Buy' sales (less allowances) are now pooled and paid over to Central Government.

### 6. Revenue Contribution to Capital

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

### 7. Housing Stock

	<b>2008/09</b>	2007/08
	<b>No of</b>	No of
	<b>Properties</b>	Properties
Stock at 1 April	<b>3,563</b>	3,582
Sales:		
Right To Buy (RTB)	<b>(1)</b>	(17)
Non-RTB *	<b>(30) *</b>	-
Transfers to Registered Social Landlords	-	(2)
Taken out of Stock	<b>(10)</b>	1
Conversions	-	(1)
Stock at 31 March	<b>3,522</b>	3,563
* Includes the sale of Stour House to Orwell Housing Association (26 dwellings).		
Average Stock for the year	<b>3,543</b>	3,573
	<b>2008/09</b>	2007/08
	<b>No of</b>	No of
	<b>Properties</b>	Properties
Houses and Bungalows	<b>2,874</b>	2,880
Flats	<b>643</b>	653
Other	<b>5</b>	30
Total Stock	<b>3,522</b>	3,563
	<b>%</b>	%
Houses and Bungalows	<b>82%</b>	81%
Flats	<b>18%</b>	18%
Other	<b>0%</b>	1%
Total Stock	<b>100%</b>	100%

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

The charge reflected in each of the Services is based on the cost of retirement benefits earned by the employee. However the charge against Housing Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as an appropriation to the Pensions Reserve. For a fuller explanation see Core Financial Statements note 51. Retirement Benefits.

**9. Capital Expenditure**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Capital Expenditure		
Dwellings	<b>3,316</b>	2,413
Other Tangible Assets	<b>22</b>	
Intangibles	<b>58</b>	55
	<b><u>3,396</u></b>	<u>2,468</u>
Capital Financing		
Capital receipts	-	-
Revenue contributions	<b>475</b>	403
Major Repairs Reserve	<b>2,329</b>	1,515
Contributions	<b>42</b>	-
Supported Borrowing	<b>550</b>	550
	<b><u>3,396</u></b>	<u>2,468</u>

**10. Subsidy**

	<b>2008/09</b>	2007/08
	<b>£000</b>	£000
Management Allowance	<b>1,381</b>	1,297
Maintenance Allowance	<b>3,126</b>	3,126
Capital Charges	<b>662</b>	715
Rental Constraint Allowance	-	123
Other	<b>8</b>	8
	<b><u>5,177</u></b>	<u>5,269</u>
Interest	<b>(3)</b>	(3)
Rent Income	<b>(11,954)</b>	(11,394)
	<b><u>(6,780)</u></b>	<u>(6,128)</u>
Major Repairs Allowance	<b>2,161</b>	2,203
Adjustment 2007/08	<b>29</b>	-
	<b><u>(4,590)</u></b>	<u>(3,925)</u>

**11. Fixed Assets**

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

## Statement of Accounts 2008/09

	2008/09 £000	2007/08 £000
<b>Value as at 31 March</b>		
Operational		
Dwellings (including leased heating)	173,836	211,781
Other Property	2,643	2,883
Total Operational	<u>176,479</u>	<u>214,664</u>
Non-operational		
Land	2,481	3,462
Buildings	895	1,050
Total Non-Operational	<u>3,376</u>	<u>4,512</u>
Total Asset Value	<u><u>179,855</u></u>	<u><u>219,176</u></u>
Dwellings- Vacant Possession Value	379,699	461,003
Depreciation-Operational-Dwellings	3,467	3,319
Depreciation-Operational-Other Property	58	53
	<u>3,525</u>	<u>3,372</u>
Depreciation-Non-operational	42	30
Depreciation-Total	<u><u>3,568</u></u>	<u><u>3,402</u></u>
Impairment-Operational-Dwellings	<u><u>(31,532)</u></u>	<u><u>(1)</u></u>

The difference in values between the two years reflect the significant downward revaluation for impairment as a result of the economic downturn.

### 12. Depreciation

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

### 13. Sums Directed by the Secretary of State

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

### 14. Premiums and Discounts

See Core Statements Note 49. Financial Instruments Adjustment Account.

