

BABERGH DISTRICT COUNCIL

FROM: Director of Finance

REPORT NUMBER: **J42**

with revised Appendix 1

TO: **OVERVIEW & SCRUTINY
(STEWARDSHIP) COMMITTEE**

DATE OF MEETING: 23 June 2009

2008/09 FINANCIAL OUTTURN AND STATEMENT OF ACCOUNTS

1 PURPOSE OF REPORT

- 1.1 To provide an overview of the likely financial outturn for 2008/09 compared to the approved budget and other key financial information to enable the Committee to scrutinise this and the Statement of Accounts in advance of Council approving them on 25 June 2009.

2 RECOMMENDATIONS

- 2.1 That the Committee scrutinises the draft Statement of Accounts, the expenditure variations compared to budget and treasury management performance for 2008/09.
- 2.2 That the outcomes of the review of expenditure variations and budget carry-forward requests be fed into the Strategic Financial Planning process to ensure that the appropriate reductions to 2009/10 base budgets are made to help towards the Council's savings and efficiencies requirements.

The Committee is able to resolve these matters. Any observations will be considered at the Council meeting on 25 June 2009.

3 FINANCIAL IMPLICATIONS

- 3.1 Key aspects of the likely financial outturn position for last year are highlighted below:
- **General Fund** - Net expenditure in 2008/09 is around £250K less than the revised budget. Carry forward requests for expenditure of a similar amount will, subject to further review, result in there being either no or only a small net saving in terms of the Council's overall level of reserves. Lower expenditure has occurred in a number of areas, which should however, result in a reduction in 2009/10 budget requirements and help towards the Council's savings and efficiencies requirements of over £1m in the current financial year
 - **The Housing Revenue Account (Council Housing)** – The revenue budget outturn position shows savings of approximately £220K against the revised budget, reducing in a deficit of around £110k for the year, compared to the anticipated deficit of £330k.

- **Capital expenditure** - This remains broadly the same as reported in the Q4 monitoring report. General Fund expenditure was almost £1.2M below budget and the HRA was nearly £0.5M below budget. No external borrowing was undertaken for financing the 2008/09 General Fund capital programme due to the significantly lower expenditure than envisaged for the year (the budget assumed borrowing of £1.7M). External borrowing is, however, anticipated this year.

3.2 Further consideration is being given to all of the revenue and capital budget carry forward requests to determine whether these should be approved or whether there is any scope for savings or for any money to be reallocated to other key projects or priorities.

3.3 In relation to reviewing the detailed variances in the outturn position compared to budget, initial indications are that this could result in up to a 250K reduction in base budgets for 2009/10.

4 RISK MANAGEMENT

4.1 The risks associated with this report link to the Council's Significant Business Risk No. 7 – Financial, Performance & Risk management. The key risks are:

Risk Description	Likelihood	Seriousness or Impact	Mitigation Measures
The External Auditor identifies material misstatements or other issues with the accounts, which could result in poor Use of Resources Assessment and/or a qualified opinion.	Low	Marginal	The level of engagement with the auditors has been increased in accordance with the Management Action Plan to ensure key changes in accounting requirements are addressed.
Current and future budgets are not realigned based on the 2008/09 financial outturn.	Low	Marginal	Action being taken that will feed into the Strategic & Financial Planning process to reflect the variations in current and, where appropriate, future base budgets.

5 KEY INFORMATION

Financial outturn

- 5.1 The key issues relating to last year's financial outturn are summarised in sections 5.6 to 5.23 of the report and the variations against the approved budget for the year are explained.

Statement of Accounts

- 5.2 The explanatory foreword to the draft Statement of Accounts attached at Appendix 1 (see pages 2 - 8) summarises and explains the most significant aspects of the financial outcomes and changes to the accounts for the year. This draft is substantially complete, apart from the Cashflow Statement and some of the notes to the core financial statements. Apart from changes to presentation, there should not be any significant changes in the final version presented to Council for approval on the 25th June. Members will be updated at the meeting on this.
- 5.3 Summary financial information will be published and key aspects included in the 2008/09 Annual Report. There is a further report on today's agenda in relation to publishing further summarised financial information for the benefit of Members, the public and other stakeholders.
- 5.4 The Statement of Accounts provides a comprehensive and very detailed view of the accounts and its key components. Every year the statement is updated for any changes to accounting practices required by the accounting governing bodies and contained in the Statement of Recommended Practices (SORP). There are some key changes in accounting requirements again this year.
- 5.5 Further details of what are seen as the key changes are explained below:
- Accruals – This involves charging costs (and income) to the appropriate financial year, irrespective of when the amounts in question are actually paid or received. Following discussions with the auditors, it has been agreed that Performance Related Payments (PRP) to staff that are made in May each year but that relate to the previous financial year's performance should be accrued from 2008/09. This will ensure full compliance with Financial Reporting Standards (FRS12) and this treatment will also meet the requirements of the forthcoming implementation of International Financial Reporting Standards (IFRS) next year.
 - Impairment - A revaluation of the Council's property assets was carried out in April 2009. This shows, as expected due to the fall in property values in the last year or so, a significant overall reduction in asset values of some £32m in relation to Council Housing and £0.5m for General Fund assets (about a 17% reduction overall).

Under SORP requirements, in addition to the impact on the Balance Sheet, these also get reported in the Income & Expenditure account and impact therefore on the reported surplus/deficit for the year. However, these sums are then reversed out and do not impact on the actual revenue position for the year or reserves/balances.

General Fund

- 5.6 Babergh's revised net budget for the year was just over £11M, which takes into account income from fees and charges, specific Government grants and other items.
- 5.7 Overall net expenditure for last year was around £0.5M less than the Budget, excluding the accrual of PRP Payments referred to earlier in the report, which reduces this by £0.23m to £0.27M. Details of the key variations and budget carry forward requests in specific areas are provided in Appendix 2.
- 5.8 If the requested carry forwards are approved in total (which is being subjected to rigorous review), there will be a small eventual overall net saving, although the outcomes of the review may well result in further savings that can then be added to reserves and used for other purposes.
- 5.9 In terms of the effect of the economic downturn on the Council's income streams, investment income was marginally above the revised budget despite further cuts in interest rates. This was largely as a result of improved cashflow and levels of surplus funds but the position was also helped by taking advantage of the higher interest rates in November 2008 at 5.2% and investing £1M for one year.
- 5.10 The revised budget reflected the likely impacts of the economic downturn on the Council's other income streams such as Land charges, Planning and Building control fees. Actual planning fee income exceeded the revised budget by about £50K due to receiving a large scale planning application late in the year. Building Control income was, however, £18k below budget. Land charge income was very close to budget.
- 5.11 One of the key variations in actual costs compared to budget was on the Concessionary Bus Fare scheme. Since the introduction of the National Scheme in April 2008 there have been uncertainties over the likely costs of the scheme. The revised budget took a cautious view on this. Since then and based on the advice received from the Countywide scheme consultants, actual costs have turned out to be about £145k less than the budget.
- 5.12 In terms of other variations, further information on these is provided below. As indicated earlier in the report, all of the variations and carry forward requests are being reviewed to see if the amounts involved need to be spent in full this year:

- The saving on the revised budget of £55K for repairs & maintenance on Hadleigh swimming pool will be spent as part of the major work on 'Sport England' bid in 2009/10
 - Commitments of £44K for Grants & contributions and Arts, Tourism & Youth projects have been requested as a carry forward to 2009/10
 - Concessionary Fares – use of £30K grant money to fund smart card production and additional administrative costs
 - Some grant income was received during the year that has not been relating to Area Based Grant of £13K and money to deal with the new burdens relating to Habitats Regulations Assessments and Climate Change Planning Policy Statements of £17K. The ABG is allocated towards Carbon Reduction work. It is proposed that these sums be carried forward and used in 2009/10
 - Other service areas – lower net spending of £75K arose on asset valuations, car parking, industrial estates and starter units, street cleansing, abandoned vehicles and the Care & Repair scheme
- 5.13 It is possible that 2009/10 base budgets could be reduced by up to 250K as a result of the above items, the income variations, the Concessionary Fares scheme underspend and the lower costs relating to Divisional budgets (see below).

