

Suffolk Coastal District Council

Statement of Accounts

2018-19



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FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present the Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2019. These are the final set of Accounts for Suffolk Coastal District Council, as from 1st April 2019 the Council will merge with Waveney District Council to become East Suffolk Council. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, commenced their audit of the Accounts in January 2020.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. For the 2018/19 financial year, the inspection period must include the first ten working days of June and therefore the period will commence on 3rd June 2019 and finish on 12th July 2019. From the 31st May 2019, the unaudited Accounts were available to the public on the Council's website.

Finally, the principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and
- International Financial Reporting Standards (IFRS).



Simon Taylor (CPFA)
Chief Finance Officer
S151 Officer

1. Introduction

This document presents the statutory financial statements (the “Statement of Accounts”) for Suffolk Coastal District Council for the period 1st April 2018 to 31st March 2019 and provides a comprehensive summary of the overall financial position of the Council.

The Statement of Accounts is presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

The Narrative Report, which is not formally part of the Statement of Accounts, follows the reporting principles established by the International Integrated Reporting Council (IIRC) and provides information on the Council, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies.

The Council originally entered into a shared services partnership with Waveney District Council in 2008 and the long-term success of that arrangement has led to a full merger of the two councils with effect from 1st April 2019, creating East Suffolk Council. The Narrative Report has therefore been prepared in that context, reflecting the outcomes for Suffolk Coastal District Council in 2018/19 and then looking forward from 2019/20 onwards as East Suffolk Council. The following topics are covered:

- **Introducing Suffolk Coastal District Council** – the Council and the district it serves is introduced, including the way in which it is governed and led, and its strategic objectives determined and delivered in partnership with Waveney District Council.
- **Operating Model** – the human and financial resources that the Council has at its disposal and how they are deployed is explained. The external context in which the Council operates is also considered, with particular emphasis on changes in the local government sector and society in general, which are having a major impact on the future supply and demand for resources.
- **Council Performance 2018/19** – financial performance for the year both in revenue and capital terms and non-financial performance during the year. The strength of the Council’s balance sheet is also considered at the year-end through an assessment of the level of reserves and balances held.
- **Risks and Opportunities** – the corporate risks and opportunities faced by East Suffolk Council from 1st April 2019 and the way in which they are being managed and explored; and
- **Looking Forward** – East Suffolk Council from 1st April 2019, including a high-level overview of the financial picture in terms of revenue and capital.

2. Introducing Suffolk Coastal District Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and seven district councils. This will reduce to five from 2019/20 due to the creation of East and West Suffolk Councils from 1st April 2019. The County Council administers services such as education, waste disposal and social services across the whole of Suffolk, whereas locally, Suffolk Coastal District Council operates a range of services including building regulation, burials/cremations, community safety, the administration of council tax and business rates, environmental health, electoral administration, licensing, sports facilities, housing, street cleaning and refuse collection.

The district of Suffolk Coastal sits in the east of the County, has a population of 129,016 (ONS, 2017) and covers an area of 88,938 hectares (891km²) and 53km of open coast. It is an attractive place to live and work, attracting tourism and visitors and combining a strong economy with a natural and built environment.

The district also includes the Port of Felixstowe, which is a major gateway for Britain to Europe and the world and increasingly important post Brexit. The district is also increasingly becoming a major energy supplier to the whole of Britain. The expansion of the long-established Sizewell Nuclear Power Station, which sits within the district boundary, continues and is being joined by major offshore developments (driving onshore infrastructure developments) in the fields of energy generation from wind, wave and gas.

Political Leadership

In 2018/19 the Council was governed by 42 Councillors, covering 26 electoral wards. The make up of the Council in 2018/19 was:

Conservative Party

37 Councillors

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Liberal Democrat Party	2 Councillors
Independent	2 Councillors
Labour Party	1 Councillor

Executive Leadership

In 2008 Suffolk Coastal entered a “shared services” partnership with neighbouring local authority Waveney District Council, initially through the appointment of a joint Chief Executive. The partnership extended to a shared senior management team in 2010 with the majority of services now jointly delivered. The senior management team work closely with Councillors to ensure that each council delivers its corporate priorities and comprises a Chief Executive, two Strategic Directors and eleven Heads of Service, collectively known as the “Corporate Management Team” (CMT). Separately, the Chief Executive and Strategic Directors make up the Strategic Management Team (SMT). SMT is led by the Chief Executive and takes responsibility for the whole workforce, providing strategic direction and leadership. Heads of Service support SMT in the overall management of both councils and individually they provide direct management of their individual service areas.

A Shared Vision for East Suffolk Council

The districts of Suffolk Coastal and Waveney have much in common, with both partners – as well as sharing services – having a shared interest and purpose in the future prosperity of East Suffolk. This led to the development of “East Suffolk Means Business” (2015 – 2023), a combined Business Plan, setting out a shared vision “to maintain and sustainably improve the quality of life for everybody growing up in, living in, working in and visiting East Suffolk”.

The Business Plan outlines three “Strategic Deliverables” as follows:

- Economic Growth – “we will encourage a strong local economy which is essential for vibrant communities”
- Enabling Communities – “together we can improve services, build resilient communities and make life better for everyone”
- Financial Self-Sufficiency – “driving down costs and becoming even more business-like and entrepreneurial in our approach”.



Critical Success Factors

Underpinning the three Strategic Deliverables, are 10 “Critical Success Factors” that support the delivery of the shared vision for East Suffolk.

Critical Success Factors

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Description	Discussion
Economic Development and Tourism	A strong, sustainable, and dynamic local economy offering our communities more stable, high quality and high value jobs, with increased opportunities for all.
Leisure	Increased access to quality leisure, cultural facilities and activities that support and promote healthier lifestyles.
Planning	Well managed development of sustainable, thriving communities, with the quality facilities and services needed for a growing economy, whilst preserving the historic and natural environment.
Housing	Improved access to appropriate housing to meet existing and future needs, including more affordable homes for local people.
Benefits	Timely access to welfare benefits for those in need within our communities.
Customers	Putting customers first in the planning and design of services and making improvements to services following customer feedback. Ensuring services and information are easily accessible through different communication channels, with customers receiving a consistent, accurate and holistic service at the first point of contact.
Communities	A diverse mix of resilient and supportive communities that value their rural and coastal heritage; which feel engaged, valued and empowered; and where people's needs are met and where they can make a difference to their community.
Community Health	Enabling people to take responsibility for their own mental and physical well-being, helping them to live active and healthy lives, while remaining safe within their homes and communities.
Green Environment	Protecting, enhancing and making sustainable use of our environment, including managing the effects of our changing coastline.
Resources	Delivering a more business-like approach, directing resources to support the delivery of key services, while providing the best possible quality and performance.

Service Delivery: a tailored approach

Shared services has been very effective in driving out combined savings of over £22m since 2008 and protecting public services in East Suffolk, with the delivery of better outcomes for residents and maximising value-for-money being the overriding consideration in determining service delivery arrangements. A tailored approach is adopted with directly delivered services operating alongside services delivered through third parties and joint arrangements. Examples include:

- **Direct Services** – Community Development, Customer and Support Services, Economic Development, Environmental Services, Housing, Licensing and Planning.
- **Third Party Services** – Car Parks, Facilities Management, Refuse Collection, Grounds Maintenance (all through Suffolk Coastal Norse Limited) and Leisure (through Places Leisure); and
- **Joint Arrangements** – Building Control and Internal Audit (both in partnership with *Ipswich Borough Council*), Coastal Management (through the *Coastal Partnership East*), and Revenues and Benefits (through the *Anglia Revenues Partnership*).

3. Operating Model

The way in which the Council operates, deploying and consuming available resources – both human and financial – ultimately determines the outcomes achieved for local residents through the services it provides. It is a dynamic model that changes over time, and adapting to changes in the supply of, and demand for, resources is a major challenge in an era of 'austerity' and a changing society.

Human Resources

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As at 31st March 2019, there were 297.6 full-time equivalent staff employed by Suffolk Coastal; a wide range of professional teams, delivering a diverse range of services.

Corporate Values: 'how' the work is done

Each staff member is expected to demonstrate a set of core behaviours which define 'how' – as employees – they should approach their work. The behaviours sit alongside 'what' they do and are designed to encourage every member of staff to reach their potential, reflecting five corporate values – "Proud", "Dynamic", "Truthful", "Good Value" and "United".



Performance and Development

The Council recognises that developing the capability of its People, its Leaders and its Culture is vital to the achievement of organisational priorities. To this end, the East Suffolk People Strategy includes a new approach to managing performance and personal development called "My Conversation". My Conversation allows the Council to constantly gauge progress against Service and Business Plans, ensuring that staff can develop the skills and behaviours required to undertake their roles and successfully meet future challenges. The approach can be distinguished from the traditional annual appraisal system and is about continuous and ongoing performance management, providing regular feedback, recognition and personal development.

The system is supported by real investment in training and development whereby a number of options are offered ranging from on the job coaching (including an in-house apprenticeship scheme) through to external courses.

The breadth of the Council services means that training and development has to be carefully tailored. Professionals from many different fields are employed, for example Accountancy, Legal, Human Resources, Environmental Services and Planning. Professional staff are required to complete continuous professional development, which needs to be factored in alongside personal and organisational development. The workforce also includes large teams of customer facing staff including Customer Service Advisors and with our service delivery partners, Leisure Assistants and Refuse Workers.

External Environment

The Council is committed to ensuring that its services evolve and adapt to meet the needs of a constantly changing world. The pace of change in local government has quickened in the last decade, in an age of austerity and ongoing major demographic changes.

Local Government: the funding shift

The Council signed up to a four-year financial settlement from the Government for the period 2016/17 – 2019/20. Whilst this brought a welcome degree of certainty compared to the previous annual settlements, the 'deal' also entailed progressive reductions to core funding for the Council. The Government's aim is to phase out non-specific grant funding completely, e.g. Revenue Support Grant (RSG), and to support local authorities generating additional income locally via council tax, retaining a higher proportion of business rates and fees and charges.

New Homes Bonus (NHB) funding was introduced in 2011 to provide an incentive for local authorities to encourage housing growth, including bringing empty homes back into use. NHB has become an extremely important source of funding for the Council, which it sets aside for allocation to community initiatives and projects. The Government modified the scheme from 2017/18, which saw 'legacy payments' reduce from five to four years in 2018/19 and the introduction of a baseline for housing growth (currently 0.4%). The Government has retained the option to review and make adjustments to NHB in future years to consider how to effectively incentivise housing growth.

Changing Demographics: the impact on services

Commenting on the draft local government finance settlement for 2019/20 announced in December 2018, the Institute for Fiscal Studies said that the Government's plans meant that funding per person will be 4% lower per person in real terms in 2019/20 compared to 2015/16, and approximately 25% lower than in 2010/11. By common consensus, the pressure is felt most acutely and directly by authorities responsible for providing adult social care services.

Adult social care services in Suffolk are provided by Suffolk County Council. It is a service experiencing an ever-increasing demand from a rising elderly population. The Office for National Statistics (ONS) predicts that – by 2039 – 1 in 3 of the Suffolk population will be aged 65+ (compared to 1 in 4 for England as a whole).

A rising number of older residents has many implications across most of the Council's services, ranging from Housing (e.g. ensuring future housing supply adequately supports independent living) and Benefits (as people live longer, often on low incomes) through to Leisure Services (aimed at maintaining healthy and active lives in later life) and Waste Collection (e.g. assisted bin collections).

4. Council's Performance

Achievements in 2018/19

The Council's Performance Report is reported quarterly to the Council's Cabinet Committee. The report captures how the Council is performing against the strategic deliverables within the East Suffolk Business Plan, Key Performance Indicators (KPIs), financial updates, corporate risks, corporate projects, corporate activities and performance of partners. Achievements to highlight:

- ✓ In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £2.297m. This is to provide funding towards projects with a strong commitment to a range of actions across economic development, housing, leisure and communities.
- ✓ Funding of £0.075m has been awarded from the Coastal Revival Fund for the Deben and Leiston Coastal Community Teams. Funding for the Deben Coastal Community Team is to support the commission of a feasibility and condition survey of the Tin Chapel at Bawdsey. The funding for the Leiston Coastal Community Team is to create an information point for visitors and residents within the town's cinema.
- ✓ As part of the continued quarterly business support programme at Innovation Martlesham, the third Knowledge Sharing event was held on 19th February 2019. This ambitious programme aims to provide expert insight for local businesses on a range of priority topics and is hosted by the local tech cluster Innovation Martlesham.
- ✓ £1.266m of income was generated through project work and external funding. The largest being £0.950m from the Coastal Communities Fund for the second phase of a wider development programme to transform Felixstowe's south seafront. The funding will seek to deliver a modern, iconic, high quality visitor destination centre on the seafront providing a café/restaurant, improved access and community use of the recently restored Martello Tower 'P' (a Scheduled Monument and Grade II listed), and develop a business support package for new start-up and existing businesses in the area.
- ✓ Screen Suffolk developed a new interactive map for all their locations with each one listed by the type of building or period making it easier to see what is available in the County. The district has seen close to 60 days of filming throughout 2018/19 on the Council land and property or at private locations.
- ✓ Ongoing support is being given to the Connected Towns Pilot project which is bringing together a number of different, but complementary, initiatives and projects seeking to improve the viability and sustainability of towns across the district. The pilot is currently underway in Framlingham and includes providing enhanced broadband and Wi-Fi infrastructure and business support measures around the use of cashless technology and digital marketing.

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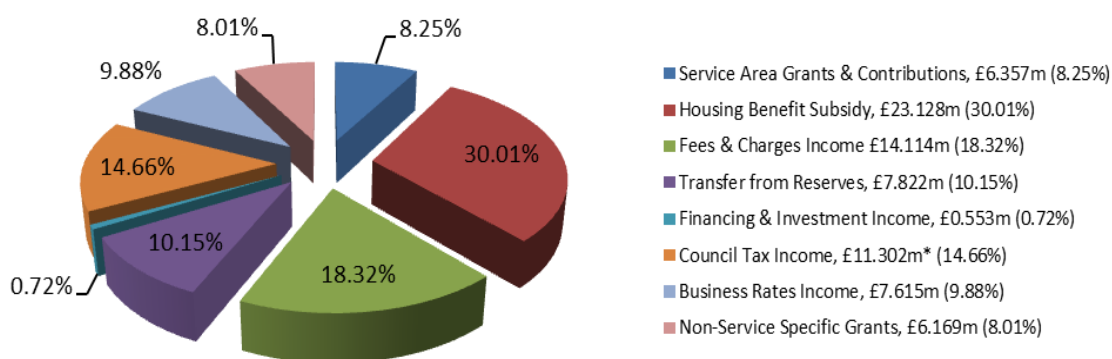
- ✓ £0.110m of East Suffolk Partnership (ESP) funding was made available to tackle social isolation amongst older people and families on low income in 'hot spot' areas identified through the ESP Hidden Needs mapping, which is being used as an example of good practice at a county level.
- ✓ Three Crucial Crew Plus events have been held, two in Leiston and one in Saxmundham, building on the pilot held at Alde Valley Academy. The events are aimed at older young people (13-15-year olds) which included hard hitting sessions on online safety, healthy relationships, drugs and alcohol, self harm and gangs, including follow-up sessions with professional support workers.
- ✓ Leisure facilities participation saw a 16% increased against the target for the year and membership sales also saw an increase (45% against the annual target), mainly due to refurbishment of the Deben Leisure Centre.
- ✓ Over 500 new homes (net dwellings) completed.