## Collection Fund

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

	Notes	2008/09 £000	2007/08 £000
<b>Income</b>			
Income from Council Tax	4	41,673	39,853
Transfers from General Fund			
Council Tax Benefits	2	4,522	4,164
Council Tax Transitional relief		-	(1)
Income from Business Ratepayers	3	19,052	17,423
Contributions from the General Fund (Discretionary Rate Relief)		109	96
		<u>65,356</u>	<u>61,535</u>
<b>Expenditure</b>			
Precepts and Demands	7	46,261	44,046
Business Rates			
Payments to Pool		19,015	17,410
Costs of Collection		124	122
Council Tax - Bad and Doubtful Debts			
Write Offs	5	61	64
Provisions		29	(7)
Contributions			
Towards previous year's estimated Collection Fund Surplus/(Deficit)		71	268
		<u>65,561</u>	<u>61,903</u>
<b>Movement on Fund Balance - Surplus (Deficit)</b>	6	<b>(205)</b>	<b>(367)</b>
<b>Surplus/(Deficit) Brought Forward 1 April</b>	6	<b>(196)</b>	<b>171</b>
<b>Surplus/(Deficit) Carried Forward 31 March</b>		<b>(401)</b>	<b>(196)</b>

## Notes to the Collection Fund

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### 1. General

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

### 2. Transfer from General Fund

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

### 3. Business Rates

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

	<b>2008/09</b>	2007/08
Total Rateable Value of Business Properties in March	<b>£47,440k</b>	£47,239k
National Rate in the £	<b>46.2p</b>	44.4p
Small Business Multiplier	<b>45.8p</b>	44.1p

### 4. Income from Council Tax

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

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

The Council estimated its Tax Base for 2008/09 as follows:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £000
A	3,575.12	6/9ths	2,383.41	3,367
B	9,940.30	7/9ths	7,731.35	10,921
C	7,118.98	8/9ths	6,327.99	8,939
D	6,349.07	9/9ths	6,349.07	8,968
E	3,706.70	11/9ths	4,530.41	6,399
F	1,928.97	13/9ths	2,786.29	3,936
G	1,465.44	15/9ths	2,442.40	3,450
H	155.67	18/9ths	311.34	440
<b>Total</b>	<b>34,240.25</b>		<b>32,862.26</b>	<b>46,420</b>
Less provision for bad and doubtful debts		0.25%	(82.16)	(116)
Less provision for banding adjustment		0.092%	(30.03)	(43)
<b>Taxbase (Band D Equivalent)</b>			<b>32,750.07</b>	<b>46,261</b>
			<b>2008/09</b>	<b>2007/08</b>
Average Band D Council Tax			<b>£1,412.56</b>	£1,353.61

Actual income in 2008/09 was £46,195k, which was £66k less than the forecast income, equivalent to 47 Band D properties.

### 5. Movement in Bad Debt Provision

The following changes have been made to the provisions for bad debts:

	Balance	2007/08		Balance	2008/09		Balance
	1 April 2007	Increase	Write Off	31 March 2008	Increase	Write Off	31 March 2009
	£000	£000	£000	£000	£000	£000	£000
Council Tax	185	57	(64)	178	90	(61)	207
Business Rates	150	15	(60)	105	159	(101)	163
	<u>335</u>	<u>72</u>	<u>(124)</u>	<u>283</u>	<u>249</u>	<u>(162)</u>	<u>370</u>

### 6. Collection Fund Balance

The balance on the Collection Fund will be taken into account in setting future Council Tax levels. The Council Tax element will be shared by all the authorities which precept on the Collection Fund, in proportion to their precept. The Collection Fund surplus or deficit at the year end comprises the following:

## Statement of Accounts 2008/09

	Balance 1 April 2007 £000	Movement 2007/08 £000	Balance 31 March 2008 £000	Movement 2008/09 £000	Balance 31 March 2009 £000
Babergh District Council					
Council Tax	36	(47)	(11)	(31)	(42)
Discretionary Rate Relief	(96)	(13)	(109)	23	(86)
	<u>(60)</u>	<u>(60)</u>	<u>(120)</u>	<u>(8)</u>	<u>(128)</u>
Suffolk County Council - Council Tax	204	(270)	(66)	(174)	(240)
Suffolk Police Authority - Council Tax	<u>27</u>	<u>(37)</u>	<u>(10)</u>	<u>(23)</u>	<u>(33)</u>
	<u>171</u>	<u>(367)</u>	<u>(196)</u>	<u>(205)</u>	<u>(401)</u>