Divisional Budgets and CAST

- 5.14 Divisional costs were around £150K less than budget overall on a number of areas including corporate and divisional training budgets, recruitment costs and ICT costs. There were also savings on postage and printing costs, which could count as efficiency savings subject to further review and as part of assessment of all saving areas. Budget carry forward requests of nearly £50K have been made.
- 5.15 Savings of just over £300k have been achieved on salary costs against the total establishment (this is reflected in the budget and the overall net saving in Divisional Budgets reported above). This equates to approximately £225K General Fund and £75K Housing Revenue savings, which is close to the amount of savings built into the budget. This includes around £120K on the Senior Management restructure.
- 5.16 CAST revenue expenditure was about £70K below revised budget, which remains unchanged since the Q4 report to Members. The Strategy Committee has approved a carry forward of £50K for the 2009/10 action plan.

Council Housing (Housing Revenue Account – HRA)

- 5.17 The financial position on the HRA for the year is £220K better than anticipated in the revised budget. The net overall saving will increase the level of reserves, leaving HRA reserves at just over £1m at the end of the year. Details of the main variances compared to budget are provided below:

- The main saving, as reported in Q4, resulted from lower contract costs of around £125k on painting and pre-paint repair work
- There was also a net reduction of around £170k in charges for depreciation, capital financing costs and other items compared to budget
- The share of accrued PRP costs of around £75k
- Improved voids management resulted in higher rent income but this was offset by an increase in expenditure on void properties.

Capital Programme – General Fund (see Appendix 3)

- 5.18 Members are aware of the unavoidable delays on projects such as Hadleigh Community Facilities. In addition, progress on the Joint Depot, lottery funded Play Equipment schemes and the Haven Gateway funded Pin Mill project has not been possible during the year. As a result, these will be carried forward into this year.
- 5.19 These and other carry forwards are justified in terms of currently approved priorities and commitments. However Priorities and future spending plans will be reviewed as part of the Strategic Financial Planning process, linked to the Council's 3-year Medium-Term Plans and affordability.

Capital Programme – Council Housing (see also Appendix 3)

- 5.20 Some Central Heating work will now be carried out in 2009/10. This work could not be contracted in 2008/09 due to the contractor's lack of capacity. More than 95% of the Kitchen and Bathroom project was delivered in 2008/09 and the remainder will be completed in 2009/10
- 5.21 There were lower demands for Disabled Adaptations and lower than anticipated schemes put forward for Sheltered Units improvements.
- 5.22 The Insulation Improvement programme was accelerated due to the availability of Energy Saving Trust grant.
- 5.23 As with the revenue budget, further scrutiny and examination of the capital variations and carry forwards is being undertaken to see if any funding should be reduced and/or reallocated to other priority work e.g. HRA - fuel poverty. This will be undertaken alongside both the overall review of the capital programme and the realignment of 2009/10 HRA Budgets in relation the costs of implementing the Government's rent reduction, which is costing the HRA £75K this year.

Treasury Management

- 5.24 There is a requirement for Members to consider performance on treasury management for the year – Appendix 4 provides a summary of activities. This shows that interest returns were well above benchmark for the year.

6 APPENDICES

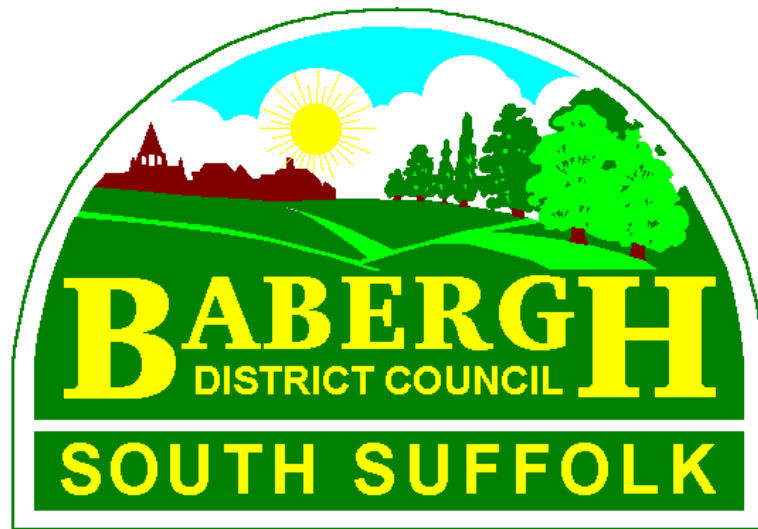
- 1 – Draft Statement of Accounts 2008/09
- 2 – Budget variations and carry forward requests
- 3 – Capital Programme variations and carry forward requests
- 4 – Treasury Management Performance

7 BACKGROUND PAPERS REFERRED TO

None.

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Director of Finance

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STATEMENT OF ACCOUNTS 2008/09



2004-2005
Supporting People

2006-2007
Waste and Recycling

2006-2007
*Culture and Sport for
Hard to Reach Groups*

DRAFT

Babergh District Council
Corks Lane
Hadleigh
IPSWICH
Suffolk
IP7 6SJ

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	35,391
Less:	
Impairment/ revaluation of asset due to economic downturn	-32,614
Other changes	-2,275
Actual decrease in General Fund balance	502

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	10,820
Income from Government Grants and Council Taxpayers	<u>(10,310)</u>	<u>(10,310)</u>	<u>(10,333)</u>
	286	820	487
Transfer to (from) Earmarked Reserves	<u>50</u>	<u>(64)</u>	<u>15</u>
Decrease/(Increase) in General Fund Balance	<u><u>336</u></u>	<u><u>756</u></u>	<u><u>502</u></u>
			(253)
Variance from Revised Budget			(253)
			<u>244</u>
Carry forward requests			<u>244</u>
			<u>(9)</u>
Possible net impact on balances			<u><u>(9)</u></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
Savings or higher income:	
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	45
Higher expenditure or lower income:	
Amenity Areas & Parks and Open spaces	(9)
Waste (Domestic, Trade & Green)	(26)
Public conveniences	(8)
Building Control	(10)
Performance Related Pay	(229)
Total net saving compared to budget	<u>253</u>

Housing Revenue Account (Council Housing)

	Original Budget £000	Revised Budget £000	Actual £000
Income	(13,573)	(13,464)	(13,553)
Expenditure (net of appropriations)	<u>13,623</u>	<u>13,797</u>	<u>13,659</u>
Decrease/(Increase) in Housing Revenue Account Balance	<u>50</u>	<u>333</u>	<u>106</u>
Variance from Revised Budget			(227)

An analysis of the variation is shown below:

	£000
Key variations:	
Rent Income & charges	43
Savings on pre-painting & repair	126
Repairs Contract	66
Other net savings	69
Performance Related Pay (PRP)	(77)
Total net saving compared to budget	<u>227</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.