Financial Performance in 2018/19

Revenue Income and Expenditure

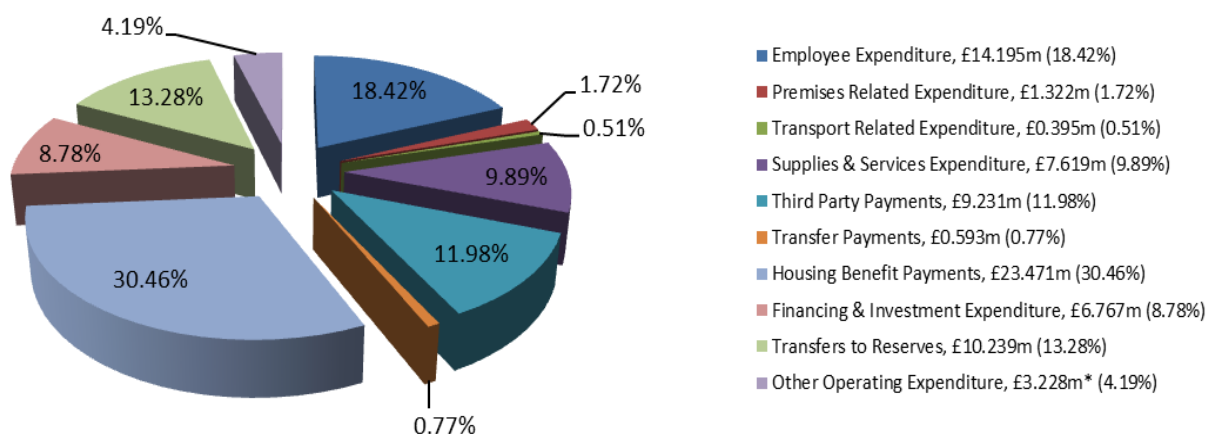
The following two charts show the sources of income to the Council during the year and how the income has been spent (excluding accounting adjustments required by Internal Financial Reporting Standards).

Sources of income in 2018/19



* £11.302m of Council Tax income, includes £3.128m of income relating Parishes (paid over as Parish Precepts)

How the money has been spent in 2018/19



* £3.228m of Other Operating Expenditure, includes £3.128m of Parish Precepts

The table below provides the revenue outturn position for the Council for 2018/19, compared to the In-Year forecast position. The original budget position was approved by Full Council on 22nd February 2018. The Surplus/Deficit on the Provision of Services represents the net movement on the Council's reserves for the year (Note 8 to the Financial Statements). The sub-totals in the table cross reference to the Expenditure and Funding Analysis (EFA) in the Financial Statements. However, within the Net Cost of Service, the total by Service Area will

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differ to those shown in the EFA. This is due to The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities, and some transactions have to be analysed differently in the Financial Statement than when they are reported in the budget and for the purpose of internal financial management reporting.

Service Area	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Actual £'000	2018/19 Variance £'000
Communities	723	766	(85)	(851)
Customer Services	517	521	535	14
Economic Development and Regeneration	997	994	809	(185)
Environmental Services and Port Health	(652)	(403)	(504)	(101)
Financial Services, Corporate Performance and Risk Management	494	541	296	(245)
Housing Operations and Landlord Services	724	689	719	30
ICT Services	1,180	1,193	1,054	(139)
Internal Audit	294	236	240	4
Legal and Democratic Services	1,038	1,330	1,316	(14)
Operations	4,884	4,977	5,397	420
Planning and Coastal Management	730	870	756	(114)
Revenue and Benefits	473	908	517	(391)
Senior and Corporate Management	1,125	1,109	877	(232)
	12,527	13,731	11,927	(1,804)
Pension Backfunding	1,300	1,300	1,300	0
Accounting Adjustment (Impairment Loss)	0	0	(54)	(54)
Accounting Adjustment (Pension Adjustment IAS19)	0	0	3,738	3,738
Net Cost of Service	13,827	15,031	16,911	1,880
Other Operating Expenditure				
Parish Precepts	3,130	3,130	3,128	(2)
Levies	100	110	107	(3)
Other Operating Expenditure	0	0	(7)	(7)
Total of Other Operating Expenditure	3,230	3,240	3,228	(12)
Financing and Investment Income and Expenditure				
Direct Revenue Financing	0	8,361	6,657	(1,704)
Interest Receivable and Similar Income	(200)	(370)	(553)	(183)
Interest Payable and Similar Charges	8	8	110	102
Accounting Adjustment (Impairment Loss)	0	0	54	54
Accounting Adjustment (Pension Adjustment IAS19)	0	0	(3,738)	(3,738)
Total Financing and Investment Income and Expenditure	(192)	7,999	2,530	(5,469)
Taxation and Non-Specific Grant Income				
Council Tax Income	(11,303)	(11,303)	(11,302)	1
Business Rates Income	(5,231)	(9,325)	(7,615)	1,710
Section 31 Grant (Business Rates)	(1,321)	(3,567)	(4,143)	(576)
New Homes Bonus Grant	(1,844)	(1,844)	(1,844)	0
Revenue Support Grant	(168)	0	0	0
Other Non-Specific Grants	(289)	(108)	(182)	(74)
Total Taxation and Non-Specific Grant Income	(20,156)	(26,147)	(25,086)	1,061
(Surplus) or Deficit on Provision of Services	(3,291)	123	(2,417)	(2,540)
Net Transfer to/(from) Earmarked Reserves in the Year	3,291	(123)	2,417	2,540

In 2018/19 the Council has been able to transfer £1.969m to the In-Year Savings Reserve. The In-Year Savings Reserve was previously created to provide funding for future year budget shortfalls.

Communities received £0.549m of Social Prescribing Transformation funding from NHS Ipswich and East Suffolk Clinical Commissioning Group (CCG) and a further £0.155m of external funding for other community projects, for

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example the Hidden Needs Project. This funding was not anticipated as part of the budget, hence contributing in the main to the £0.851m favourable variance on Communities at the year end.

The £1.710m unfavourable variance on Business Rates income for the year is due to a higher than expected Levy payment to the Suffolk Pool, of £1.962m. This is the result of a decrease in the provision for appeals. Due to accounting timing differences, the impact on the Collection Fund deficit/surplus will not be reflected in the General Fund until two years time (2021). The 2018/19 planned transfer to the Business Rates Equalisation Reserve has been reduced to finance this temporary shortfall in Business Rates income. The reason for the decrease to the appeals provision is explained further in this report under 'Provisions and Contingencies'.

An outturn report for 2018/19 will be presented to East Suffolk Council's Cabinet meeting on 8th July 2019.

Capital Programme

The successful delivery of many of the Council services also relies on the acquisition and maintenance of fixed assets such as land, buildings and equipment. Acquisitions and expenditure which enhance the value of assets is funded through capital expenditure, whereas maintenance (which maintains, rather than adds value) is funded through (General Fund) revenue expenditure.

Capital budgets are approved for the life of the project which can span more than one financial year. Any capital budgets for a project that remain unspent at the end of the financial year are carried forward to the following year. Similarly, with projects that are ahead of the original profile, budgets can be brought forward. The table below summarises the capital programme expenditure and financing for 2018/19. £1.5m of the variance at the end of the year is due to projects being rephrased to 2019/20 and the budgets will be carried forward accordingly.

The outturn report presented to Cabinet on 8th July 2019 will provide further information on the Capital Programme performance in 2018/19.

Service Area	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Outturn £'000	2018/19 Variance £'000
Environmental Services & Port Health	40	235	134	(101)
Financial Services, Corporate Performance & Risk Management	5,170	635	51	(584)
ICT Services	32	390	390	0
Operations	7,217	7,468	6,062	(1,406)
Planning & Coastal Management	40	110	20	(90)
Total General Fund Capital Expenditure	12,499	8,838	6,657	(2,181)
Financed By:				
<u>External:</u>				
Grants	40	75	0	(75)
<u>Internal:</u>				
Reserves	12,459	8,763	6,657	(2,106)
Total General Fund Capital Financing	12,499	8,838	6,657	(2,181)

Reserves and Balances

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. The Council has a policy of maintain the level of General Fund balance at around 3% to 5% of its budgeted gross expenditure. The General Fund balance is established as part of the Medium-Term Financial Strategy process and takes account of the strategic, operational and financial risks facing the Council. No movements to or from the General Fund balance have been made in 2018/19 and as at 31st March 2019 the balance is held at £4.00m.

The Council holds a number of Earmarked Revenue Reserves which have been established to meet known or predicted liabilities or to hold balances of grants and external funding which is committed to future year spend. The Council annual reviews its reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As at the 31st March 2019 the total balance on Earmarked Reserves stood at £33.088m, an increase of £2.417m on the previous year. Earmarked Reserves to highlight include:

- **Business Rates Equalisation Reserve (Balance as at 31st March 2019, £7.675m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in particular in relation to Business Rates appeals and for year-end surpluses/deficits needing to be estimated in advance.
- **Port Health Reserve (Balance as at 31st March 2019, £4.623m)** – Port Health is a ring-fenced account within the General Fund. This reserve is Port Health income held to provide a source of finance support for future investment and development of the Council's infrastructure at the Port of Felixstowe.
- **In-Year Savings Reserve (Balance as at 31st March 2019, £4.537m)** – This is prior year savings set-aside to support future year budget pressures. Use of this reserve is planned in 2019/20 as presented in the East Suffolk Council Budget for 2019/20 (Shadow Council meeting on 28th February 2019).
- **New Homes Bonus (Balance as at 31st March 2019, £3.515m)** – New Homes Bonus funding is allocated to fund specific community initiatives and projects. Any unallocated in-year funding is held in this reserve. It has been agreed as part of the East Suffolk Budget for 2019/20 for this approach to continue from 1st April 2019.
- **Business Rate Pilot Reserve (Balance as at 31st March 2019, £1.580m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £2.297m. This income has been transferred to this reserve and is to be used to provide funding for agreed projects (£0.717m used in 2018/19).

A summary of the movements on Earmarked Reserves is provided in Note 8 to the Statement of Accounts.

Interests in Companies and Other Entities

Suffolk Coastal District Council has held a 20% share of Suffolk Coastal Norse Limited (Ltd) since 1st April 2009. Suffolk Coastal Norse Ltd provides a package of services including refuse, cleansing and maintenance. Payments made to Suffolk Coastal Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council's Statement of Accounts. Total payments to Suffolk Coastal Norse Ltd were £8.514m in 2018/19 (£8.183m in 2017/18).

Pension Liabilities

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

The Pensions Liability in the balance sheet reflects the underlying commitments that the Council has in the long term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £33.389m in 2018/19 (£28.380m in 2017/18). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. The overall increase of £5.009m in the liability is primarily due to financial assumptions at 31st March 2019 being less favourable than at 31st March 2018.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31st March 2016 and the next review will be carried out during 2019/20 with an effective date of 31st March 2019.

Provisions and Contingencies

As part of the National Non Domestic Rates (NNDR1) return in January 2018, the Council had to estimate the business rates income expected to be received in 2018/19 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance and trend analysis which was 4.04% of appeals that had been lodged with the Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015 or backdated to 1st April 2015 before 31st March 2017.

For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. A provision of 4.04% has been calculated for the two large hereditaments within the Council's valuation list. For the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 4.04% trend analysis and then finally take 25% of the value as the provision. The provision for Business Rates appeals has decreased by £1.596m, as shown in the Collection Fund Note to the Financial Statements.

5. Risks and Opportunities

NARRATIVE REPORT

Risks

The Council does have a Corporate Risk Management Strategy which has been adopted for East Suffolk Council from 1st April 2019. The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. A detailed review of all corporate risks is undertaken quarterly by Corporate Management Team at Corporate Governance Days and the Corporate Risk Management Group is held every six months to manage, monitor and consider risks including the management of the risk process. All Corporate Risks, significant for the Council, are reported to the Audit and Governance Committee in March. The high-level details as at 31st March 2019 are:

Corporate Risk	Current rating	Target rating	Projected Direction
Medium Term Overview	Amber	Green	→
Asset Management Strategy	Amber	Green	↑
ICT (including Disaster Recovery for ICT)	Amber	Amber	→
Programme and Project Delivery	Amber	Green	↑
Digital Transformational Services	Amber	Green	↑
Welfare Reform (Universal Credit) Impact	Amber	Green	→
Housing Development Programme	Amber	Green	↑
Safeguarding	Amber	Green	→
General Data Protection Regulation	Amber	Green	→
Brexit	Amber	Green	→
Service Delivery Contracts / Partnerships (<i>large/'significant'</i>)	Amber	Green	↑
Service Delivery Contracts / Partnerships (<i>'other'</i>)	Green	Green	↑
'One Council' East Suffolk Council	Green	Green	↑
Ethical Standards (maintain and promote)	Green	Green	→
Service Planning	Green	Green	↑
East Suffolk Business Plan	Green	Green	↑
Capital Programme	Green	Green	↑

Action plans are in place to continue to improve mitigation for cyber threats and risks.

The impact of Brexit is as yet uncertain, but is likely to affect interest and inflation rates, labour costs and property and rental values, as well as the business and tourist economies. A Suffolk wide Brexit group has been set-up at which the Council is represented.

Opportunities

Looking forward to East Suffolk Council from 1st April 2019 will provide further opportunities for cash savings and non-cash efficiency savings. It will place the Council in the best position to take advantage of opportunities - ensuring value for money for residents and become more financially resilient.

East Suffolk is recognised by many as an economic powerhouse area, with many major assets located in the district such as Felixstowe Port, BT's global Research and Development Head Quarters, offshore wind sector and nuclear energy (Sizewell Power Plant). Developments likely to bring significant economic and employment opportunities for the district include:

- The Port of Felixstowe is now the largest container port in the UK and further expansion (especially in supporting infrastructure) is planned; and
- Sizewell Power Plant major expansion - development of "Sizewell C", a third Nuclear Power Station on the site.