### 7. Precepts and Demands

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

	2008/09 £000	2007/08 £000
Babergh District Council		
District Council Purposes	4,295	4,108
Town/Parish Council Purposes	<u>1,895</u>	<u>1,785</u>
	<u>6,190</u>	<u>5,893</u>
Suffolk County Council	35,169	33,684
Suffolk Police Authority	<u>4,902</u>	<u>4,469</u>
Total	<u>46,261</u>	<u>44,046</u>

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## Audit Report

### **Independent auditors' report to the Members of Babergh District Council**

#### **Opinion on the financial statements**

We have audited the Authority accounting statements and related notes of Babergh District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the [Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Babergh District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### ***Respective responsibilities of the Director of Finance and auditors***

The Director of Finance responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements. Our responsibilities do not extend to any other information.

***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

***Opinion***

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_

Date: 22 September 2009

Name: **Richard Bint**

Partner on behalf of PKF (UK) LLP

London, UK

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources*****Authority's Responsibilities***

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

***Auditors' Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, we are satisfied that, in all significant respects, Babergh District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

***Certificate***

We certify that we 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.

Signature: \_\_\_\_\_

Date: 22 September 2009

Name: **Richard Bint**

Partner on behalf of PKF (UK) LLP

London, UK

## Annual Governance Statement

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

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

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

- 1.4 This statement explains how the Council has complied with the Local Code and the CIPFA/SOLACE Framework, and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of a statement on internal control. Findings in terms of significant areas and issues that need further action are set out in Section 4.
- 1.5 This statement assesses the Council's governance framework for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

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

- 2.1 Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.2 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the way in which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic aims and priorities and to consider whether these have led to the delivery of high-quality, cost effective services, which meet the needs of those using them.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

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

- Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- Members and officers working together to achieve common purpose with clearly defined functions and roles;
- Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of members and officers to be effective; and
- Engaging with local people and other stakeholders to ensure robust public accountability.

### **4. *Review of Effectiveness***

#### ***Current corporate governance arrangements***

4.1 Babergh District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

4.2 This is achieved through various activities:

- Completion of the Corporate Governance Self Assessment Checklist by Management Team and two senior officers;
- The Head of Audit's overall opinion of the Council's internal control arrangements as reported in his Annual Audit Report 2008/09; and
- Reports submitted by the External Auditors and other review agencies and inspectorates.

4.3 A member group has been involved in reviewing the following as part of the production of the AGS:

- Review of the AGS Action Plan 2008/09, which addressed areas for improvement identified in the 2007/08 statement;
- Annual review of the adequacy and effectiveness of internal audit; and
- Review of the Corporate Governance Self-Assessment Checklist.

4.4 The AGS is reported to External Audit who assess the arrangement for ensuring that robust corporate governance arrangements are in place.