Babergh District Council
Statement of Accounts 2008/09

	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
Total	<u>6,701</u>	<u>6,721</u>	<u>5,240</u>

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	<u>(256)</u>
	<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>
	<u><u>5,240</u></u> S

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)	5,507
Long Term Borrowing at 31 March 2009 (Public Works Loan Board)	<u>(1,100)</u>
Net Borrowing Facility at 31 March 2009	<u><u>4,407</u></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 £14.6m 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.

	31 March 2009 £000	31 March 2008 £000
General Fund		
General Reserves	2,336	2,838
Earmarked Reserves	1,243	1,215
Collection Fund	<u>(128)</u>	<u>(120)</u>
	<u>3,451</u>	<u>3,933</u>
Housing Revenue Account		
General Reserves	1,055	1,161
Major Repairs Reserve	<u>520</u>	<u>688</u>
	<u>1,575</u>	<u>1,849</u>
	<u><u>5,026</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.

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 Director of Finance authorised paper copies of the accounts to be printed for dispatch to Council members on 17 June 2009, and the authorised for issue date i.e. when the Statement is ready for publication, has been determined as the 25 June, the date on which the Council approves the accounts.

4. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables (debtors) are initially measured at fair value and shown at their amortised cost. 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.

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 25 June 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 25 June 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 Net Expenditure £000	Notes	2008/09 Gross Expenditure £000	2008/09 Gross Income £000	2008/09 Net Expenditure £000
510	Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	6,201	(5,246)	955
3,047	Environmental and Regulatory Services	4,894	(1,744)	3,150
2,011	Cultural and Related Services	2,391	(261)	2,130
1,583	Planning and Development Services	2,942	(982)	1,960
948	Transport Services	819	(118)	701
(497)	Local Authority Housing (HRA)	46,034	(13,553)	32,481
959	Other Housing Services	16,256	(15,116)	1,140
1,888	The Corporate and Democratic Core	2,134	(160)	1,974
90	Non Distributed Costs	482	-	482
10,539	Net Cost of Services	82,153	(37,180)	44,973
	Other Income and Expenditure			
1,253	(Gain) / Loss on the disposal of Fixed Assets	788	-	788
-	(Gains) / Losses on the early settlement of borrowing	-	-	-
328	Interest payable and similar charges	105	-	105
1,314	Contribution of Housing Capital Receipts to the Government Pool	90	-	90
(697)	Interest and Investment Income	-	(578)	(578)
(160)	Pensions interest cost and expected return	-	337	337
1,785	Parish/Town Council Precepts	1,895	-	1,895
14,362	Net Operating Expenditure	85,031	(37,421)	47,610
	Principal Sources of Finance			
	General Government Grants:			
-	Area Based Grant			(23)
(839)	Revenue Support Grant			(861)
(4,997)	Non Domestic Rates Redistribution			(5,144)
(5,893)	Council Tax Payers (Demand on Collection Fund)			(6,190)
(36)	Collection Fund (surplus) / deficit			(10)
2,597	(Surplus) / Deficit for the year			35,382

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.

		2008/09 Net Expenditure	2007/08 Net Expenditure
	Notes	£000	£000
Deficit on Income & Expenditure Account		35,382	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.		(34,880)	(2,650)
Increase/(Decrease) in General Fund Balance in the year	46	502	(53)
General Fund Balance brought forward		(2,838)	(2,785)
General Fund Balance carried forward		(2,336)	(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
Amounts included in the Income & Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation (write down) of Intangible Fixed Assets	21	(366)	(297)
Depreciation / Impairment of Fixed Assets	21	(33,382)	(721)
Government Grants Deferred amortisation	39	351	379
Revenue Expenditure Funded from Capital under Statute	23	(239)	(776)
Deferred Charges financed from Government Grants		-	413
Net loss on sales of Fixed Assets	7	(788)	(1,253)
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)
		(36,233)	(3,434)
Amounts not included in the Income & Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year			
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
		2,618	2,503
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			
Housing Revenue Account Balance		(106)	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)		(1,407)	(1,198)
		(1,265)	(1,719)
Net additional amount required to be credited to the General Fund Balance for the year		(34,880)	(2,650)

Statement of Total Recognised Gains and Losses

for the year ended 31 March 2009

	Notes	2008/09 Net Expenditure £000	2007/08 Net Expenditure (Restated) £000
Deficit on Income & Expenditure Account		35,391	2,597
Deficit (surplus) on revaluation of Fixed Assets	21	6,672	(9,332)
Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	51	8,375	(3,529)
Net Movement on Collection Fund balance		8	61
Derecognition of overhanging debt premia	4	-	1,290
Other Gains and Losses		(80)	11
Total Recognised (Gains)/Losses in the year		50,366	(8,902)
Net Worth at 1 April		230,166	221,261
Net Worth at 31 March		179,800	230,166
		50,366	(8,905)

Balance Sheet

as at 31 March 2009

31 March 2008		Notes	31 March 2009	
£000			£000	£000
1,437	Fixed Assets			
	Intangible Fixed Assets			1,626
	Tangible Fixed Assets			
	Operational assets:			
211,781	Council House Dwellings		173,836	
13,579	Land & Buildings		12,486	
946	Vehicles, Plant & Equipment		787	
663	Infrastructure		689	
815	Community Assets		805	188,603
	Non-operational assets:			
3,424	Land Awaiting Development		2,383	
-	Assets Under Construction		180	
2,999	Investment Property		2,539	
1,456	Surplus Assets held for Disposal		1,044	6,146
237,100	Total Fixed Assets	21		196,375
80	Long-term Investments	30		-
376	Long Term Debtors	31		386
237,556	Total Long Term Assets			196,761
	Current Assets			
59	Stocks and Work in Progress	32	75	
2,726	Debtors	33	3,142	
223	Other	33	210	
6,777	Investments	34	6,342	
421	Cash and Bank		-	9,769
247,762	Total Assets			206,530
	Current Liabilities			
(7)	Short-term Borrowings		(7)	
(6,756)	Creditors	35	(7,585)	
(68)	Capital Grants/Capital Contributions Reserve	36	(166)	
(76)	Provisions	38	(77)	
-	Cash and Bank Overdrawn		(369)	(8,204)
240,855	Total Assets less current liabilities			198,326
(1,100)	Long-term Borrowing	37		(1,100)
(1,191)	Government Grants Deferred	39		(879)
(1,438)	Capital Contributions Deferred	39		(1,431)
(718)	Deferred Liabilities			(543)
(6,242)	Defined Benefit Pension Scheme Liability	51		(14,574)
230,166	Total Assets Less Liabilities			179,799
	Financed by:			
7,709	Revaluation Reserve	41		989
222,945	Capital Adjustment Account	42		187,954
(1,060)	Financial Instruments Adjustment Account	49		(827)
916	Usable Capital Receipts Reserve	43		1,212
117	Deferred Capital receipts	44		20
(6,242)	Pensions Reserve	45		(14,574)
2,838	General Fund Reserve Balance	46		2,336
1,161	Housing Revenue Account Balance	40		1,055
688	Major Repairs Reserve	40		520
1,214	Earmarked Reserves	47		1,243
(120)	Collection Fund Balance	40		(128)
230,166	Total Net Worth			179,800

Barry Hunter CPFA (Director of Finance to Babergh District Council)