Lowestoft, along with neighbouring Great Yarmouth Borough Council, are one of only six locations in England that have been designated as a Centre for Offshore Renewable Engineering (CORE) status by the Government. CORE status is awarded through recognising the existing port infrastructure, skills, supply chain and Local Government support to enable rapid growth within the offshore wind sector.

Tourism is an important part of the Council's economy. Visitors are attracted by the character, culture, festivals, music, art, food, drink, clean beaches and spectacular coastline, with areas of the district designated as Areas of Outstanding Natural Beauty (AONB).

The Council will also be able to increase its ability to extend social housing, with the Housing Revenue Account (formerly part of Waveney District Council) being able to operate in the new East Suffolk district from 1st April 2019.

6. Looking Forward

Since the two Councils started working in partnership in 2008, over £22m of efficiency savings have been made whilst maintaining a reputation for delivering a high standard of service. With the creation of a single council from 1st April 2019, it will provide opportunities for East Suffolk Council to realise further cost savings through a reduction in external costs whilst operating as two separate legal entities and being able to renegotiate contracts.

Additional non-cashable savings will be achievable due to the removal of duplication of time and effort by officers, with capacity and resources being released to deliver more for the residents. With a combined population of almost 247,000 and covering an area of 487 square miles, East Suffolk Council will be the largest district council in the country and will be able to develop a stronger voice to represent its residents, businesses and communities.

The East Suffolk General Fund budget for 2019/20 was approved by Shadow Council on 28th February 2019 and presented the Medium-Term Financial Strategy (MTFS) through to 2022/23. To deliver a balanced budget for 2019/20, £3.019m is planned to be used from the In-Year Savings Reserve. Going forward, the MTFS for 2020/21 currently reports a budget gap of £3.841m, increasing to £3.872m by 2022/23.

Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally generated resources, with an accompanying transfer of both risk and opportunity. The Government is working towards significant reform of the local government finance system from 2020/21, which creates uncertainty for the Council going forward. In the current MTFS the Council has assumed no core funding from 2020/21 onwards in the form of RSG and Rural Services Delivery Grant (total of £0.571m in 2019/20).

Also, due to the high degree of uncertainty regarding the future reform of the local government financing system, business rates income above baseline has not been included in the East Suffolk Council MTFS from 2020/21.

In January 2019 a General Fund Capital Programme of £153m was approved for East Suffolk Council for the period 2019/20 to 2022/23, including:

- Redevelopment of Leiston Leisure Centre – continuing to build on the Council’s commitment to improve leisure facilities in the district and to encourage active lifestyles for residents,
- Flood Risk Management/Tidal Barrier – Lowestoft tidal barrier is a major project to construct a permanent tidal wall to protect Lowestoft from future tidal surges,
- Normanston Footbridge (£1.7m) – a new pedestrian/cycle bridge over the railway adjacent to the existing Network Rail bridge,
- Commercial Investment – £5m has been set aside for East Suffolk Council to deliver commercial investment plans. The Council’s Commercial Investment Strategy has now been developed into a business case advocating a wide-ranging commercial investment and trading delivery approach, including the creation of a Local Authority Trading Company (LATCO). This is due to be progressively phased in during 2019/20; and
- Land Acquisitions – £5m has been allocated to finance strategic land acquisitions, aimed at advancing the Council’s housing and regeneration priorities.

The capital expenditure is financed from a combination of external grants and contributions, borrowing and the Council’s own financial resources.

East Suffolk Council is faced with exciting opportunities but also some challenges, from a national and local level. At a national level it is the financial uncertainty surrounding the Government’s reform of the local government financing system and the impact of Brexit. At a local level, the district has areas presenting economic challenges and it will be imperative for the Council to ensure that its planning policies continue to support a proportionate and sustainable growth in employment, the local economy, housing and transport and communications infrastructure.

The Council will need to respond in increasingly innovative ways to support its communities and maintain the momentum of improvement over the medium and longer term. Overall, the Council’s budget is robust, and it has sufficient earmarked and general balances to manage key risks and challenges and deliver on a range of ambitions. However, it is important that the Council recognises the risks to incentivised income areas outside of the budget itself and does not become over reliant on these sources to both balance the budget and to finance its longer-term ambitions. It is imperative that the Council’s commitment to strong financial governance is maintained and strengthened.

7. Covid-19, Going Concern Issues, and Looking Forward

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

As a result of the final version of these statements being approved in September 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Suffolk Coastal DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

NARRATIVE REPORT

	Covid-19 Impact (as at 17 July 2020)					
	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
General Fund						
Total Cost Pressure	43	1,356	0	0	0	0
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	363	8,988	3,250	1,152	652	152
Net Impact (before Government Funding)	406	10,344	3,250	1,152	652	152
Government Funding Received & Forecast	(122)	(6,323)	0	0	0	0
Net Impact (before Government Funding) *	284	4,021	3,250	1,152	652	152
<i>* Subject to continuous review and therefore change</i>						

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium-Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
MTFS Forecast - East Suffolk					
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	0	(4,884)	0	0	0
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	4,021	3,716	7,315	7,328	6,828
<i>* See previous table for Covid-19 impact</i>					

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

NARRATIVE REPORT

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

STATEMENT OF RESPONSIBILITIES

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 Council, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.



Councillor Geoff Lynch

Chairman of Audit & Governance Committee, East Suffolk Council – 9th December 2020

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

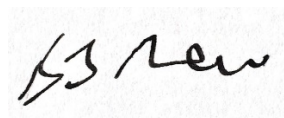
- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent; and
- compiled with the local authority Code.

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2019 and its income and expenditure for the year ending on that date.



Brian Mew (CPFA)

Chief Finance Officer and S151 Officer, East Suffolk Council – 9th December 2020

EXPENDITURE AND FUNDING ANALYSIS NOTE

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This is not a primary statement.

Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2018/19 (Note 7)				Net Expenditure Chargeable to General Fund Balance £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2017/18 (Note 7)				Net Expenditure Chargeable to General Fund Balance £'000	
	Adjustments between the Funding & Accounting Basis							Adjustments between the Funding & Accounting Basis					
	Capital £'000	Pensions £'000	Other £'000	Total Adj £'000				Capital £'000	Pensions £'000	Other £'000	Total Adj £'000		
10	-	113	-	113	123	Communities	222	-	124	-	124	346	
601	-	81	-	81	682	Customer Services	429	-	65	-	65	494	
1,192	(238)	95	-	(143)	1,049	Economic Development and Regeneration	2,243	(1,731)	81	-	(1,650)	593	
(61)	(10)	533	-	523	462	Environmental Services and Port Health	(282)	-	516	-	516	234	
711	(159)	1,376	-	1,217	1,928	Financial Services, Corporate Performance and Risk Management	181	(7)	1,474	-	1,467	1,648	
813	(123)	103	-	(20)	793	Housing Operations and Landlord Services	614	(46)	87	-	41	655	
1,287	(156)	94	-	(62)	1,225	ICT Services	1,348	(151)	90	-	(61)	1,287	
301	-	75	-	75	376	Internal Audit	283	-	71	-	71	354	
1,413	(1)	109	-	108	1,521	Legal and Democratic Services	1,153	(2)	94	-	92	1,245	
6,599	(1,492)	38	-	(1,454)	5,145	Operations	9,154	(3,198)	24	-	(3,174)	5,980	
1,716	(740)	337	-	(403)	1,313	Planning and Coastal Management	1,282	(743)	315	-	(428)	854	
667	-	184	-	184	851	Revenue and Benefits	500	(2)	191	-	189	689	
1,193	-	193	-	193	1,386	Senior and Corporate Management	1,204	-	165	-	165	1,369	
16,442	(2,919)	3,331	-	412	16,854	Cost of Services	18,331	(5,880)	3,297	-	(2,583)	15,748	
4,557	(1,329)	-	-	(1,329)	3,228	Other Operating Expenditure	3,435	(378)	-	-	(378)	3,057	
424	7,566	(4,479)	(72)	3,015	3,439	Financing and Investment Income and Expenditure	674	3,048	(4,333)	-	(1,285)	(611)	
(32,861)	3,565	-	3,896	7,461	(25,400)	Taxation and Non-Specific Grant Income	(26,900)	3,657	-	644	4,301	(22,599)	
(11,438)	6,883	(1,148)	3,824	9,559	(1,879)	(Surplus) on Provision of Services	(4,460)	447	(1,036)	644	55	(4,405)	
						(34,672)	Opening General Fund Balance						(30,267)
						(1,879)	Plus (Surplus) on General Fund Balance in Year						(4,405)
						(36,551)	Closing General Fund Balance at 31 March						(34,672)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Group includes the Council's share of the Suffolk Coastal Norse Ltd profits and tax expenses.

	Authority						Group	
	2018/19			2017/18			2018/19	2017/18
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services								
Communities	1,729	(1,719)	10	3,004	(2,782)	222	10	222
Customer Services	612	(11)	601	454	(25)	429	601	429
Economic Development and Regeneration	1,760	(568)	1,192	3,007	(764)	2,243	1,192	2,243
Environmental Services and Port Health	5,646	(5,707)	(61)	5,206	(5,488)	(282)	(61)	(282)
Financial Services, Corporate Performance and Risk Management	1,124	(413)	711	666	(485)	181	711	181
Housing Operations and Landlord Services	2,239	(1,426)	813	1,978	(1,364)	614	813	614
ICT Services	1,318	(31)	1,287	1,417	(69)	1,348	1,287	1,348
Internal Audit	511	(210)	301	499	(216)	283	301	283
Legal and Democratic Services	1,727	(314)	1,413	1,464	(311)	1,153	1,413	1,153
Operations	12,517	(5,918)	6,599	13,363	(4,209)	9,154	6,599	9,154
Planning and Coastal Management	4,179	(2,463)	1,716	3,910	(2,628)	1,282	1,716	1,282
Revenue and Benefits	25,665	(24,998)	667	26,891	(26,391)	500	667	500
Senior and Corporate Management	1,729	(536)	1,193	1,235	(31)	1,204	1,193	1,204
Total Cost of Services	60,756	(44,314)	16,442	63,094	(44,763)	18,331	16,442	18,331

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
	2018/19			2017/18			2018/19	2017/18
	Gross	Gross	Net	Gross	Gross	Net	Net	Net
	Expenditure	Income	Expenditure	Expenditure	Income	Expenditure	Expenditure	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Cost of Services	60,756	(44,314)	16,442	63,094	(44,763)	18,331	16,442	18,331
Other Operating Expenditure (note 11)			4,557			3,435	4,557	3,435
Financing and Investment Income and Expenditure			424			674	424	674
Taxation and Non-Specific Grant Income (note 12)			(32,861)			(26,900)	(32,861)	(26,900)
(Surplus) or Deficit on Provision of Services			(11,438)			(4,460)	(11,438)	(4,460)
Share of (Surplus) / Deficit on the Provision of services by Associate (note 29)			-			-	(1)	(2)
Tax expenses of Associate (note 29)			-			-	2	4
(Surplus) / Deficit			(11,438)			(4,460)	(11,437)	(4,458)
(Surplus) or deficit on revaluation of non-current assets (note 20)			(2,604)			(1,644)	(2,604)	(1,644)
(Surplus) or deficit on revaluation of available for sale financial assets			(109)			109	(109)	109
Remeasurement of the net defined benefit liability / (asset) (note 20)			3,860			(3,695)	3,860	(3,695)
Other Comprehensive Income and Expenditure			1,147			(5,230)	1,147	(5,230)
Total Comprehensive Income and Expenditure			(10,291)			(9,690)	(10,290)	(9,688)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e. including Suffolk Coastal Norse Ltd), analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Council's share of Reserves of Associate £'000	Total Reserves £'000
Balance at 31 March 2017	(4,195)	(26,072)	(424)	(4,656)	(35,347)	(25,794)	(61,141)	223	(60,918)
<u>Movement in reserves during 2017/18</u>									
(Surplus) or deficit on provision of services	(4,460)	-	-	-	(4,460)	-	(4,460)	-	(4,460)
Other Comprehensive Expenditure and Income	-	-	-	-	-	(5,230)	(5,230)	-	(5,230)
Total Comprehensive Expenditure and Income	(4,460)	-	-	-	(4,460)	(5,230)	(9,690)	-	(9,690)
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 29)	-	-	-	-	-	-	-	2	2
- Share of Actuarial Gains/Losses (note 29)	-	-	-	-	-	-	-	(96)	(96)
Net (Increase) / Decrease before Transfers	(4,460)	-	-	-	(4,460)	(5,230)	(9,690)	(94)	(9,784)
Adjustments between accounting basis and funding basis under regulations (note 9)	56	-	424	(2,636)	(2,156)	2,156	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(4,404)	-	424	(2,636)	(6,616)	(3,074)	(9,690)	(94)	(9,784)
Transfer to / from Earmarked Reserves (note 10)	4,599	(4,599)	-	-	-	-	-	-	-
(Increase) / Decrease in Year	195	(4,599)	424	(2,636)	(6,616)	(3,074)	(9,690)	(94)	(9,784)
Balance at 31 March 2017 carried forward	(4,000)	(30,671)	-	(7,292)	(41,963)	(28,868)	(70,831)	129	(70,702)
Balance at 31 March 2017 brought forward	(4,000)	(30,671)	-	(7,292)	(41,963)	(28,868)	(70,831)	129	(70,702)

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Council's share of Reserves of Associate £'000	Total Reserves £'000
Movement in reserves during 2018/19									
(Surplus) or deficit on provision of services	(11,438)	-	-	-	(11,438)	-	(11,438)	-	(11,438)
Other Comprehensive Expenditure and Income	-		-	-	-	1,147	1,147	-	1,147
Total Comprehensive Expenditure and Income	(11,438)	-	-	-	(11,438)	1,147	(10,291)	-	(10,291)
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 29)	-	-	-	-	-	-	-	1	1
- Share of Actuarial Gains/Losses (note 29)	-	-	-	-	-	-	-	214	214
Net (Increase) / Decrease before Transfers	(11,438)	-	-	-	(11,438)	1,147	(10,291)	215	(10,076)
Adjustments between accounting basis and funding basis under regulations (note 9)	9,561		(50)	(3,994)	5,517	(5,517)	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(1,877)	-	(50)	(3,994)	(5,921)	(4,370)	(10,291)	215	(10,076)
Transfer to / from Earmarked Reserves (note 10)	1,878	(1,878)	-	-	-	-	-	-	-
(Increase) / Decrease in Year	1	(1,878)	(50)	(3,994)	(5,921)	(4,370)	(10,291)	215	(10,076)
Balance at 31 March 2019 carried forward	(3,999)	(32,549)	(50)	(11,286)	(47,884)	(33,238)	(81,122)	344	(80,778)

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date, which is 31st March each year. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable Reserves can be found at the bottom of this Balance Sheet and Unusable Reserves held by the Group are contained within Note 20 to the Council's Core Financial Statements.