### *Systems and processes in place*

4.5 Examples of the Council's arrangements during 2008/09 were: -

- The Council has delegated to the Overview & Scrutiny (Stewardship) Committee, which acts as the Council's Audit Committee, the responsibility for reviewing the adequacy of internal controls, monitoring the performance of internal audit, monitoring the effectiveness of the risk management framework, monitoring corporate performance of the Council and considering the governance arrangements.
- Clear scrutiny arrangements to develop policy and monitor the decisions of the Strategy Committee exist. Overview and Scrutiny Committees can 'call-in' a Strategy Committee decision, which has been made but not yet implemented to enable them to consider whether the decision was made in an appropriate manner.
- An effective Standards Committee is maintained, which regulates and oversees the national Code of Conduct. The Monitoring Officer maintains the Council's Constitution and promotes high standards of conduct through the provision of support to the Standards Committee.
- The Council's Management Team meet 2/3 times a month to discuss strategic matters together with endorsing specified reports prior to them being considered by the Council's relevant Committees.
- The Council's Internal Audit section has responsibility for monitoring the adequacy and effectiveness of the systems of internal control. Audits were undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Internal Audit carried out an annual review of its compliance against these standards set out by CIPFA and has produced an action plan against these.
- In terms of the work carried out by Internal Audit for 2008/09, the Head of Internal Audit in his annual report was of the opinion that the Council's overall internal control arrangements provide an acceptable level of assurance and that there is satisfactory management of risk, although some elements of the control framework require further development.
- Internal Audit reports directly to the Director of Finance, who is also the Section 151 Officer. The Head of Internal Audit and the Acting Audit Manager has the right of direct access to the Chief Executive and the Chairman of the Overview and Scrutiny (Stewardship) Committee, which acts as the Council's Audit Committee.
- A report on each audit, including recommendations for improvement, was issued to the Director of Finance and other relevant directors and Heads of Service. To further strengthen management arrangements, the Chief Executive and Deputy Chief Executive now receive all audit reports that have a 'Not fully Acceptable' or 'Poor' audit opinion. There are timely reviews and follow up of recommendations to ensure that they are acted upon. Internal Audit also undertake fraud investigations and fraud detection work.
- The Council has an Anti-Fraud and Corruption and Whistleblowing Policy, which provide measures to enable confidential public and officer concerns to be raised with the Council. The policy was reviewed and approved by the Overview & Scrutiny (Stewardship) Committee in January 2009. In addition, a formal complaints policy exists to deal with other matters of public concern regarding services provided by the Council.

- A Significant Business Risk Register is in place and appropriate staff have been trained in the assessment, management and monitoring of risks. The Risk Management process is reviewed to ensure its relevance to the Council and the Overview and Scrutiny (Stewardship) Committee receive quarterly updates on risk management. Members and relevant staff received refresh workshops during 2008/09.
- The Council has put in place arrangements to ensure effective performance monitoring and management arrangements. The Management Team, Heads of Service and relevant managers actively manage that framework. The Overview & Scrutiny (Stewardship) Committee receives quarterly reports on Finance and Performance Management. Reports are linked on areas identified as requiring the attention of both Overview and Scrutiny Committees. In addition, staff have followed up on areas for improvement identified through the data quality audit. The Council now has a clear set of policies (approved by Strategy Committee) and action plan in place to ensure that we continue to secure further improvements in 2009.
- The Audit Commission's Annual Audit and Inspection Letter 2007/08, presented to this Committee in May (Paper J20), reports that the Council is making improvements across many of its priority areas, although recognises that the rate for improvement needs to increase. On the Use of Resources Assessment, it is pleasing to report that the Council has maintained its level 3 score, which means that it is judged as 'Performing Well'. This assessment recognises improvements in internal control arrangements (including risk management).

### *Governance Issues Identified*

- 4.6 Based on the 2008/09 review of governance arrangements, the main issues that have been identified that require attention are:
- Ensure that informal and 'lower level' complaints are dealt with more effectively, through the Customer Access and Service Transformation (CAST) Action Plan.
  - Ensure that there are clear arrangements for partnership working to provide assurance that the governance arrangements within the partnerships the Council belongs to are appropriate to manage risks, finances and data quality.
  - Continue and develop new ways to deliver and demonstrate Value for Money, linked to achieving efficiencies and using cost and performance information to inform that.
  - Improve workforce planning through use of HR establishment data and the Organisational Development Plan.
  - Further develop and monitor its internal and external communications and consultation strategy to secure meaningful two-way engagement and feedback.
- 4.7 The above issues will be addressed as part of the Council's overall improvement planning arrangements, including a Corporate Improvement Plan that will include actions arising from Audit and Inspection reports and the Use of Resources Assessment. The Overview & Scrutiny (Stewardship) Committee will be responsible for monitoring the main issues identified in 4.6 above, whether this be through a specific Action Plan or through the Corporate Improvement Plan. It is the intention that progress made against the issues identified in 4.6 above will be reported back to the Overview & Scrutiny (Stewardship) Committee in November 2009.

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

5.1 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified and will monitor their implementation and operation as part of our next annual review.

**Signed**

Pat Rockall, Chief Executive

**Date**

**Signed**

Nick Ridley, Chairman of Strategy Committee

**Date**

## Glossary of Terms

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

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

reduction in the useful life of a fixed asset. This can arise from use, passage of time (leases) or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

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


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

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

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