25 June 2009

Cash Flow Statement

Babergh District Council
Statement of Accounts 2008/09

	Notes	2008/09	2007/08 £000 <i>Restated</i>
<u>Revenue Activities</u>			
Cash outflows:			
Cash paid to and on behalf of employees			10,401
Other operating cash payments			6,519
Housing Benefit paid out			13,014
National Non-Domestic Rate payments to National Pool			17,411
Precepts paid			39,899
Payments to the Capital Receipts Pool			1,239
			88,483
Cash inflows:			
Rents (after Rebates)			(7,985)
Council Tax receipts			(35,767)
National Non-Domestic Rate receipts from National Pool			(4,378)
National Non-Domestic Rate income			(17,608)
Revenue Support Grant			(839)
DWP Grants for Housing Benefits			(17,404)
Other government grants	55		(1,622)
Cash received for goods and services			(2,981)
Other operating cash receipts			(2,455)
			(91,039)
Net Cash Flow from Revenue Activities	52		(2,556)
<u>Servicing of Finance</u>			
Cash outflows			
Interest paid			41
Interest element of finance lease rental payments			(122)
			(81)
Cash inflows			
Interest received			(650)
			(650)
Net Cash Flow from Finance Servicing			(731)
<u>Capital Activities</u>			
Cash outflows			
Purchase of fixed assets			2,489
Other capital cash payments			1,986
			4,475
Cash inflows:			
Sale of fixed assets			(2,699)
Capital grants received	55		(256)
Other Capital Cash receipts			(614)
			(3,569)
Net Cash Flow from Capital Activities			906
Net cash (inflow)/outflow before financing			(2,381)
Management of liquid Resources			
Net (increase)/decrease in short-term deposits			1,544
	54		1,544
Financing			
Cash outflows			
Capital elements of finance lease rental payments			193
			193
(Increase)/Decrease in cash	53		(644)

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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 25 June 2009, and this 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) has been 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	29	67
Discount on Land to Housing Assoc.and loss on sale of Council Hous	758	1,186
	787	1,253

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	2007/08
	£000	£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	2007/08
	£000	£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
2008/09			
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>
2007/08			
Expenditure	109	388	497
Income	-	(372)	(372)
Deficit/(Surplus) for year	<u>109</u>	<u>16</u>	<u>125</u>
2006/07			
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.

	2008/09	2007/08
	£000	£000
Grasscutting on District Highways	<u>28</u>	<u>27</u>
	<u><u>28</u></u>	<u><u>27</u></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.

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

14. Operating Leases

Operating Lease rentals paid to lessors are shown below.

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

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

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

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

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:

	2008/09	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. Furthermore, on SSLT's demise, the Council has no entitlement to any surpluses, which have to be transferred to a similar Not-For-Profit organisation.

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

Hadleigh Swimming Pool

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

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

	2008/09 £000	2007/08 £000
Central Government		
Revenue Grants		
Specific and Special Grants	(19,986)	(18,377)
Redistributed NNDR	(5,144)	(4,997)
Revenue Support Grant	(861)	(839)
Capital Grants		
Government	(425)	(382)
Precepts		
Suffolk County Council	35,224	33,889
Suffolk Police Authority	4,909	4,496
Parish Council Precepts	1,895	1,785
Management Team and Heads of Service		
Car loans made available under the Council's scheme	-	(2)
Suffolk County Council Pension Fund		
Employer's pension contributions in respect of employees	2,059	2,080
South Suffolk Leisure Trust		
Revenue and capital transactions	211	176
Hadleigh Swimming Pool		
Sole Trustee, revenue and capital transactions	179	148
Grants to Parish Councils, Community Councils and Village Halls	219	116
Total	<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
Central Government		
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.

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

21. Fixed Assets Movement Summary

	Operational Assets					Non-Operational		Total
	Tangible Assets				Intangibles	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	308	99	59	3	566	179	4,530
Disposals	(1,141)	(36)	-	-	-	-	(293)	(1,470)
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	(8,588)	(1,072)	-	-	(8)	-	(836)	(10,504)
Revaluation Impairment	(31,532)	(292)	-	-	(5)	-	(784)	(32,613)
	<u>(37,945)</u>	<u>(1,092)</u>	<u>99</u>	<u>59</u>	<u>(10)</u>	<u>566</u>	<u>(1,734)</u>	<u>(40,057)</u>
Depreciation/Amortisation and Impairments:								
Additional depreciation/Amortisation	(3,467)	(437)	(258)	(33)	-	(377)	(107)	(4,679)
Non-Revaluation Impairment	-	-	-	-	-	-	-	-
On Disposals	18	1	-	-	-	-	-	19
On Revaluations	3,449	436	-	-	-	-	107	3,992
0	<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>173,836</u>	<u>12,487</u>	<u>787</u>	<u>689</u>	<u>805</u>	<u>1,626</u>	<u>6,145</u>	<u>196,375</u>
Balance Sheet Amount At 31 Mar 2009	173,836	12,487	787	689	805	1,626	6,145	196,375
Accumulated Depreciation and Impairment at 31 Mar 2009	-	-	(2,153)	(714)	-	(2,019)	-	(4,886)
Cost or Valuation at 31 Mar 2009	<u>173,836</u>	<u>12,487</u>	<u>(1,366)</u>	<u>(25)</u>	<u>805</u>	<u>(393)</u>	<u>6,145</u>	<u>191,489</u>
Nature of Asset Holding								
Owned	172,131	12,487	480	689	805	1,626	6,145	194,363
Finance Lease	1,705	-	307	-	-	-	-	2,012
Total	<u>173,836</u>	<u>12,487</u>	<u>787</u>	<u>689</u>	<u>805</u>	<u>1,626</u>	<u>6,145</u>	<u>196,375</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. Valuations for 2008/09 have been carried out by the Valuation Office as a desk-top exercise only. 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, 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 Assets	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	12,487	-	-	805	-	5,965	192,373
2007/08	-	-	-	-	-	-	-	-
2006/07	-	-	-	-	-	-	-	-
2005/06	-	-	-	-	-	-	-	-
2004/05	-	-	-	-	-	-	-	-
pre-2004/05	-	-	-	-	-	-	-	-
	<u>173,116</u>	<u>12,487</u>	<u>-</u>	<u>-</u>	<u>805</u>	<u>-</u>	<u>5,965</u>	<u>192,373</u>
	<u>173,836</u>	<u>12,487</u>	<u>787</u>	<u>689</u>	<u>805</u>	<u>1,626</u>	<u>6,145</u>	<u>196,375</u>

23. Capital Expenditure and Financing

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

The Capital Financing Requirement represents the underlying need to borrow.

	2008/09 £000	2007/08 £000
Capital Investment		
Operational Assets Expenditure	3,965	2,794
Non-operational Assets Expenditure	-	-
Intangible Assets Expenditure	566	743
Revenue Expenditure Funded from Capital Under Statute	673	776
Mortgages/Loans	36	55
	5,240	4,368
Sources of Finance		
Capital Receipts	(398)	(1,147)
Government Grants and Contributions	(533)	(628)
Sums set aside from Revenue		
Revenue Contributions to Capital Outlay	(649)	(447)
Major Repairs Reserve	(2,329)	(1,515)
Finance Lease	-	-
	(3,909)	(3,737)
	1,331	631
Increase in underlying need to borrow		
Opening Capital Financing Requirement	4,175	3,532
Closing Capital Financing Requirement	5,506	4,163
	5,506	4,163

Explanation of Movements in the year

Increase in underlying need to borrow (supported by Government financial assistance)		
Additional Borrowing	550	550
Less Revenue Provision for the repayment of debt	-	-
Increase in underlying need to borrow (unsupported by Government financial assistance)	781	81
	1,331	631
Total increase in underlying need to borrow		
Opening Capital Financing Requirement	4,175	3,532
Closing Capital Financing Requirement	5,506	4,163
	5,506	4,163

Revenue Expenditure Funded by Capital under Statute, along with any associated grants credited to the revenue account, are still treated as capital for control purposes. However, they form part of the surplus or deficit on the Income and Expenditure Account.