	Note	Authority		Group	
		2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Property, Plant and Equipment	13	60,007	54,462	60,007	54,462
Heritage Assets		353	353	353	353
Intangible Assets		187	288	187	288
Long Term Investments	14 + 31	7,429	2,401	7,429	2,401
Investment in Associate	29	-	-	(344)	(129)
Long Term Debtors	30	1,093	1,904	1,093	1,904
Long Term Assets		69,069	59,408	68,725	59,279
Short Term Investments	14	50,646	44,116	50,646	44,116
Current Assets held for sale	16	2,144	2,144	2,144	2,144
Inventories		-	-	-	-
Short Term Debtors	15	14,089	9,798	14,089	9,798
Cash and Cash Equivalents	Cash Flow	13,600	7,583	13,600	7,583
Current Assets		80,479	63,641	80,479	63,641
Short Term Creditors	17	(28,811)	(18,287)	(28,811)	(18,287)
Short Term Capital Grants Receipts in Advance	19	(298)	(245)	(298)	(245)
Current Liabilities		(29,109)	(18,532)	(29,109)	(18,532)
Long Term Creditors	14	(288)	(96)	(288)	(96)
Long Term Provisions	18	(3,047)	(2,709)	(3,047)	(2,709)
Long Term Capital Grants Receipts in Advance	19	(2,592)	(2,500)	(2,592)	(2,500)
Other Long Term Liabilities - Pension Liability	27	(33,389)	(28,380)	(33,389)	(28,380)
Long Term Liabilities		(39,316)	(33,685)	(39,316)	(33,685)
Net Assets		81,123	70,832	80,779	70,703
<u>Capital Reserves</u>					
Capital Receipts Reserve		(50)	-	(50)	-
Capital Grants Unapplied Reserve		(11,286)	(7,292)	(11,286)	(7,292)
Earmarked Reserves	10	(2,361)	(275)	(2,361)	(275)
Share of Reserves of Associate	29	-	-	344	129
<u>Revenue Reserves</u>					
General Fund		(3,999)	(4,000)	(3,999)	(4,000)
Earmarked Reserves	10	(30,188)	(30,396)	(30,188)	(30,396)
Total usable reserves		(47,884)	(41,963)	(47,540)	(41,834)
Unusable reserves	20	(33,238)	(28,869)	(33,238)	(28,869)
Total Reserves		(81,122)	(70,832)	(80,778)	(70,703)

B3 New

Brian Mew (CPFA)
Chief Finance Officer and S.151 Officer, East Suffolk Council

9th December 2020

CASH FLOW STATEMENT

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

	2018/19 £'000	2017/18 £'000
Net (surplus) or deficit on the provision of services	(11,438)	(4,460)
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation	(2,573)	(3,030)
- Impairment and Downward valuations	159	(2,556)
- Impairment For Bad Debts	8	-
- Change in Creditors	(3,056)	(721)
- Change in Debtors	4,322	2,655
- Change in Inventory	-	-
- Pension Liability	(1,149)	(1,037)
- Other non-cash items charged to Surplus / Deficit on Provision of Services	(521)	(239)
- Carrying value of Non-Current Assets disposed	(1,379)	(435)
	(4,189)	(5,363)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	5,262	5,030
Net cash flows from Operating Activities	(10,365)	(4,793)
Investing Activities:		
- Purchase of property, plant and equipment, and intangible	5,797	3,659
- Purchase of short-term and long-term investments	259,500	74,000
- Other payments for investing activities	2	3
- Proceeds from the sale of property, plant and equipment, and intangible assets	(50)	(102)
- Proceeds from short-term and long-term investments	(248,000)	(50,500)
- Other receipts from investing activities	(5,254)	(5,472)
	11,995	21,588
Financing Activities:		
- Other receipts from financing activities	(7,684)	(2,556)
- Other payments from financing activities	36	37
	(7,648)	(2,519)
Net increase or decrease in cash and cash equivalents	(6,018)	14,276
Cash and cash equivalents at the beginning of the reporting	(7,583)	(21,859)
Cash and cash equivalents at the end of the reporting period (See below)	(13,601)	(7,583)
- Bank account	4,597	1,575
- Short-term deposits	9,003	6,008
Cash and cash equivalents at the end of the reporting period	13,600	7,583
The cashflows for operating activities include the following items:		
- Interest received	426	240
- Dividends received	108	10

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £1.216m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 21) and Officers Remuneration (Note 24).

Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

On 31 March 2019, the Suffolk Coastal and Waveney districts were abolished as local government areas and the District Councils were wound up and dissolved. All functions and duties were transferred across to East Suffolk Council, which commenced as a new non-metropolitan district council from 1 April 2019. Therefore, there has been a continuation of services and the consideration of going concern going forwards has been considered from the perspective of East Suffolk Council.

As a result of the final version of these statements being approved in November 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Suffolk Coastal DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFs period of 2019/20 to 2024/25.

NOTES TO THE CORE FINANCIAL STATEMENTS

Covid-19 Impact (as at 17th July 2020)			
	Actual 2019/20 £'000	Estimate 2020/21 £'000	Estimate 2021/22 £'000
General Fund			
Total cost pressure	43	1,356	0
Income pressures:			
Sales, Fees & Charges Losses	363	5,169	396
Other Income	0	3,819	2,854
Total Income pressure	363	8,988	3,250
Net Impact (before Government Funding)	406	10,344	3,250
Government Funding Received & Forecast	(122)	(6,323)	0
Net Impact (before Government Funding)*	284	4,021	3,250
<i>* subject to continuous review and therefore change</i>			

The situation in local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium-Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

	2020/21 £'000	2021/22 £'000
MTFS Forecast - East Suffolk		
Budget Gap February 2020	0	5,350
Deferral of charges to the Business Rates system until 2022/23	0	(4,884)
Covid-19 Net Impact (before Government Funding)*	4,021	3,250
Forecast Budget Gap (17 July 2020)	4,021	3,716
<i>* See previous table for Covid-19 impact</i>		

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system. In the table above, an adjustment has been made to the MTFS forecast figures in respect of

NOTES TO THE CORE FINANCIAL STATEMENTS

this. Previously, the 2021/22 MTFS forecast assumed that the system would be reset to baseline figures, and estimated Business Rates and Section 31 Grant reflecting this assumption were included in the MTFS at £7.228m and £2.865m respectively. Estimates for these income streams reflecting continuation of the current arrangements in 2021/22 are £8.759m and £5.177m, respectively. In addition, continuation of the current arrangements should see the Council retaining £1.041m of renewable energy schemes rating income. Overall, the difference between these estimates and the previous MTFS assumption amount to £4.884m as shown in the table above.

As at 31 March 2020, the Council had the following Unaudited Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

- In Year Savings Reserve £4.925m
- Business Rates Equalisation Reserve £6.296m

A prolonged and sustained recession combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

As at 31 March 2019, the Authority held £13.600m as cash and cash equivalents, £50.646m as short-term investments and had no long-term or short-term borrowing. The Authority's cash flow projections demonstrate a positive cash and cash equivalents balance of between £74.198m and £26.817m between November 2020 and November 2021. As set out above, the Authority holds reserves of £11.221m which are cash-backed by short term investments of £62.246m. Of these investments, £13.600m is in overnight money market funds and £50.646m is in investments maturing within a year. These can be drawn down at short notice over the going concern period to support the cash position if needed. The cashflow projections demonstrate that the Authority has no liquidity problems for the next 12 months and no requirement to resort to any borrowing for cash management purposes.

Overall, the conclusion of the assessment of future financial impacts for the period of 12 months from approval of the Statement of Accounts up to December 2021 is that there is no material uncertainty relating to East Suffolk Council's Going Concern assessment.

b) Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress with inventories on the Balance Sheet.
- In calculating the accrual for major grant claims including Housing Benefit Subsidy, the sums receivable have been estimated using the latest information available from the Housing Benefit system.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Where the Council is acting as an agent for another party (e.g. in the collection of non domestic rates (NDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

c) Cash and cash equivalents

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

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

d) Prior period adjustments, changes in accounting policies and estimates and errors

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

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

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

e) Charges to revenue for non-current assets

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

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

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

f) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is only made where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. Any material accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The material accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where

NOTES TO THE CORE FINANCIAL STATEMENTS

applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post employment benefits

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

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

- The liabilities of the Suffolk County Council pension fund 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.
- Liabilities are discounted to their value at current prices. The discount rate employed for the 2018/19 accounts is 2.4% which is derived from a Corporate bond yield curve constructed from yields on high quality bonds based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price;
 - unquoted securities - professional estimate;
 - unitised securities - current bid price; and
 - property - market value.

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

- Service cost comprising:
 - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financial Services, Corporate Performance and Risk Management; and
 - net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Suffolk County Council Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Discretionary benefits

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

g) Events after the reporting period

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

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

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

h) Financial instruments

Financial liabilities

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

Financial assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss; and
- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

NOTES TO THE CORE FINANCIAL STATEMENTS

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

i) Government grants and contributions

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

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

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

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

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

Community Infrastructure Levy

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

j) Interests in companies and other entities

On 1st April 2009, the Council entered into a service contract with Suffolk Coastal Services Limited (now Suffolk Coastal Norse Limited) for the provision of a range of services including waste management and grounds and buildings maintenance. At the same time the Council acquired 20% of the shares of Suffolk Coastal Norse which is a subsidiary of the Norse Group of companies which is itself a wholly owned subsidiary of Norfolk County Council. Profits and losses are shared 50%/50% with Suffolk Coastal Norse.

Following a review of the Group Accounting requirements within the Code for 2018/19, the Council's accounting relationship with Suffolk Coastal Norse was determined as an Associate. In the Council's own single-entity accounts, the interest in Suffolk Coastal Norse is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Suffolk Coastal Norse is based on their financial results at their accounting date of 1st April 2019. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

k) Leases

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

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

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

The Council as Lessor

Operating leases

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

l) Overheads and support services

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

m) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE CORE FINANCIAL STATEMENTS

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

n) Property, plant and equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), and expenditure below a de-minimis level of £10,000, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; or
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2018/19 is:

- 31st December 2018 for assets measured at current value;

NOTES TO THE CORE FINANCIAL STATEMENTS

- 31st December 2018 for assets measured at fair value and those assets at risk of material movements in their valuation during the year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

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

Impairment

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

Where impairment losses are identified they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

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

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer; or
- infrastructure - straight-line allocation over 40 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Council's capital expenditure de minimis level of £10,000 as a guide for material impact.

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

Disposals and non-current assets held for sale

NOTES TO THE CORE FINANCIAL STATEMENTS

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Irrespective of the timing of any decision an asset is surplus, the accounting treatment will apply from 1st April in that year. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the 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 General Fund Balance in the Movement in Reserves Statement.

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

o) Provisions, contingent liabilities and contingent assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Where the obligation is expected to be settled within 12 months of the Balance Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long Term Liabilities.

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

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

The Council makes specific provision in the Collection Fund for doubtful debts in relation to receipt of council tax and business rates, and in the Comprehensive Income and Expenditure Statement for doubtful debts in relation to other service debtors. These provisions are based on the age profile of the debts outstanding at the end of the financial year, reflecting historical collection patterns, and are included in the Balance Sheet as an adjustment to Debtors.

Contingent liability

NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

p) Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and therefore do not represent usable resources for the Council - these Unusable Reserves are explained elsewhere in the relevant accounting policies.

q) Collection tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

r) VAT

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

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2018/19 Code:

- *IFRS 9 Financial Instruments: prepayment features with negative compensation*, amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.
- *IAS 40 Investment Property: transfers of investment property*, provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it does not have any investment properties.

NOTES TO THE CORE FINANCIAL STATEMENTS

- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*, clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- *IFRIC 23 Uncertainty over Income Tax Treatments*, provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- *IFRS 16 Leases* will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1st April 2021.

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- Suffolk Coastal Norse Limited continues to be recognised as an Associate in the Council's financial statements and Group Accounts have been prepared in 2018/19. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.
- As part of the National Non Domestic Rates (NNDR1) return in January 2018, the Council had to estimate the business rates income expected to be received in 2018/19 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance and trend analysis which was 4.04% of appeals that had been lodged with the Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015 or backdated to 1st April 2015 before 31st March 2017.

For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. A provision of 4.04% has been calculated for the two large hereditaments within the Council's valuation list and then for the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 4.04% trend analysis and then finally take 25% of the value as the provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £245k for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net pension's liability of changes in individual assumptions can be measured, they are complex and inter related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.</p>
Arrears	<p>At 31st March 2019, the Council had a balance of sundry debtors of £8.390m. A review of significant balances suggested that an impairment allowance for doubtful debts of £2.022m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary, such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.</p>
Housing Benefit Subsidy	<p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £23.399 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>	<p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.</p>

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non-domestic rates from local business and distributes these to Suffolk County Council (20%) and Suffolk Coastal District Council (80%).</p> <p>The current system is relatively new and changes have been made by the Government in a number of areas since its introduction, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. The Council makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term.</p> <p>The Council has to make a number of assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.</p>	<p>If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and Suffolk Coastal District Council in future years based on their distribution proportions.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.</p> <p>However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 13 below.</p>	<p>The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.</p>

NOTES TO THE CORE FINANCIAL STATEMENTS

5. Comprehensive Income and Expenditure Statement - Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. There is one item to disclose for 2018/19 (which was the same one item disclosed in 2017/18).

The Council is the lead authority hosting Suffolk Sports – The County Sports Partnership for Suffolk. As Suffolk Sports is not a legal entity, all income and expenditure go through the Statement of Accounts for the Council, but is identifiable through the use of its own department codes. Suffolk Sports has its own independent Board made up of 12 individuals who shall direct the affairs of Suffolk Sport in accordance with its objectives and Rules. It will be responsible for maintaining the focus of Suffolk Sport and driving the business forward.

Suffolk Sports is funded through grant funding provided by Sports England and contributions from each of the Suffolk Local Authorities. The Council does not make any decisions of how this funding is spent; it is the responsible of the Suffolk Sports Board.