Both the expenditure and grant are then appropriated via the Statement of Movement on the General Fund Balance to the Capital Adjustment Account. There is, therefore, no direct charge against council tax as it has been financed from capital resources.

24. Capital Contracts Commitments

As at 31 March 2008, the Council was contractually committed to certain capital works. The major commitments (over £100k) are shown below.

Kitchen Improvements (HRA)	£266k
Renovation Grants Approved	£75k
LAMP	£399k
Other Commitments	£208k

25. Assets Information

Fixed Assets at 31 March include the following.

	2009	2008
Operational Assets		
Housing Revenue Account		
Council Dwellings (including DIYSO)	3,522	3,563
General Fund		
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
Non-Operational Assets		
Housing Revenue Account		
Shops	2	2
Miscellaneous Properties	5	5
Vacant Land - Awaiting Development	17	17
Vacant Land - Other	9	9
General Fund		
Commercial Properties Available for Rent	14	14
Other Dwellings	5	5
Surplus Property	1	2
Infrastructure Assets		
General Fund		
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.

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	2008/09			2007/08		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Balance 1 April						
Gross Book Value	308	1,706	2,014	307	1,709	2,016
Accumulated Depreciation	(103)	(985)	(1,088)	(77)	(824)	(901)
Net Book Value	<u>205</u>	<u>721</u>	<u>926</u>	<u>230</u>	<u>885</u>	<u>1,115</u>
In Year						
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	(4)	(4)
Depreciation	(26)	(160)	(186)	(26)	(161)	(187)
Balance at 31 March						
Net Book Value	179	561	740	204	720	924
Accumulated Depreciation	(129)	(1,145)	(1,274)	(103)	(985)	(1,088)
Gross Book Value	<u>308</u>	<u>1,706</u>	<u>2,014</u>	<u>307</u>	<u>1,705</u>	<u>2,012</u>

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	<u>153</u>	<u>565</u>	<u>718</u>	<u>184</u>	<u>718</u>	<u>902</u>

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

	2008/09			2007/08 <i>Restated</i>		
	General			General		
	Fund £000	HRA £000	Total £000	Fund £000	HRA £000	Total £000
Falling due:						
In 1 year	<u>30</u>	<u>144</u>	<u>175</u>	<u>31</u>	<u>161</u>	<u>192</u>
More than 1 year:						
Between 2 and 5 years	123	420	543	123	488	611
More than 5 years	-	-	-	30	69	99
Total more than 1 year	<u>123</u>	<u>420</u>	<u>543</u>	<u>153</u>	<u>557</u>	<u>710</u>
	<u>153</u>	<u>564</u>	<u>718</u>	<u>184</u>	<u>718</u>	<u>902</u>

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:-

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

Income from these facilities and properties is disclosed below:

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

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 re-lifing of assets 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 relates 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. No interest is paid on the debenture, but on redemption, the Council will be repaid the amount in full and will receive a share of any appreciation (less tax) of the property acquired by the ADC. The property sale generated an additional £15k in income and a total capital receipt of £95k. The winding up of the ADC Property Trust is likely to accrue some benefit to the Council, but no decision has been regarding the distribution of any funds that may be available.

31. Long Term Debtors

	Balance	2007/08		Balance	2008/09		Balance
	1 April 2007 £000	Increase £000	Written Down £000	31 March 2008 £000	Increase £000	Written Down £000	31 March 2009 £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	43	63
Sundry Debtors	323	366
	<u>3,628</u>	<u>3,107</u>
Less: Provisions for Doubtful Debts	(486)	(381)
	<u>3,142</u>	<u>2,726</u>
Imprests	10	11
Other	8	8
Payments in Advance	192	204
	<u>210</u>	<u>223</u>
	<u>3,352</u>	<u>2,949</u>

34. Short-term Investments

	2008/09 £000	2007/08 £000
UK Clearing Banks	3,801	5,177
Building Societies	2,500	1,500
Total Nominal Value	<u>6,301</u>	<u>6,677</u>
Accrued Interest	41	100
	<u>6,342</u>	<u>6,777</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	2007/08
	£000	£000
Local Authorities	817	511
Inland Revenue	203	202
Other Government Departments	586	521
Sundry Creditors	<u>2,938</u>	<u>2,604</u>
	4,544	3,838
Receipts in Advance-General	<u>1,481</u>	1,363
Receipts in Advance-Developers Contributions	<u>1,561</u>	1,555
	3,042	2,918
	<u>7,586</u>	<u>6,756</u>

36. Government Grants and Contributions Account

	2008/09	2007/08
	£000	£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>167</u>	<u>68</u>

37. Long Term Borrowing

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

	Balance	2007/08		Balance	2008/09		Balance
	1 April	Added to	Applied	31 March	Added to	Applied	31 March
	2007	Provision		2008	Provision		2009
	£000	£000	£000	£000	£000	£000	£000
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.

	2008/09	2007/08
	£000	£000
Balance at 1 April	(2,628)	(2,792)
Capital Financing	(24)	(215)
Amortised (written down) to Service Revenue Accounts	342	379
Balance at 31 March	<u>(2,310)</u>	<u>(2,628)</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.

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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	(34,991)	187,954
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	295	1,211
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	(10,878)	4,430	(6,448)	(8,125)	(14,573)
Housing Revenue Account <i>(Resources to meet future running costs for council)</i>	See Above	857	304	1,161	(106)	1,055
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	(502)	2,336
Earmarked Reserves <i>(Resources set aside for future spending plans)</i>	47	979	235	1,214	29	1,243
Collection Fund <i>(Balance to be taken into account in setting future Council Tax levels)</i>	See Above	(60)	(60)	(120)	(8)	(128)
Total		<u>221,046</u>	<u>8,914</u>	<u>229,960</u>	<u>(50,159)</u>	<u>179,801</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.

	2008/09	2007/08
	£000	£000
Balance at 1 April	7,709	nil
Unrealised gains/(losses) from revaluation of fixed assets	-	9,331
Impairment losses on fixed assets due to a general change in prices	(6,672)	-
Disposal of fixed assets in the year	(48)	(1,622)
Balance at 31 March	<u>989</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.