Within the Council's Comprehensive Income and Expenditure Account (CIES), Suffolk Sports income and expenditure is included within the Communities service line. Of the £1.719 million (£2.782 million in 2017/18) of Gross Income for Communities in the CIES, Suffolk Sports gross income for 2018/19 equates to £1.012 million (£2.021 million in 2017/18). Of the £1.729 million (£3.004 million in 2017/18) of Gross Expenditure for Communities in the CIES, Suffolk Sports gross expenditure for 2018/19 equates to £0.957 million (£1.316 million for 2017/18). A breakdown of the income and expenditure is provided below, along with the amount of surplus transferred to earmarked reserves (Note 10):

	2018/19 £,000	2017/18 £,000
Income:		
Educational Courses	(21)	(3)
Leisure Activity Fees	(6)	(23)
Contributions from Local Authorities	(92)	(861)
Contributions from NHS	(39)	-
Contributions from other entities	(854)	(1,134)
	(1,012)	(2,021)
Expenditure:		
Employee expenses	761	704
Transport costs	4	4
Supplies and services	116	167
Grants and subscriptions	76	441
	957	1,316
(Surplus) transferred to earmarked reserves	(55)	(705)

6. Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 9th December 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusted Post Balance Sheet Events for the 2018/19 Accounts.

Where events taking place before this date did not relate to conditions at the Balance Sheet date but provided information that is relevant to an understanding of the Council's financial position, these events are disclosed as part of this note.

There are three non-adjusted Post Balance Sheet Events to disclose as follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

New East Suffolk Council

The first is in relation to the decision made by Full Council at its 26th January 2017 meeting, along with Waveney District Council at its 25th January 2017 meeting, to dissolve both Councils and create a new Council for East Suffolk from 1st April 2019.

On the 9th May 2018, the House of Lords and House of Commons debated the East Suffolk (Local Government Changes) Order 2018 and the East Suffolk (Modification of Boundary Change Enactments) Regulations 2018. Both the Order and Regulations were approved by the House of Lords and the House of Commons and entered a period of call-in.

On the 25th May 2018 the Order became part of legislation and was available on www.legislation.gov.uk. From the 25th May 2018 until 6th May 2019, Suffolk Coastal District Council and Waveney District Council entered into a shadow period, in which the Shadow Authority and Shadow Executive made decisions on behalf of East Suffolk Council until it came into effect on 1st April 2019.

On the 1st April 2019, the Suffolk Coastal and Waveney districts were abolished as local government areas and the District Councils were wound up and dissolved. All functions and duties have transferred across to East Suffolk Council, which commenced as a new non-metropolitan district council and is responsible for the preparation and approval of the predecessor Councils accounts.

Melton Hill office reclassification

The second relates to the former Council offices at Melton Hill, Woodbridge. The agreed sale fell through after the reporting period when planning permission was denied in February 2020. The carrying value of assets held for sale as at 31 March 2019 was £2.1m (see note 16). Following the collapse of the sale, the asset has been reclassified as a Surplus Asset in East Suffolk Council's balance sheet.

Covid-19 impact

The third note relates to the impact of the Covid-19 pandemic and the lockdown measures announced on 23 March 2020, which effectively closed down a significant part of the economy. These measures gradually began to be eased from June 2020 onwards, but the full economic, financial, and social outcomes of the pandemic and the resulting economic recession are yet to be ascertained. It is anticipated that there will be significant impacts upon both the UK and global economy in at least the short to medium term. The financial impact for 2020/21 and subsequent financial years may be greater than currently forecast and there could be further implications and considerations for East Suffolk Council's Balance Sheet in relation to asset impairments and pension fund liability valuations. Please also refer to note 1 on Accounting Policies where we considered the impact of the Covid-19 pandemic on the going concern assumption.

Following a review of the Balance Sheet as at 31 March 2019, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

- Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.
- Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 28. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

7. Note to the Expenditure and Funding Analysis

Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Expenditure and income analysed by nature

	2018/19 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	14,702	13,915
Other service expenses	43,642	43,592
Depreciation, amortisation, impairment	2,414	5,586
Interest payments	851	952
Net (gains)/losses on financial assets at fair value through profit and loss	72	-
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	54	-
Precepts and levies	3,235	3,061
Council tax support grant to parish councils	-	-
Share of deficit on collection fund	-	426
Business rates tariff payment and levy	45,294	18,374
Gain or loss on the disposal of assets	1,322	375
Total expenditure	111,586	86,281
Income		
Fees, Charges and other service income	(14,172)	(12,440)
Interest and investment income	(554)	(278)
Income from council tax, non-domestic rates, district rate income	(67,487)	(36,777)
Grants and contributions	(40,811)	(41,246)
Total income	(123,024)	(90,741)
Surplus or deficit on the provision of services	(11,438)	(4,460)

9. Movement In Reserves Statement - Adjustments Between Accounting Basis And Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital

NOTES TO THE CORE FINANCIAL STATEMENTS

expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	Usable Reserves				Movement in Unusable Reserves
	General	Capital	Capital Grants	Total	
	Fund	Receipts	Unapplied	Usable	
	Balance	Reserve	Account	Reserves	
	£'000	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
- Charges for depreciation and impairment of non current assets	(2,886)	-	-	(2,886)	2,886
- Revaluation losses on Property, Plant and Equipment	(2,556)	-	-	(2,556)	2,556
- Amortisation of intangible assets	(144)	-	-	(144)	144
Expenditure capitalised under Approvals					
- Capital grants and contributions that have been applied to capital financing	6	-	-	6	(6)
- Revenue expenditure funded from capital under statute	(722)	-	-	(722)	722
- Revenue expenditure funded from section 106 receipts	(194)	-	-	(194)	194
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(435)	-	-	(435)	435
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
- Capital expenditure charged against the General Fund balance	3,048	-	-	3,048	(3,048)
Adjustment involving the Capital Grants Unapplied Account:					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4,274	-	(4,274)	-	-
- Application of grants to capital financing	-	-	1,638	1,638	(1,638)
Adjustments involving the Capital Receipts Reserve:					
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	57	(57)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	481	-	481	(481)

NOTES TO THE CORE FINANCIAL STATEMENTS

2017/18	<u>Usable Reserves</u>				Movement in Unusable Reserves
	General	Capital	Capital Grants	Total	
	Fund	Receipts	Unapplied	Usable	
	Balance	Reserve	Account	Reserves	
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Pensions Reserve:					
- Reversal of items relating to post employment benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,333)	-	-	(4,333)	4,333
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,296	-	-	3,296	(3,296)
Adjustments involving the Collection Fund Adjustment Account:					
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	645	-	-	645	(645)
Total Adjustments	56	424	(2,636)	(2,156)	2,156

NOTES TO THE CORE FINANCIAL STATEMENTS

2018/19	Usable Reserves				Movement in Unusable Reserves £'000	
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000		
Adjustments Involving the Capital Adjustment Account:						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
- Charges for depreciation and impairment of non current assets	(2,431)	-	-	(2,431)	2,431	
- Revaluation losses on Property, Plant and Equipment	159	-	-	159	(159)	
- Amortisation of intangible assets	(141)	-	-	(141)	141	
Expenditure capitalised under Approvals						
- Capital grants and contributions that have been applied to capital financing	90	-	-	90	(90)	
- Revenue expenditure funded from capital under statute	(795)	-	-	(795)	795	
- Revenue expenditure funded from community infrastructure levies	(152)	-	-	(152)	152	
- Revenue expenditure funded from section 106 receipts	(214)	-	-	(214)	214	
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,379)	-	-	(1,379)	1,379	
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment						
- Capital expenditure charged against the General Fund balance	6,657	-	-	6,657	(6,657)	
Adjustment involving the Capital Grants Unapplied Account						
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	5,041	-	(5,041)	-	-	
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,047	1,047	(1,047)	
Adjustments involving the Capital Receipts Reserve:						
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	50	(50)	-	-	-	

NOTES TO THE CORE FINANCIAL STATEMENTS

2018/19	<u>Usable Reserves</u>				
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Pooled Investments Adjustment Account:					
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride	(72)	-	-	(72)	72
Adjustments involving the Pensions Reserve:					
- Reversal of items relating to post employment benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,479)	-	-	(4,479)	4,479
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,330	-	-	3,330	(3,330)
Adjustments involving the Collection Fund Adjustment Account:					
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3,897	-	-	3,897	(3,897)
Total Adjustments	9,561	(50)	(3,994)	5,517	(5,517)

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Movement In Reserves Statement – transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2017/18 and 2018/19.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Actuarial Contributions	221	(32)	161	350	-	-	350	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Air Quality	76	-	21	97	-	-	97	To provide a source of finance for Air Quality Management Areas.
Benefit Verification	313	(37)	31	307	(95)	-	212	To provide a source of finance to implement legislative changes, transformation and other service improvement including the roll out of Universal Credit.
Better Broadband Suffolk	-	-	36	36	-	-	36	To provide funding support toward the Better Broadband project across the district.
Brexit	-	-	-	-	-	17	17	External funding received for expenditure incurred as a result of Brexit.
Business Incentive	116	(38)	-	78	(25)	45	98	To support economic development throughout the district.
Business Rate Equalisation	12,706	(3,123)	2,942	12,525	(6,576)	1,130	7,079	To provide a source of finance to equalise the effect of changes in Business Rate income.
Business Rate Pilot	-	-	-	-	(717)	2,297	1,580	Income from the Business Rate Retention Pilot, set aside to support identified projects.
Capital	24	-	231	255	-	2,086	2,341	To provide an additional source of finance for unspecified capital investment plans.
Carry Forwards	232	(152)	193	273	(210)	48	111	Budget carry forward requests.
Climate Change (includes Suffolk Energy Link)	40	(3)	-	37	(2)	22	57	To provide an additional source of finance for initiatives to reduce climate change and to promote energy efficiency.
Coastal Protection	175	(155)	-	20	-	-	20	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Coastal Management	94	-	41	135	-	70	205	To provide a source of finance to fund revenue expenditure on coastal defences in the district.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Community Health	40	(20)	-	20	(10)	2	12	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	1,525	(10)	-	1,515	(7)	-	1,508	To enable local community groups to deliver affordable housing units.
Community Safety	66	(5)	2	63	(39)	773	797	To provide a source of finance to support anti-social behaviour and crime reduction initiatives.
Domestic Violence	-	-	53	53	-	-	53	Funding received to provide support to schemes supporting those affected by domestic violence.
Economic Development	39	-	-	39	(11)	71	99	Funding provided to support the delivery of Economic Development projects.
Elections	53	-	30	83	-	30	113	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Empty Property	190	-	-	190	(1)	-	189	To provide a source of finance for the Council to assist in bringing empty properties situated within the District back into use.
Emerging Plans Initiative	318	(84)	-	234	-	-	234	To facilitate the delivery of the Council's Business Plan including any emerging priorities.
Felixstowe Forwards	-	-	-	-	-	33	33	External funding received to fund projects in Felixstowe.
Growth Programme	-	-	-	-	-	184	184	External funding received to fund work on Suffolk Desing Concepts.
Homelessness Prevention	109	(2)	99	206	(59)	42	189	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Housing and Planning Delivery	182	-	-	182	-	-	182	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	67	(18)	-	49	-	18	67	To meet the cost of the periodic survey of private sector housing within the district.
HCA Development Grant	-	-	75	75	-	-	75	Funding received for the Adastral Park development.
Individual Electoral Registration	97	-	-	97	-	15	112	To meet the additional cost for administration of Individual Electoral Registration.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Indoor Leisure	120	-	-	120	-	-	120	To provide a source of finance to support the closure cost of Deben Leisure Centre during the refurbishment period.
Insurance	110	-	-	110	-	-	110	To provide a source of finance for any uninsured losses.
In-Year Contingency	200	-	-	200	-	-	200	To provide in-year contingency provision.
In-Year Savings	1,850	-	718	2,568	-	2,026	4,594	In-Year savings set aside to support future year budget gaps.
Key Capital Programme	100	-	-	100	-	-	100	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	127	-	-	127	-	20	147	To provide a source of finance to implement service enhancements.
Local Development Framework	455	-	48	503	(76)	50	477	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
New Homes Bonus	2,115	-	926	3,041	-	474	3,515	To provide a source of finance to fund specific initiatives including the delivery of the Council's Business Plan.
Planning & Building Control	-	(3)	15	12	(4)	29	37	To provide a source of finance for professional training and development needs of the service.
Port Health	3,694	-	788	4,482	(134)	275	4,623	To provide a source of finance to support the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing Renovation Grants	83	-	655	738	(6)	140	872	Grants repaid set aside to fund future Renovation works.
Transformation	457	(57)	270	670	(156)	192	706	To meet the cost of one-off investments in order to achieve long-term and continuing reductions in revenue expenditure and costs arising from shared services.
Warmer Homes Healthy People	78	(21)	9	66	(31)	69	104	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	-	-	10	10	-	-	10	Project funding received to support Active Leisure for young people.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
County Sports Partnership	-	-	705	705	(82)	137	760	Funding received to support the delivery of the County Sports Partnership.
East Suffolk Partnership	-	-	300	300	(177)	-	123	Funding received to support the delivery of projects and initiatives of the East Suffolk Partnership.
Total	26,072	(3,760)	8,359	30,671	(8,418)	10,296	32,549	

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2018/19 £'000	2017/18 £'000
Parish Council precepts	3,128	2,967
Gains/losses on the disposal of non current assets	1,322	375
Levies	107	93
Total	4,557	3,435

12. Comprehensive Income and Expenditure Statement – Taxation and non-specific grant income

	2018/19 £'000	2017/18 £'000
Council tax income	(11,306)	(10,871)
Non domestic rates	(48,964)	(24,740)
Tariff payment to Suffolk County Council	30,734	13,775
Share of (surplus)/deficit on NDR collection fund	(3,410)	426
Share of pooling benefit with other Suffolk Councils	(1,377)	(1,166)
Levy to Central Government for Business Rates	5,403	4,598
Share of Pilot Pooling Benefit with other Suffolk Councils	(2,429)	-
Pilot Gross Payment to Pool	9,157	-
Non-ring fenced government grants	(6,105)	(4,640)
Capital grant and contributions	(4,564)	(4,282)
Total	(32,861)	(26,900)

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Property, plant and equipment

Movements in 2018/19:							
	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2018	35,001	6,481	23,984	174	331	3,359	69,330
Additions	815	1,162	91	-	102	4,425	6,595
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,635	-	-	-	273	-	1,908
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(256)	-	-	-	112	-	(144)
Derecognition - Disposals	(1,310)	-	-	-	(1)	-	(1,311)
Derecognition - Other	(38)	(737)	(95)	-	(36)	-	(906)
Other movements in Cost or Valuation	3,667	-	-	-	-	(3,672)	(5)
At 31 March 2019	39,514	6,906	23,980	174	781	4,112	75,467
Accumulated Depreciation and Impairment							
At 1 April 2018	430	4,397	9,863	-	13	165	14,868
Depreciation charge	1,261	359	804	-	7	-	2,431
Depreciation written out to the Revaluation Reserve	(688)	-	-	-	(4)	-	(692)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(306)	-	-	-	(1)	-	(307)
Derecognition - Disposals	(6)	-	-	-	-	-	(6)
Derecognition - Other	(1)	(737)	(95)	-	-	-	(833)
Other movements in Depreciation and Impairment	122	-	1	-	-	(124)	(1)
At 31 March 2019	812	4,019	10,573	-	15	41	15,460
Net Book Value							
At 31 March 2019	38,702	2,887	13,407	174	766	4,071	60,007
At 31 March 2018	34,571	2,084	14,121	174	318	3,194	54,462

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2017/18:								
	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2017	37,341	6,760	22,728	987	349	24	808	68,997
Additions	566	35	168	-	-	2,750	122	3,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	175	-	-	-	(13)	-	-	162
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,989)	-	-	-	(5)	-	-	(2,994)
Derecognition - Disposals	(57)	-	-	-	-	-	-	(57)
Derecognition - Other	(379)	(39)	-	-	-	-	-	(418)
Other movements in Cost or Valuation	344	-	-	-	-	585	(930)	(1)
At 31 March 2018	35,001	6,756	22,896	987	331	3,359	-	69,330
Accumulated Depreciation and Impairment								
At 1 April 2017	771	4,152	8,899	111	11	-	-	13,944
Depreciation charge	1,731	342	724	71	17	-	-	2,885
Depreciation written out to the Revaluation Reserve	(1,470)	-	-	-	(12)	-	-	(1,482)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(435)	-	-	-	(2)	-	-	(437)
Derecognition - Disposals	(4)	-	-	-	-	-	-	(4)
Derecognition - Other	-	(38)	-	-	-	-	-	(38)
Other movements in Depreciation and Impairment	(163)	-	(1)	-	(1)	165	-	-
At 31 March 2018	430	4,456	9,622	182	13	165	-	14,868
Net Book Value								
At 31 March 2018	34,571	2,300	13,274	805	318	3,194	-	54,462
At 1 April 2017	36,570	2,608	13,829	876	338	24	808	55,053

NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of each depreciating asset. The estimated useful life of each category of asset is as follows:

	Estimated Life (Years)		Estimated Life (Years)
Council dwellings	40	Other land and buildings	Up to 40
Vehicles, plant and equipment	3 to 20	Infrastructure assets	Up to 40
Community assets	Up to 40	Other depreciating assets	Up to 40

Fair Value Measurement of Surplus Assets

Fair Value Hierarchy – all the Council's surplus assets have been assessed as having level 2 inputs as at 31st March 2019. Valuation techniques used to determine Level 2 Fair Values for Surplus Assets was Significant Observable Inputs (Level 2). The fair value for all assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. The fair value of surplus assets as at 31st March 2019 was £766k (31st March 2018 was £318k).

Capital Commitments - At 31st March 2019, the Council has no capital commitments in 2018/19.

Effects of changes in estimates – There were no material changes to accounting estimates for property, plant & equipment.

Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by the Council's in-house valuers. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The basis for valuation of non-current assets is set out in the Statement of Accounting Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2018/19 was 31th December 2018 for assets measured at current value, assets measured at fair value and those assets at risk of material movements in their valuation during the year.

	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000
Carried at historical cost	-	6,906	23,980	174	-	4,112	35,172
Value at current value as at:							
31 March 2019	18,863	-	-	-	781	-	19,644
31 March 2018	9,218	-	-	-	-	-	9,218
31 March 2017	7,848	-	-	-	-	-	7,848
31 March 2016	1,622	-	-	-	-	-	1,622
31 March 2015	1,963	-	-	-	-	-	1,963
Total Cost or Valuation	39,514	6,906	23,980	174	781	4,112	75,467

14. Financial instruments

Classification

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft with Lloyds bank;
- lease payables; and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
 - cash in hand;
 - bank current and deposit accounts with Lloyds and Santander banks;
 - fixed term deposits with banks and building societies;
 - loans to other local authorities;
 - lease receivables; and
 - trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising the pooled property fund managed by CCLA fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s
Liabilities at amortised cost:				
Creditors	-	(96)	(3,095)	(2,169)
Finance leases	-	-	-	(36)
Financial Liabilities in Creditors	-	(96)	(3,095)	(2,205)
Non Financial Liabilities	(40,404)	(33,589)	(25,029)	(16,327)
Total Financial Liabilities	(40,404)	(33,685)	(28,124)	(18,532)

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

NOTES TO THE CORE FINANCIAL STATEMENTS

Financial Assets	Long Term		Short Term	
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	£000s	£000s	£000s	£000s
At amortised cost:				
Principal	-	-	55,500	44,000
Accrued Interest	-	-	146	116
At fair value through profit & loss:				
Principal	2,429	2,401	-	-
Total Investments	2,429	2,401	55,646	44,116
At amortised cost:				
Principal	-	-	13,597	7,575
Accrued Interest	-	-	3	8
Total Cash & Cash Equivalents	-	-	13,600	7,583
At amortised cost:				
Debtors	18	24	2,094	651
Lease Receivables	4	4	-	-
Loss Allowance	-	-	(94)	(40)
Financial Assets in Debtors	22	28	2,000	611
Non Financial Assets	1,071	1,876	12,878	11,331
Total Financial Assets	3,522	4,305	84,124	63,641

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31/03/2019			31/03/2018		
	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s
Bank accounts in credit	50,222	-	50,222	52,621	-	52,621
Bank overdrafts	-	(45,625)	(45,625)	-	(51,047)	(51,047)
Total Financial Assets/Liabilities			4,597			1,574

Gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2018/19			2017/18		
	Amortised cost 2018/19 £'000	Fair value through profit and loss 2018/19 £'000	Total 2018/19 £'000	Amortised cost 2017/18 £'000	Fair value through profit and loss 2017/18 £'000	Total 2017/18 £'000
Interest expense	110	-	110	173	-	173
Losses from change in fair value	-	72	72	-	-	-
Impairment losses	54	-	54	-	-	-
Interest and investment income	164	72	236	173	-	173
Interest income	(445)	-	(445)	(268)	-	(268)
Interest and investment income	(445)	-	(445)	(268)	-	(268)
Net (gain) / loss for the year	(281)	72	(209)	(95)	-	(95)

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled property funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Recurring Fair Value Measurement	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2018 Fair Value £000	31/03/2019 Fair Value £000
Fair Value through Profit and Loss CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	2,401	2,429

Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect

NOTES TO THE CORE FINANCIAL STATEMENTS

predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £9m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £9m applies. The Council also sets limits on investments in certain sectors. No more than £5m total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31/03/2019		31/03/2018	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	2,429	-	2,391	-
AA+	-	-	-	-
AA	-	-	-	11,000
AA-	-	-	-	-
A+	-	-	-	10,000
A	-	-	-	18,000
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	-	55,500	-	5,000
Total Investments	2,429	55,500	2,391	44,000

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019 Debtors £000s	31.3.2018 Debtors £000s
Past due < 3 months	1,765	1,678
Past due 3-6 months	142	156
Past due 6-12 months	120	19
Past due 12+ months	76	21
Total Receivables	2,103	1,873

Loss allowances on trade receivables and contract assets have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 90 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of allowances set aside	31.3.2019		31.3.2018	
		Gross Receivables	Loss Allowance	Gross Receivables	Loss Allowance
Trade receivables	10%-100%	1,590	(94)	1,386	(40)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are three years past due and all recovery action has been taken.

NOTES TO THE CORE FINANCIAL STATEMENTS

Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2.43m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.12m (2018: £0.12m) charge to [Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31/03/2018 £000s	Reclassification £000s	IFRS 9 01/04/2019 £000s
Financial Assets			
<i>Investments</i>			
Loans & Receivables / Amortised cost	44,116	-	44,116
Available for sale	2,401	(2,401)	-
Fair value through profit or loss	-	2,401	2,401
Total Investments	46,517	-	46,517
<i>Debtors</i>			
Loans & Receivables / Amortised cost	639	-	639
Total Debtors	639	-	639
<i>Cash & cash equivalents</i>			
Loans & Receivables / Amortised cost	7,583	-	7,583
Total cash & cash equivalents	7,583	-	7,583
Total Financial Assets	54,739	-	54,739
Financial Liabilities			
<i>Creditors</i>			
Amortised cost	(2,301)	-	(2,301)
Total Financial Liabilities	(2,301)	-	(2,301)
Net Financial Assets	52,438	-	52,438

NOTES TO THE CORE FINANCIAL STATEMENTS

	IAS 39 31/03/2018 £000s	Reclassification £000s	01/04/2019 £000s
Reserves			
Usable Reserves			
General Fund	(4,000)	-	(4,000)
Other Usable reserves	(37,963)	-	(37,963)
Total Usable reserves	(41,963)	-	(41,963)
Unusable Reserves			
Available for sale reserve	109	-	109
Capital adjustment account	(39,695)	-	(39,695)
Deferred capital receipts	(4)	-	(4)
FI adjustment account	-	-	-
Revaluation reserve	(17,556)	-	(17,556)
Other Unusable reserve	28,277	-	28,277
Total Unusable Reserves	(28,869)	-	(28,869)
Total Reserves	(70,832)	-	(70,832)

15. Debtors

	2018/19 £'000	2017/18 £'000
Central Government bodies	1,465	2,377
Other Local Authorities	4,473	1,889
NHS	1	
Public Corporations and trading funds	-	2
Council Taxpayers	801	885
Other entities and individuals	9,526	6,321
Prepayments	159	333
Total	16,425	11,807
less Bad Debt Impairment Provisions		
Council Taxpayers	(314)	(380)
Other service debtors	(2,022)	(1,629)
Total	14,089	9,798

Debtors for local taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2018/19 £'000	2017/18 £'000
Less than 12 months	1,337	466
More than one year	1,138	936
	<u>2,475</u>	<u>1,402</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Assets held for sale

There has been no movement in the assets held for sale value and it has remained at £2.144m as at 31st March 2019. This is due to the value only relating to one property, which a sale was agreed back in 2015/16 but completion has been held up due to planning application requirements.

17. Creditors

	2018/19 £'000	2017/18 £'000
Central Government bodies	472	5,187
Other Local Authorities	20,706	8,697
Other entities and individuals	6,015	3,562
Receipts in Advance	1,618	841
Total	28,811	18,287

18. Provisions

	Other £'000	Business Rates Appeals £'000	Total £'000
<u>Long Term Provisions</u>			
Balance at 1 April 2018	5	2,704	2,709
100% Pilot Provision Movement		1,616	1,616
Movement in Provision in 2018/19	-	(829)	(829)
Amounts used in 2018/19	-	(110)	(110)
Unused amounts reversed in 2018/19	-	(339)	(339)
Balance at 31 March 2019	5	3,042	3,047

Outstanding Legal Cases

The Council has no substantial legal cases in progress that required provision in the accounts.

Provisions

As part of the Business Rates Retention scheme, the Council is required to maintain a provision for its share of the business rates appeals provision shown within the Collection Fund. The appeals provision relates to those appeals that have been registered with the Valuation Office. The total appeals provision in the Collection Fund is £5.163m, of which the Council's share is 80% for 2018/19 due to the Council being part of the Suffolk 100% Business Rates pilot, which is why an additional line has been added this year entitled '100% Pilot Provision Movement'.

The Council's calculation of the provision for Business Rates appeals must cover an element for future appeals. In 2014/15, a review of all appeals lodged since 2010 was undertaken and this identified that the majority of the appeals were made in the first year i.e. 2010 when the revaluation was carried out. During 2014/15, DCLG announced any appeal to be backdated to 2010 had to be lodged with the Valuation Office by 31st March 2015 otherwise appeals lodged after that date could only be backdated until 1st April 2015, which resulted in a large number of late appeals. The Business Rates appeal provision above incorporates all appeals lodged with the Valuation Office by 31st March 2019 and an element for 2017/18 and 2018/19 liabilities created by raising of bills, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2018/19.

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	-	(598)
New Homes Bonus	(1,844)	(2,077)
Business Rates Reliefs	(4,169)	(1,345)
Other non-ringfenced grants	(92)	(620)
<u>Capital grant and contributions:</u>		
Community Infrastructure Levy	(3,976)	(4,279)
S106 contributions	(88)	21
Other capital grants and contributions	(500)	(24)
Total	(10,669)	(8,922)
Credited to Services		
Housing Benefits Subsidy	(23,127)	(24,374)
County Sports Partnership	-	(418)
Benefits Administration Grant	(376)	(402)
Disabled Facilities Grants	(657)	(624)
Discretionary Housing Payments	(163)	(163)
Other Grants	(484)	(418)
Total	(24,807)	(26,399)

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

	2018/19 £'000	2017/18 £'000
Capital Grants Receipts in Advance (Short-Term)		
Other grants	62	1
S106 Contributions	236	182
Coast Protection	-	62
Total	298	245
Capital Grants Receipts in Advance (Long-Term)		
S106 Contributions	2,592	2,500
Total	2,592	2,500

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Balance Sheet – Unusable Reserves

	2018/19 £'000	2017/18 £'000
Revaluation Reserve	(18,376)	(17,556)
Available for Sale Financial Instruments Reserve	-	109
Capital Adjustment Account	(44,319)	(39,695)
Pooled Investment Funds Adjustment Account	72	-
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	33,389	28,380
Collection Fund Adjustment Account	(4,000)	(103)
Total Unusable Reserves	(33,238)	(28,869)

Revaluation Reserve

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

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

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(17,556)	(16,755)
Upward revaluation of assets	(3,253)	(2,464)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	649	820
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(2,604)	(1,644)
Difference between fair value depreciation and historical cost depreciation	483	495
Accumulated gains on assets sold or scrapped	1,301	348
Amount written off to the Capital Adjustment Account	1,784	843
Balance at 31 March	(18,376)	(17,556)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(39,695)	(40,617)
Non material prior year adjustment	-	(603)
	(39,695)	(41,220)
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
- Charges for depreciation and impairment of non current assets	2,431	2,886
- Revaluation losses on Property, Plant and Equipment	(159)	2,556
- Amortisation of intangible assets	141	144
- Revenue expenditure funded from capital under statute	796	723
- Revenue expenditure funded from section 106 receipts	214	194
- Revenue expenditure funded from community infrastructure levies	152	-
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,379	435
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(483)	(495)
- Amounts written out on disposal of assets	(1,301)	(348)
Net written out amount of the cost of non current assets consumed in the year	3,170	6,095
<u>Capital financing applied in the year:</u>		
- Use of Capital Receipts Reserve to finance new capital expenditure	-	(481)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	(24)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(1,047)	(804)
- Application of grants to capital financing from Receipts in Advance	(90)	18
- Capital expenditure charged against the General Fund balance	(6,657)	(3,279)
Balance at 31 March	(44,319)	(39,695)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. With the adoption of IFRS 9 this has been replaced by the 'Pooled Investment Funds Adjustment Account'.