	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	66	413
Excess of Depreciation over Minimum Revenue Provision	(4,302)	(4,079)
Impairment	(32,614)	(44)
Depreciation Revaluation Adjustments	165	-
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>187,954</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	783	2,635
Less:		
Amount used for Capital Financing	(398)	(1,147)
Paid to the Government Pool	(90)	(1,314)
Balance at 31 March	<u>1,211</u>	<u>916</u>

44. Deferred Capital Receipts

	Balance	2007/08		Balance	2008/09		Balance
	1 April	Increase	Capital Receipts	31 March	Increase	Capital Receipts	31 March
	2007			2008			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 (Restated)
	£000	£000
Employer Contributions	2,059	2,080
Unfunded Benefits Contributions	-	-
Net Cost Of Services	2,059	2,080
Current Service Cost	(995)	(1,339)
Transfers	-	-
Past Service costs	(477)	-
Curtailments and Settlements	-	-
Interest Costs	(3,301)	(2,892)
Return on Assets	2,964	3,052
Actuarial Gains / (Losses)	(8,375)	3,529
Movement for Year	(8,125)	4,430
Surplus / Deficit at Year Start	(6,448)	(10,878)
Surplus / Deficit at Year End	(14,573)	(6,448)

46. General Fund Reserve

	2008/09	2007/08
	£000	£000
Balance at 1 April	2,838	2,785
Movement in year	(502)	53
Balance at 31 March	2,336	2,838

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 £000	Applied £000		Added to Reserve £000	Applied £000	
General Fund							
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	-	-	-	-
Other					(14)		(14)
	<u>(979)</u>	<u>(306)</u>	<u>71</u>	<u>(1,214)</u>	<u>(215)</u>	<u>186</u>	<u>(1,243)</u>

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

Invest to Save

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

Capital Projects

A revenue Fund for the financing of Capital Projects.

Business Rate Growth

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

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 on note 50.

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.

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

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

	2008/09			2007/08		
	Discounts (General Fund)	Premiums (HRA)	Total	Discounts (General Fund)	Premiums (HRA)	Total
	£000	£000	£000	£000	£000	£000
To be written down:						
In 1 year	(26)	264	238	(30)	264	234
More than 1 year:						
In 2 years	(23)	264	241	(26)	264	238
In 3 years	(20)	217	197	(23)	263	240
In 4 years	(17)	189	172	(20)	218	198
In 5 years	(13)	-	(13)	(17)	189	172
In 6 years	(9)	-	(9)	(13)	-	(13)
In 7 years	-	-	-	(9)	-	(9)
In 8 years	-	-	-	-	-	-
Total more than 1 year	(82)	670	588	(108)	934	826
	(108)	934	826	(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 17th 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 1st 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 £110,500.

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 effect of this change is that the deficit of the scheme at 31 March 2008 has been restated from

£6,242k to £6,448k, an increase of £206k, resulting in an increase of the pension deficit of £206k (31 March 2007: decrease of £215k). Current and prior year surplus have been unaffected by this change.

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 affect 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:

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

	2008/09	2007/08
	£000	£000
Actuarial Gains/(Losses) recognised in STRGL	(8,375)	3,529
Cumulative Actuarial Gains/(Losses)	(8,550)	(175)

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)	(47,771)
Estimated Assets in Scheme	<u>32,374</u>	<u>41,323</u>
Net Liability	<u>(14,573)</u>	<u>(6,448)</u>

Scheme Liabilities Reconciliation		2008/09	2007/08 (Restated)
	£000	£000	
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	<u>1,804</u>	<u>1,970</u>	
	824	5,885	
Present Value of Liabilities 1 April	<u>(47,771)</u>	<u>(53,656)</u>	
Present Value of Liabilities 31 March	<u>(46,947)</u>	<u>(47,771)</u>	

Scheme Assets Reconciliation		2008/09	2007/08 (Restated)
	£000	£000	
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)	(5,029)	
Benefits Paid	<u>(1,804)</u>	<u>(1,970)</u>	
	(8,949)	(1,455)	
Fair Value of Employer Assets 1 April	<u>41,323</u>	<u>42,778</u>	
Fair Value of Employer Assets 31 March	<u>32,374</u>	<u>41,323</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.

Scheme History

	2008/09	2007/08 (Restated)	2006/07	2005/06	2004/05
	£000	£000	£000	£000	£000
Present Value of Liabilities	(46,947)	(47,771)	(53,656)	(53,735)	(44,903)
Fair Value of Assets	<u>32,374</u>	<u>41,323</u>	<u>42,778</u>	<u>38,921</u>	<u>29,887</u>
Deficit	<u>(14,573)</u>	<u>(6,448)</u>	<u>(10,878)</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:

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.0%	3.6%
Bonds	5.6%	5.1%
Other	8.9%	14.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6 years	
Women	22.5 years	
Longevity at 65 for future pensioners:		
Men	20.7 years	
Women	23.6 years	
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	6.4%	7.1%
Rate for discounting scheme liabilities	6.9%	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:

	Value at 31 March 2009 £000	Asset Distribution %	Value at 31 March 2008 £000 (Restated)	Asset Distribution %
Equities	21,637	66.9%	28,488	68.9%
Bonds	6,782	20.9%	7,637	18.5%
Property	2,907	9.0%	4,640	11.2%
Cash	1,048	3.2%	558	1.4%
Total	32,374	100.0%	41,323	100.0%

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:

Babergh District Council
Statement of Accounts 2008/09

	2008/09		2007/08 (Restated)		2006/07		2005/06		2004/05	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	(12,638)	-39.0%	(5,029)	-12.2%	403	0.9%	5,856	15.0%	1,074	3.6%
Differences between actuarial assumptions about liabilities and actual experience	-	0.0%	733	-1.5%	-	0.0%	-	0.0%	(759)	1.7%
Changes in the demographic and financial assumptions used to estimate liabilities	4,263	-9.1%	7,825	-16.4%	3,079	-5.7%	(6,011)	11.2%	(7,346)	16.4%
Actuarial Gain / (Loss) on Pension Plan	(8,375)		3,529		3,482		(155)		(7,031)	
Present Value of Assets	32,374		41,323		42,778		38,921		29,887	
Present Value of Liabilities	(46,947)		(47,771)		(53,656)		(53,735)		(44,903)	
Net Assets / (Liabilities)	(14,573)		(6,448)		(10,878)		(14,814)		(15,016)	

52. Cash Flow Reconciliation to Income & Expenditure Account

	2008/09 £000	2007/08 £000
(Surplus)/Deficit on Income and Expenditure	-	3,884
Adjustment for Statutory & Non Statutory proper Practice	-	(3,940)
(Surplus)/Deficit on General Fund	-	(56)
HRA (Surplus)/Deficit on Fund	-	(304)
Collection Fund (Surplus)/Deficit	-	60
Overall (Surplus)/Deficit for the Year	-	(300)
Non cash transactions		
Premature Debt redemption	-	34
Contributions from/(to) provisions	-	60
Contributions from/(to) Major Repairs Reserve	-	(2,203)
Contributions from/(to) Earmarked Reserves	-	(235)
Adjust for items on Accruals basis		
Movement in Revenue Debtors	-	(48)
Movement in Payments in Advance	-	(455)
Movement in stocks and works in progress	-	20
Movement in Revenue Creditors	-	(510)
Movement in Receipts in Advance	-	(91)
Movement in provisions	-	(25)
Movement in imprests	-	3
Movement in suspense	-	(614)
Other Items		
Interest paid	-	(40)
Interest Received	-	772
Internal recharges to capital	-	360
Payments to Capital Receipts Pool	-	1,314
Direct Revenue Financing of Capital schemes	-	(447)
Net Cash flow from revenue activity	-	(2,405)