NOTES TO THE CORE FINANCIAL STATEMENTS

	2018/19 £'000	2017/18 £'000
Balance at 1 April	109	-
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	109
Reverse Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(109)	-
Transfer of Revaluations under IFRS 9	109	-
Transfer of Available for Sale Opening Balance to Pooled Investment Funds Adjustment Account	(109)	-
Balance at 31 March	-	109

Pooled Investment Funds Adjustment Account

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Instruments Reserve' category is no longer available and has been replaced with the 'Pooled Investment Funds Adjustment Account'. The new standard requires that where the relevant criteria are met for fair value gains and losses on a pooled investment fund, the charge must be applied to an account established, charged and used solely for the purpose of recognising fair value gains and losses, this being the 'Pooled Investment Funds Adjustment Account'.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	-	-
Transfer in from Financial Instruments Available for Sale Reserve	109	-
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	(37)	-
Balance at 31 March	72	-

Pensions Reserve

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

	2018/19 £'000	2017/18 £'000
Balance at 1 April	28,380	31,038
Actuarial gains or losses on pensions assets and liabilities	3,860	(3,695)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,479	4,333
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,330)	(3,296)
Balance at 31 March	33,389	28,380

NOTES TO THE CORE FINANCIAL STATEMENTS

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	(103)	542
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(3,897)	(645)
Balance at 31 March	(4,000)	(103)

21. Members' allowances

There are 42 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2018/19 £'000	2017/18 £'000
Basic, Attendance and Special Responsibility Allowances	345	342
Subsistence and Expenses	21	21
Total	366	363

22. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2018/19 £'000	2017/18 £'000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	39	50
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	6	2
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	25	16
Additional fees payable to Ernst and Young LLP for the certification of grant claims and returns for the previous year	6	7
Total	76	75

23. Related parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31st March 2019 are shown in Note 19.

Waveney District Council

Waveney District Council and Suffolk Coastal District Council have formally agreed that both Councils are each other preferred partners for shared services, and with effect from 1st October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Waveney DC is disclosed in the Narrative Report and Note 24 to the Core Financial Statements.

Suffolk County Council

Transactions included income and expenditure, precept payments and business rates pooling (The Collection Fund statement), pension payments (Note 27), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.310m with a year-end debtor of £0.103m (2017/18 £1.337m with a year-end debtor of £0.161m).

Members and Chief Officers

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2018/19 is shown in Note 21. During 2018/19, the Council made payments totalling £0.161m (£0.122m in 2017/18) to various organisations in which Members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

Levies paid to other Authorities - Rivers and Drainage Authorities £0.106m (£0.093m in 2017/18).

Suffolk Coastal Norse Ltd - As part of the contract with Suffolk Coastal Norse Ltd, one Council employee, Andrew Jarvis (Strategic Director), along with a Cabinet Member, Carol Poulter (Cabinet Member with responsibilities for Green Environment) were named as Directors of Suffolk Coastal Norse Ltd during 2018/19 due to their representation of the Council's interests through the Partnership Board.

NOTES TO THE CORE FINANCIAL STATEMENTS

24. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2018/19 or 2017/18.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensation for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total Including Pension Contributions £	Additional Council Pension Contributions £
Chief Executive	2018/19	146,572	-	-	146,572	33,272	179,844	-
	2017/18	130,634	-	-	130,634	29,654	160,288	-
Strategic Director	2018/19	95,800	-	-	95,800	22,084	117,884	-
	2017/18	91,115	-	-	91,115	21,021	112,136	-
Chief Finance Officer*	2018/19	38,766	-	-	38,766	8,800	47,566	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Chief Finance Officer**	2018/19	37,145	-	-	37,145	8,583	45,728	-
	2017/18	-	-	-	-	-	-	-
Head of Internal Audit	2018/19	66,330	-	-	66,330	15,057	81,387	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-
Head of Planning Services & Coastal Management	2018/19	77,533	-	-	77,533	17,600	95,133	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Legal and Democratic Services	2018/19	77,533	-	-	77,533	17,600	95,133	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Environmental Services and Port Health	2018/19	77,533	-	-	77,533	17,600	95,133	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Economic Development and Economic Services	2018/19	66,330	-	-	66,330	15,057	81,387	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-

* postholder left employment at the end of September 2018.

** postholder was Interim Chief Finance Officer from October 2018 and then appointed permanently from January 2019.

No employees were paid in excess of £150,000 in the year, therefore no additional disclosure of employee names is required.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2018/19		2017/18	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	8	-	7	-
£55,000 - £59,999	3	-	3	-
£60,000 - £64,999	-	-	1	-
£65,000 - £69,999	1	-	-	-
	12	-	11	-

The above numbers include officers who were made redundant voluntarily during the 2018/19 and 2017/18 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers.

With effect from 1st October 2010 the Council, in conjunction with its Preferred Partner, Waveney District Council, formed a new shared senior management team. This has since been extended to include the majority of staff as part of the shared services. The postholders continue to be employed by the Council which employed them prior to the introduction of the shared Senior Management Team. Six of the Senior Management Team are employed by Waveney District Council (WDC) and their remuneration, in the format of the table above, is disclosed in that Council's Statement of Accounts and an extract is provided below.

Extract from Note 25 of Waveney District Council's 2018/19 Statement of Accounts

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compensation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Strategic Director (2017/18 Part Year)	2018/19	94,555	-	-	94,555	24,433	118,988	-
	2017/18	71,540	-	-	71,540	14,551	86,091	-
Head of Housing Operations & Landlord Services (2017/18 Part Year)	2018/19	-	-	-	-	-	-	-
	2017/18	67,269	-	30,780	98,049	14,991	113,040	-
Head of ICT Services	2018/19	63,330	-	-	63,330	15,190	78,520	-
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Customer Services (2018/19 Part Year)	2018/19	35,979	-	-	35,979	8,239	44,218	-
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Communities	2018/19	66,330	-	-	66,330	15,190	81,520	-
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Operations	2018/19	66,330	-	-	66,330	15,190	81,520	-
	2017/18	62,430	-	-	62,430	5,957	68,387	-

NOTES TO THE CORE FINANCIAL STATEMENTS

In addition other transactions are disclosed in Note 23, Related Parties.

Exit packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£	£
£0 - £20,000	-	1	1	-	1	1	17,321	5,061
£20,001 - £40,000	-	-	1	1	1	1	34,117	32,023
£40,001 - £60,000	-	-	1	-	1	-	54,039	-
TOTAL	-	1	3	1	3	2	105,477	37,084

The total cost in the above table covers exit packages (also known as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial years. The figures exclude payments made for ill-health retirements, (of which there was none during 2018/19 (2017/18 – none)), as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. The Council remains debt-free and has no Capital Financing Requirement.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	(1)	(45)
<i>Capital investment</i>		
Property, Plant and Equipment*	6,595	3,641
Intangible Assets	37	53
Revenue Expenditure Funded from Capital under Statute	1,162	917
Total Capital Investment	7,794	4,611
<i>Sources of finance</i>		
Capital receipts	-	(481)
Government grants and other contributions	(1,137)	(810)
Direct revenue contributions	(6,657)	(3,276)
	(7,794)	(4,567)
Closing Capital Financing Requirement	(1)	(1)

* This figure match to the Additions line in Note 13 detailing movements on the non-current assets.

26. Leases

Disclosures as Lessee

Finance Leases

The Council has no material finance leases as a lessee.

Operating Leases

The Council has no material finance leases as a lessee.

Disclosures as Lessor

Finance Leases

The Council has no material finance leases as a lessor.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services, etc.;
- to provide suitable affordable accommodation for local businesses; and
- to facilitate the housing needs of the district.

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

	2018/19 £'000	2017/18 £'000
Not later than one year	575	218
Later than one year and not later than five years	1,018	773
Later than five years	1,120	1,971
	2,713	2,962

NOTES TO THE CORE FINANCIAL STATEMENTS

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under operating leases for 2018/19 and 2017/18.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 13).

27. Pensions

Pension costs are accounted for in accordance with the Accounting Standard IAS19 (previously referred to as FRS17). The objectives of IAS19 are to ensure that the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding and that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned, and that the financial statements contain adequate disclosure of the cost of providing retirement benefits.

IAS19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown in the Movement in Reserves Statement.

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long-term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £33.389m in 2018/19 (2017/18 was £28.380m). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31st March 2016 and the next review will be carried out during 2019/20 with an effective date of 31st March 2019.

Participation in the pension scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

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

The Suffolk Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Suffolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Head of Finance (S151 Officer) of Suffolk County Council and Investment Fund managers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post employment benefits

Retirement benefits are reported in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
- Current service cost	3,686	3,554
- Past Service cost	52	-
<i>Financing and investment income and expenditure:</i>		
- Net interest expense	741	779
<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>4,479</u>	<u>4,333</u>
 <i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(3,621)	(1,392)
- Actuarial gains and losses arising on changes in financial assumptions	7,545	(2,319)
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	<u>3,924</u>	<u>(3,711)</u>
 <i>Movement in Reserves Statement:</i>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,479)	(4,333)
 <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- Employers' contributions payable to scheme	3,394	3,280

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Present value of the defined benefit obligation	(139,827)	(128,435)
Fair value of plan assets	106,438	100,055
Net liability arising from defined benefit obligation	<u>(33,389)</u>	<u>(28,380)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of the movements in the fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening fair value of scheme assets	100,055	96,206
Interest Income	2,602	2,404
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	3,621	1,392
- Other		
Contributions from employer	3,394	3,280
Contributions by employees into the scheme	604	561
Benefits paid	(3,838)	(3,788)
Closing fair value of scheme assets	106,438	100,055

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme	
	2018/19	2017/18
	£'000	£'000
Opening balance 1 April	128,435	127,244
Current service cost	3,686	3,554
Interest cost	3,343	3,183
Contributions from scheme participants	604	561
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in financial assumptions	7,545	(2,319)
Past service costs	52	-
Benefits paid	(3,838)	(3,788)
Closing balance at 31 March	139,827	128,435

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets	
	2018/19 £'000	2017/18 £'000
Equity Instruments:		
Consumer	6,944	7,248
Manufacturing	3,233	2,570
Energy and Utilities	1,689	1,515
Financial Institutions	3,176	3,338
Health and Care	1,827	1,551
Information Technology	3,320	2,925
Other	927	1,045
	<u>21,116</u>	<u>20,192</u>
Debt Securities:		
Corporate (Investment Grade)	23,968	24,255
UK Government	-	3,804
	<u>23,968</u>	<u>28,059</u>
Private Equity (Non-active Market 2018/19 - 3,293 (2017/18 - 3,606))	<u>4,382</u>	<u>3,606</u>
Real Estate:		
UK Property	<u>10,862</u>	<u>9,700</u>
Investment Funds & Unit Trusts:		
Equities	23,364	23,199
Bonds	4,142	-
Hedge Funds	10,211	4,080
Infrastructure (Non-active Market)	4,735	2,609
Other (Non-active Market 2018/19 - 2,106 (2017/18 - 2,004))	2,106	7,575
	<u>44,558</u>	<u>37,463</u>
Derivatives:		
Foreign exchange	<u>52</u>	<u>(4)</u>
Cash and Cash Equivalents	<u>1,500</u>	<u>1,039</u>
Total Assets (Non-active Market 2018/19 - 10,134 (2017/18 - 8,219))	<u>106,438</u>	<u>100,054</u>

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2016.

The significant assumptions used by the actuary have been:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2018/19	2017/18
Mortality assumptions:		
Longevity for current pensioners:		
Men	21.9	21.9
Women	24.4	24.4
Longevity for future pensioners:		
Men	23.9	23.9
Women	26.4	26.4
Rate of inflation	2.5%	2.4%
Rate of increase in salaries	2.8%	2.7%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

The sensitivities regarding the principle assumption used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2019	Approx.	Approx. £,000
0.5% decrease in Real Discount Rate	10%	13,727
1 year increase in member life expectancy		
0.5% increase in the Salary Increase Rate	1%	2,013
0.5% increase in the Pension Increase Rate	8%	11,483

A one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as far as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed during 2019/20 based on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing

public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.221m in contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16.9 years in 2018/19 (16.9 years 2017/18).

28. Contingent liabilities

At 31st March 2019, the Council has one contingent liability to disclose:

- McCloud judgement – the Council has noted that a legal ruling has been made regarding age discrimination arising from pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals.

The ruling may have implications for other pension schemes which have implemented transitional arrangements for benefit changes. As a consequence the government has paused the 'cost cap' arrangements for a number of schemes.

Given the uncertainty around this judgement and with the government awaiting news of its right to an appeal, it is too early to know what the likely impact may be on Local Government Pension Scheme members' benefits. As a default approach, the Actuary has not making any allowance within the Council's 31st March 2019 IAS19 report for potential outcomes of this judgement.

29. Interests in companies and other entities

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity.
- Assess the nature of the relationship between the Council and the entity.
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Suffolk Coastal Norse Limited, an Associate of which the Council owns a 20% share. Suffolk Coastal Norse Ltd is a subsidiary of Norfolk County Council.

Suffolk Coastal Norse Limited (formerly Suffolk Coastal Services Limited)

Suffolk Coastal District Council has held a 20% share of Suffolk Coastal Norse Limited (Ltd) since 1st April 2009. Suffolk Coastal Norse Ltd provides a package of services including Refuse, Cleansing and Maintenance.

Group accounts have been prepared as Suffolk Coastal District Council has the 'power' to participate in operating decisions and because transactions between Suffolk Coastal Norse Ltd and the Council are material. The Group Accounts incorporate Suffolk Coastal District Council's share of the net assets and surplus of Suffolk Coastal Norse Ltd as an Associate, using the Equity method.

Suffolk Coastal Norse Ltd prepared its accounts for 1st April 2019, a day after Suffolk Coastal District Council, which is within the permissible period for consolidation, subject to there being no significant movements within that period. Therefore for both the current accounts and the comparative figures no adjustment has been made to the accounts of Suffolk Coastal Norse Ltd to make it co-terminus with Suffolk Coastal District Council. The Group Accounts are included in this document as additional columns to Suffolk Coastal District Council's primary statements, showing the extent of the Council's 20% interest in Suffolk Coastal Norse Ltd.

In addition to the Group Accounts, the following information has been disclosed to aid an understanding of the nature of the group relationship and the impact of the arrangement on Suffolk Coastal District Council's Statement of Accounts.