53. Cash Movements

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

54. Liquid Resource Management

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

55. Government Grants

	2008/09 £000	2007/08 £000 <i>Restated</i>
Revenue Grants		
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	-	1
Housing Defects Act Subsidy	7	(7)
LPSA Performance Reward Grant	-	(47)
Other Government Grants	31	(128)
Planning Delivery Grant	72	(101)
Supporting People Grant	346	(473)
Waste Performance and Efficiency Grant	3	(33)
	<u>1,139</u>	<u>(1,469)</u>
Capital Grants		
	General	
Regional Housing Pot Grant	147	(115)
	Specific	
Disabled Facilities Grant	138	(153)
Planning Delivery Grant	24	(31)
EPC Pilot	7	-
East LSP Grant	-	(32)
Waste Performance and Efficiency Grant	-	(27)
LAA Funding - CDRP Element	24	(24)
HB LHA Software Grant	-	(24)
Electoral Registration Software Grant	-	(3)
Council Tax Efficiencies	5	-
Air Quality Monitoring	44	-
Play Project Great Cornard	10	-
Hadleigh Pool Refurbishment	26	-
	<u>425</u>	<u>(409)</u>
	<u>1,564</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 £000	2007/08 £000 <i>Restated</i>
General Fund	16,220	25,573
Housing Revenue Account	<u>163,579</u>	<u>204,593</u>
	<u>179,799</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
Income			
Dwelling Rents	2	12,231	11,557
Non-dwelling Rents		218	214
Charges for Services and Facilities	3	953	1,051
Contributions towards expenditure		147	134
Other Income		4	6
		13,553	12,962
Expenditure			
Repairs and Maintenance		1,994	1,883
Supervision and Management		3,420	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		(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
		45,824	12,465
Net Cost of HRA Services as included in the whole authority Income and Expenditure Account		32,270	(497)
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		92	80
		32,507	(270)
Net Cost of HRA Services			
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
Amortisation (write-down) of premia and discounts		320	1,546
Interest and Investment Income		(42)	(61)
Pensions interest cost and expected return on pensions assets	8	68	(38)
Deficit/(Surplus) for the year on HRA Services		33,911	2,713

Statement of Movement on the Housing Revenue Account Balance

	2008/09	2007/08
	Net	Net
	Expenditure	Expenditure
	£000	£000
(Surplus) / Deficit on Housing Revenue Account	33,911	2,713
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the HRA Balance for the year.	(33,805)	(3,017)
(Increase)/ Decrease in HRA Balance in the year	106	(304)
HRA Balance brought forward	(1,161)	(857)
HRA Balance carried forward	(1,055)	(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
Amounts included in the HRA Income & Expenditure Account but required by Statute to be excluded when determining the Movement on the HRA Balance for the year			
Amortisation (write down) of Intangible Fixed Assets		-	-
Depreciation / Impairment of Fixed Assets		(32,165)	1
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)
		(33,349)	(2,705)
Amounts not included in the HRA Income & Expenditure Account but required to be included by Statute when determining the Movement on the HRA Balance for the year			
Minimum Revenue Provision for capital financing		-	-
Capital Expenditure charged to HRA Balance	9	475	403
Transfer to/(from) Major Repairs Reserve		(1,407)	(1,198)
Employer's contributions to Pension Fund & Direct Pension Payments	8	476	483
		(456)	(312)
Net additional amount required to be debited/(credited) to the HRA Balance for the year		(33,805)	(3,017)

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.

	2008/09	2007/08
Average rent per week	£67.72	£63.53
Rent arrears at 31 March	£340k	£286k
Rent arrears at 31 March as % of the gross rent collectable	2.6%	2.5%
Provision for bad debts at 31 March	£116k	£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.

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

5. Capital Receipts

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

	2008/09	2007/08
Number of disposals	1	17
Value of disposals	£106k	£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

	2008/09	2007/08
	No of	No of
	Properties	Properties
Stock at 1 April	3,563	3,582
Sales:		
Right To Buy (RTB)	(1)	(17)
Non-RTB	(30)	-
Transfers to Registered Social Landlords	-	(2)
Brought back into Stock	(10)	1
Conversions	-	(1)
Stock at 31 March	3,522	3,563
Average Stock for the year	3,543	3,573
	2008/09	2007/08
	No of	No of
	Properties	Properties
Houses and Bungalows	2,874	2,880
Flats	643	653
Other	5	30
Total Stock	3,522	3,563
	%	%
Houses and Bungalows	82%	81%
Flats	18%	18%
Other	0%	1%
Total Stock	100%	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

	2008/09	2007/08
	£000	£000
Capital Expenditure		
Dwellings	3,337	2,413
Intangibles	58	55
	<u>3,395</u>	<u>2,468</u>
Capital Financing		
Capital receipts	-	-
Revenue contributions	475	403
Major Repairs Reserve	2,329	1,515
Contributions	42	-
Supported Borrowing	550	550
	<u>3,396</u>	<u>2,468</u>

10. Subsidy

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

	2008/09 £000	2007/08 £000
Value as at 31 March		
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	31	30
Depreciation-Total	<u><u>3,556</u></u>	<u><u>3,402</u></u>
Impairment-Operational-Dwellings	<u><u>32,143</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
Income			
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)		<u>109</u>	<u>96</u>
		<u>65,356</u>	<u>61,535</u>
Expenditure			
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)		<u>71</u>	<u>268</u>
		<u>65,561</u>	<u>61,903</u>
Movement on Fund Balance - Surplus (Deficit)	6	(205)	(367)
Surplus/(Deficit) Brought Forward 1 April	6	<u>(196)</u>	<u>171</u>
Surplus/(Deficit) Carried Forward 31 March		<u>(401)</u>	<u>(196)</u>

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.

	2008/09	2007/08
Total Rateable Value of Business Properties in March	£47,440k	£47,239k
National Rate in the £	46.2p	44.4p
Small Business Multiplier	45.8p	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 Equivalent	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
Total	34,240.25		32,862.26	46,420
Less provision for bad and doubtful debts		0.25%	(82.16)	(116)
Less provision for banding adjustment		#####	(30.03)	(43)
Taxbase (Band D Equivalent)			32,750.07	46,261
			2008/09	2007/08
Average Band D Council Tax			£1,412.56	£1,353.61

Actual income in 2008/09 was £46,195, 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:

*Babergh District Council
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)
	(60)	(60)	(120)	(8)	(128)
Suffolk County Council - Council Tax	204	(270)	(66)	(174)	(240)
Suffolk Police Authority - Council Tax	27	(37)	(10)	(23)	(33)
	171	(367)	(196)	(205)	(401)

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	1,895	1,785
	6,190	5,893
Suffolk County Council	35,169	33,684
Suffolk Police Authority	4,902	4,469
Total	46,261	44,046

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Audit Report

The accounts are published subject to audit.

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

- 1.6. 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.
- 1.7. 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.
- 1.8. 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.

1.9.

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

1.10. 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

1.11. 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.

1.12. 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.

1.13. 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.

1.14. The AGS is reported to and considered by External Audit, which has responsibility for ensuring that robust corporate governance arrangements are in place.

Systems and processes in place

1.15. 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. The Internal Audit section is subject to regular reviews by the Council's external auditors.
- 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

- 1.16. 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.

1.17. 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 Audit Commission's 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

1.18. 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

Signed

Pat Rockall, Chief Executive Nick Ridley, Chairman of Strategy Committee

Date

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>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 Assetss</i>	Assets the Council intends to hold in perpetuity, that have no determinable useful life, and hat 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>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</i>	The SORP is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts. It is the

<i>Practice (SORP)</i>	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.

Appendix 2

2008/09 Revenue Budget variations and Carry Forwards

The tables below attempt to explain the position in these areas. In general terms, unless there are good reasons why this would not be possible, it is suggested that:

- (a) 2009/10 Base budgets for **net underspends** (includes increased income) are adjusted to reflect as much as possible of the 2008/09 outturn variation listed below

Net underspends	Variation £000	Comments/Action
Concessionary Fares	145	Now a firm basis for the future?
Asset valuation	19	£24k budget in 2009/10 – sufficient?
Car parking	15	Higher income from fines
Industrial Starter Units	12	May not be repeated in 09/10
Street cleansing & Abandoned Vehicles	20	Lower contract/other costs
Care & Repair	9	Lower cost of agency
CRED (New Burdens and Area Based Grant)	30	Review need/spend commitments
Planning	54	One-off large application
NBE - Others	10	
Grants & Contributions	32	Various areas
Hadleigh Swimming Pool	55	One-off. Only £15k in 09/10 budget
Arts & Tourism	16	Projects delayed to 09/10
Training, Recruitment & other divisional costs	60	50% reduction possible?
Supplies & Services (includes postage, consultancy etc.)	80	50% reduction possible?
Total	557	

- (b) Assurances are given by Directors/Heads of Service that the **net overspends** listed below are managed down to ensure there is no increase required in 2009/10 base budgets:

Net overspends	Variation £000	Comments/Action
Amenity Areas and Parks & Open spaces	9	Adjust contract/other spend?
Waste (Domestic, Trade & Green)	26	Review of all budgets to assess base budget adjustment
Public conveniences	8	Adjust spend?
Building Control	10	Lower income – scope to improve?
Total	53	

(c) In relation to Budget carry forward requests, these are listed below:

Area	£'000	Description/comments
Hadleigh Pool	55	Carry forward required to add to £185k grant from Sport England. <i>Is all of this needed?</i>
Concessionary Bus Fares	30	Grant funding for Smart Card production and additional admin costs. <i>Essential?</i>
Grants & Contributions	28	Grants committed in 2009/10.
Asset Management - valuation	19	Asset valuation systems and consultancy
New Burdens	17	Grant funding received in April 09 relating 2008/09.
Area Based Grant - CRED	13	Works to be carried out in 09/10
The Arts	8	Expenditure to be completed in 09/10
New Initiatives	8	Youth Film Project- the expenditure is committed in 09/10
Community Safety – Contracted Services	5	Costs relating to operating new mobile CCTV camera. <i>May be able to reduce this</i>
Other smaller items	31	Includes Chairman's allowance (<i>this needs further consideration</i>), Economic Dev. Business evening, Licensing legal fees
Corporate Training	13	To be completed in 09/10
Other Training	11	Service specific training. <i>Annual budgets are never spent overall</i>
IT	5	IT development and consultancy. <i>Absorb?</i>
Other items	6	Other various smaller items.
Total	244	

Key Variations – Capital (GF & HRA)

Project	Revised Budget	Variation £'000	Cfwd £'000	Comments
ICT/ Information Management				
LAMP	500	(190)	(190)	Committed
CAST	229	(187)	(8)	Committed
Others	303	(72)	(59)	Following review – essential items only
Total	1032	(449)	(257)	
Contract & Asset Management				
Hadleigh Community Facilities	250	(76)	(76)	Delayed
Pin Mill (externally funded)	170	(165)	(165)	Delayed
Joint Depot	46	(39)	(39)	Delayed
Others	403	(30)	(23)	
Total	869	(310)	(303)	
Community Development				
Children's Play Programme	90	(90)	(90)	Delayed – lack of contractors/over-demand
Private Sector Renewals	517	(129)	(108)	Carry Forward being reviewed
Private sector housing	112	(112)	(74)	Carry Forward being reviewed
Affordable Housing Grant	203	(180)	(180)	Carry Forward being reviewed
Total	922	(511)	(452)	
Total	22823	(1,270)	(1,012)	

APPENDIX 3

Project	Revised Budget	Variation £'000	Cfwd £'000	Comments
HRA Planned Maintenance Schemes				See covering report. The variations and carry forwards are being reviewed to determine how these should be reflected in the revised Capital Programme for 2009/10.
Central Heating	698	(159)		
Kitchen/ Bathrooms	1002	(59)		
Disabled Adaptation	342	(57)		
Common Areas	33	(12)		
Fences & Gates	99	(9)		
Others	<u>793</u>	<u>4</u>		
	<u>2,967</u>	<u>292</u>	(292)	
Other Programmes				
Sheltered Units – General imp	127	(56)		
Software / Surveys	68	(70)		
Structural Work	72	(25)		
Smoke Alarms	58	(16)		
Insulation Improvement	126	30		
Others	<u>442</u>	<u>(36)</u>		
	<u>893</u>	<u>(173)</u>	(173)	
Total	3860	(465)	(465)	

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Treasury Management Review 2008/09

1. Key Points

- 1.1. All Treasury Management activities were carried out in accordance with the Council's policies and the Treasury Management Strategy.
- 1.2. Income from investment of surplus funds marginally exceeded budget and was above recognised benchmark rates of return.
- 1.3. No additional external borrowing was undertaken during the year but internal funds were used temporarily to finance capital expenditure. This will be replaced with external borrowing during 2009/10 if market rates and there is an overall financial benefit.

2. Activities and performance in 2008/09

- 2.1. Investment income was £9K higher than the revised budget. This was mainly due to higher levels of surplus funds and cashflow but also as a result of locking into favourable rates during the second half of the year when rates dropped sharply in quarters three and four.
- 2.2. Interest rates fell significantly during the year. Base rate started the year at 5.25% before dropping to 5% early in the first quarter. This rate maintained during the second quarter before dropping to 4.5% at the beginning of quarter three. By the end of quarter three the rate had plummeted to 2%. Quarter four began with a drop to 1.5% and the year finished at 0.5%.
- 2.3. Investment rates have generally been a little higher than base rates but the end of the year saw typical returns of around 1% or less. Our approach to investment has been reviewed through out the year and based on advice from our Treasury advisors.
- 2.4. Officers monitor rates of return in comparison to the benchmark on monthly basis to ensure consistent levels of performance. As indicated earlier in the report this was partly due to locking into two investments £1 m at 5.2% and £1.5 m at 3.5% just before the sharp cuts in interest rates. The year's performance against the benchmark is very favourable, as indicated in the table below:

Return on Investments	2008/09 %	2007/08 %
Average return on investments	4.73	5.74
Local Authorities benchmark	3.84	5.68
Performance over benchmark	+0.89	+0.06

- 2.5. The Council's surplus funds were regularly invested in short-term investments (over-night – 364 days) or in a Business Reserve Account. We have also continued to use the Co-op Bank's Public Sector Reserve Account for our overnight placements. In addition Abbey National provided us with the base rate of interest.
- 2.6. The Council undertook £1.1m borrowing for HRA in 2006/07. There was no additional external borrowing in 2008/09 and internal funds were used to finance the capital borrowing requirements.
- 2.7. The following table sets out the Council's total investments as at 31 March 2009 (2008/09) compared to the previous year:

As at 31 March

Sector	2009 £M	Proportion of Total Investment (%)	Approved Sector Limit (%)	2008 £M
UK Banks	3.8	60	None	5.2
UK Building Societies	2.5	40	70	1.5
Total	6.3	100		6.7

Adherence to the Policy

- 2.8 There was a deviation from the Treasury Management Policy in that money was deposited with the Bank of Ireland and the Allied Irish Bank on the strength of the deposit guarantee provided by the Irish Government. At that point in time the Irish Government were 'AAA' rated however the individual institutions did not meet the minimum criteria set out in the Council's policy. This was repaid by the 31 March 2009.