- a) The registered name of the Company is Suffolk Coastal Norse Limited;

NOTES TO THE CORE FINANCIAL STATEMENTS

- b) Nature of the business - the principal activity of Suffolk Coastal Norse Ltd is that of refuse, cleansing and maintenance services;
- c) The immediate parent undertaking is Norse Commercial Services Limited;
- d) The ultimate parent undertaking is Norse Group Limited;
- e) Suffolk Coastal Norse Ltd's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share in Norse Group Limited;
- f) Suffolk Coastal District Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 20% share of Suffolk Coastal Norse Ltd and also receives a 50-50 profit / loss share at year-end;
- g) Payments made to Suffolk Coastal Norse Ltd in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of Suffolk Coastal District Council. Total payments to Suffolk Norse Ltd were £8.514m in 2018/19 (£8.183m in 2017/18) and included as follows:

	2018/19	2017/18
	£'000	£'000
Economic Development	-	133
Legal & Democratic Services	2	2
Housing Operations & Landlord services	1	-
Operations	8,511	8,048
	8,514	8,183

NOTES TO THE CORE FINANCIAL STATEMENTS

- i) Details of Suffolk Coastal Norse Limited's draft annual financial results to 1st April 2019 are set out below. Previous year's figures are based on audited accounts.

	2019 Suffolk Coastal Norse Ltd £'000	2019 Council Investment (20%) £'000	2018 Suffolk Coastal Norse Ltd £'000	2018 Council Investment (20%) £'000
Current Assets				
Stock	458	92	196	39
Debtors	4,829	966	4,498	900
Cash at Bank	430	86	21	4
	5,717	1,144	4,715	943
Creditors falling due within one year	(1,920)	(384)	(1,499)	(300)
Defined Benefit Pension Scheme Liability	(5,369)	(1,074)	(3,859)	(772)
Net Assets / Shareholder's funds	(1,572)	(314)	(643)	(129)
Share of Actuarial Gains/(Losses)	(1,069)	(214)	482	96
Turnover	14,584	2,917	12,463	2,493
Profit on ordinary activity before taxation	4	1	12	2
Tax on profit on ordinary activity	(11)	(2)	(17)	(4)
Profit for the Financial Period	(7)	(1)	(5)	(2)
<u>Tax components included in the above figures are as follows:</u>	£'000	£'000	£'000	£'000
Debtors				
- Deferred Tax asset	926	185	673	135
Creditors falling due within one year				
- Corporation Tax	(77)	(15)	(84)	(17)
Tax on profit on ordinary activity				
- Current Tax	75	15	84	17
- Deferred Tax	(64)	(13)	(67)	(13)
	11	2	17	4

30. Long term debtors

	2018/19 £'000	2017/18 £'000
Reimbursement Arrangements	-	21
Finance Leases	4	4
Other entities and individuals	1,089	1,879
	1,093	1,904

NOTES TO THE CORE FINANCIAL STATEMENTS

31. Long term investments

During the 2017/18 financial year, the Council invested £2.5m in the CCLA LAMIT Property Fund. As part of the investment, an element was used to fund legal costs and Stamp Duty Land Tax, which equated to £109k and could be seen on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets), reducing the investment to £2.391m on the Balance Sheet.

With the introduction of IFRS 9 – Financial Instruments, the ‘available for sale’ category of financial instruments is no longer allowed, which is why the £109k has been reversed on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets).

The £109k has now been charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement to ensure the long term investment on the Balance Sheet remains as £2.391m as at 31st March 2018.

During 2018/19, the Council has received dividend on the investment and the principal invested has also appreciated in value by £38k, which was also charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance increasing to £2.429m.

The Council also had £10k invested in ARP Trading Ltd, which was the only long term investment during 2017/18, but during 2018/19 the decision was taken to make the company dormant and the investment was returned.

32. Prior period adjustment

During an Asset Management review, it was identified that assets previously classified as a Vehicles, Plant & Equipment and Community Assets should be classified as Infrastructure Assets. All of these are carried at Historic Cost so there is no change to the total Property, Plant & Equipment value but Infrastructure Assets have increased by £1.088m and Vehicles, Plant & Equipment and Community Assets have decreased by £0.275m and £0.813m respectively.

Reclassification of Assets within Property, Plant & Equipment

The adjustments that have been made to the 2017/18 Statement of Accounts over the version published are as follows:

Property, Plant & Equipment											
	Vehicles, Plant & Equipment			Infrastructure Assets			Community Assets			Total	
	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	2017/2018 (Restated)
Cost or Valuation											
At 1 April 2017	6,760	(275)	6,485	22,728	1,088	23,816	987	(813)	174	68,997	- 68,997
Additions	35	-	35	168	-	168	-	-	-	3,641	- 3,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	162	- 162
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	(2,994)	- (2,994)
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	(57)	- (57)
Derecognition - Other	(39)	-	(39)	-	-	-	-	-	-	(418)	- (418)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-	(1)	- (1)
At 31 March 2018	6,756	(275)	6,481	22,896	1,088	23,984	987	(813)	174	69,330	- 69,330
Accumulated Depreciation and Impairment											
At 1 April 2017	4,152	(36)	4,116	8,899	147	9,046	111	(111)	-	13,944	- 13,944
Depreciation charge	342	(23)	319	724	94	818	71	(71)	-	2,885	- 2,885
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	(1,482)	- (1,482)
Depreciation written out to the Surplus/Deficit on the	-	-	-	-	-	-	-	-	-	(437)	- (437)
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	(4)	- (4)
Derecognition - Other	(38)	-	(38)	-	-	-	-	-	-	(38)	- (38)
Other movements in Depreciation and Impairment	-	-	-	(1)	-	(1)	-	-	-	-	-
At 31 March 2018	4,456	(59)	4,397	9,622	241	9,863	182	(182)	-	14,868	- 14,868
Net Book Value at 31 March 2018	2,300	(216)	2,084	13,274	847	14,121	805	(631)	174	54,462	- 54,462

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and local businesses and the distribution to local authorities and Central Government of council tax and non-domestic rates.

	Notes	2018/19		2017/18	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
Income					
Income from council tax	1		(83,648)	-	(78,618)
Transfer from General Fund - council tax benefits			8	-	16
Income from business rates	2	(69,427)		(68,954)	-
Transitional protection payments from Central Government		(1,639)		(2,433)	-
		(71,066)	(83,641)	(71,387)	(78,602)
Expenditure					
Precepts, demands and shares:					
- Central Government				30,739	-
- Suffolk County Council		12,206	61,381	6,148	57,668
- Police and Crime Commissioner for Suffolk			9,328	-	8,617
- Suffolk Coastal District Council		48,965	11,144	24,740	10,633
Transitional protection payments to Central Government		7,886		9,797	-
Charges to Collection Fund					-
- Write offs of uncollectable amounts		374	1,029	21	1
- Increase / (decrease) in allowance for impairment		62	(460)	142	(55)
- Increase / (decrease) in provision for appeals		(2,955)		596	-
- Cost of collection allowance		266		270	-
Apportionment of previous years surplus / (deficit)					-
- Central Government		(621)		(1,411)	-
- Suffolk County Council		(124)	852	(282)	1,316
- Police and Crime Commissioner for Suffolk			127	-	199
- Suffolk Coastal District Council		(497)	157	(1,129)	242
		65,562	83,558	69,631	78,621
(Surplus) / deficit for year		(5,504)	(83)	(1,756)	19
Balance brought forward - (surplus) / deficit		514	(2,030)	2,270	(2,049)
Balance carry forward - (surplus) / deficit	3	(4,990)	(2,113)	514	(2,030)

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Income from council tax

Council tax is set to meet the demands of Suffolk County Council, The Police and Crime Commissioner for Suffolk, Suffolk Coastal District Council and Parish/Town Councils. The tax is set by dividing these demands by the tax base, which is the number of chargeable dwellings in each valuation band expressed as an equivalent number of Band D dwellings.

	2018/19 £	2017/18 £
The average Band D Council Tax set was:	1,656.96	1,578.56
The Council estimated its Tax Base for 2018/19 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,578	4,444
B	13,078	10,202
C	10,721	9,616
D	10,285	10,391
E	7,349	9,084
F	3,916	5,696
G	2,099	3,514
H	159	322
	54,185	53,269
Less: local council tax reduction scheme		(3,560)
provision for bad and doubtful debts (1%)		(497)
Add: Ministry of Defence properties		187
Tax Base 2018/19 (Band D equivalents)		49,399

2. Business rates

The Council collects business rates (non-domestic rates) in the district. The amount collected less an allowance for the cost of collection is shared between Central Government (50%), Suffolk Coastal District Council (40%) and Suffolk County Council (10%). As Suffolk Coastal was a member of the Suffolk Business Rates Pool, from the Council's share, a tariff payment is made to Suffolk County Council to distribute excess business rates income above the Council's baseline funding need set by Central Government. These transactions are shown in the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grants (Note 12). The valuation list was revised in April 2005 and April 2010, and the latest revaluation of all business properties was completed on 1st April 2017.

	2018/19	2017/18
The rateable value at 31 March was	£152.5m	£152.2m
The multiplier was	49.3p	47.9p

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

3. Collection Fund balances

The Collection Fund in year (surplus) / deficit comprises the following:

(Surplus) / Deficit relating to:	2018/19 £,000	2017/18 £,000
<u>Council Tax</u>		
Suffolk County Council	(66)	14
Police and Crime Commissioner for Suffolk	(12)	2
Suffolk Coastal District Council	(5)	3
Total Council Tax	(83)	19
<u>Business Rates</u>		
Central Government	(621)	(878)
Suffolk County Council	(977)	(176)
Suffolk Coastal District Council	(3,906)	(702)
Total Business Rates	(5,504)	(1,756)

Opinion

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

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Related notes 1 to 32 and Expenditure and Funding Analysis Note on page 18
- Collection Fund Income and Expenditure Account and related notes 1 to 3

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

In our opinion the financial statements:

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

Basis for opinion

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

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

Emphasis of matter – Disclosure in relation to the effects of Covid-19 and the dissolution of the Council

We draw attention to Note 1 Accounting Policies; policy a) General Principles and Note 6 Events after the Balance Sheet date, which describe the financial and operational consequences the Council and Group is facing as a result of:

- the dissolution of Suffolk Coastal District Council and creation of its successor body East Suffolk Council; and
- Covid-19 and the additional pressure that this presents to expenditure and funding.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts 2018-19, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014 Arrangements to secure economy, efficiency and effectiveness in the use of resources

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities, set out on page 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed audit work in relation to an objection to the 2018/19 Statement of Accounts. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

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

Debbie Hanson
Ernst & Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date: 10 December 2020

Accounting Period

The period of time covered by the Accounts, normally 12 months commencing on 1st April for local authorities.

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

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

Business Rates (Non Domestic Rates)

The system of local taxation on business properties also called non domestic rates (NDR).

Capital Adjustment Account

The Account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and at which resources are set aside to finance their acquisition.

Capital Charge

A charge to service accounts to reflect the cost of non-current assets used in the provision of services, usually comprising depreciation charges, impairment and any associated write down of capital grant financing.

Capital Expenditure

Expenditure on the acquisition of a non-current asset such as land and buildings, or expenditure that adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Capital money received from the sale of land, dwellings or other assets, which is available to finance other items of capital expenditure, or to repay debt on assets originally financed from loan.

Capital Receipts Reserve

This reserve holds the receipts generated from the disposal of non-current assets, which are restricted to being applied to finance new capital investment or reduce indebtedness.

CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

This Fund records the collection of the council tax and non domestic rates and its distribution.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings. See new paragraph regarding change from Community Assets to Heritage Assets from 1st April 2011.

Community Charge

The system of local taxation prior to council tax.

Contingent Liabilities

Potential liabilities which are either dependent on a future event, or which cannot be reliably estimated.

Contingent Assets

Potential assets which are either dependent on a future event, or which cannot be reliably estimated.

Corporate and Democratic Core

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost relating to the corporate management and democratic representation.

Council Tax

The system of local taxation on dwellings that replaced the community charge with effect from 1st April 1993.

Council Tax Base

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals, local council tax reduction scheme and a provision for non-collection.

Council Tax Benefit

A system of financial assistance towards council tax costs which takes account of the applicants' financial needs and incomes.

Creditors

An amount of money owed by the District Council at 31st March for goods or services supplied but not yet paid for.

Debt

Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors

An amount of money owed to the District Council at 31st March. Long-term debtors comprise loans against mortgaged property and loans to other local authorities.

Deferred Capital Receipts

Capital receipts outstanding on Council houses sold on deferred terms and secured by a mortgage of the property.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use or obsolescence through technological or other changes.

Direct Revenue Financing

A charge to revenue accounts for the direct financing of non-current assets and other capital expenditure.

Earmarked Reserves

Revenue reserves within the General Fund set aside to finance specific future services.

General Fund

The main revenue fund of the District Council, to which the costs of the services are charged.

Government Grants

Payments by Central Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (general grants).

Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. It is expected that these assets would previously have been classified as community assets prior to 1st April 2011 (see earlier paragraph). The CIPFA Code defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture*. An intangible heritage asset is: *an intangible asset with cultural, environmental or historical significance*.

Housing Advances

Loans by an authority to individuals towards the cost of acquiring or improving their homes.

Housing Benefit

A system of financial assistance towards housing costs which takes account of the applicants' financial needs and incomes. Assistance takes the form of rent rebates, council tax rebates and rent allowances.

Impairment

A material reduction in the value of a non-current asset during the accounting period. This can be caused by a consumption of economic benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as an impairment through Valuation Loss.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and coast protection works.

International Financial Reporting Standards

The Code of Practice on Local Authority Accounting was, for the first time in 2010/11, based on International Financial Reporting Standards (IFRS). However, these standards are primarily drafted for the commercial sector and are not wholly designed to address the accounting issues relevant to local government in the UK. The Code therefore prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based for all transactions.

Leasing or Leases

A method of acquiring capital expenditure where a rental charge is paid for an asset for a specified period of time.

All leases are categorised as either finance leases or operating leases. A finance lease transfers substantially all of the risks and rewards of ownership to the lessee. An operating lease, in contrast, is similar to a rental agreement in nature, and all operating lease rentals are treated as revenue.

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

A prudent sum required by law to be set aside from revenue for the repayment of loan debt.

Net Book Value

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

Non-Current Assets

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Net Realisable Value

The amount at which an asset could be sold after the deduction of any direct selling costs.

Operational assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts are authorised for issue by the Section 151 Officer.

Precept

The net expenditure of a non-billing authority (e.g. County Council, Police Authority or Parish Council) which the billing authority must include when setting its Council Tax and then pay over to the precepting authority in agreed instalments.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. (See separate paragraph on Heritage Assets).

Provisions

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

Rateable Value

A value assessed by the Valuation Office Agency for all properties subject to national non-domestic rates.

Reserves

Reserves are, reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve),

where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

Revaluation Reserve

An "unusable reserve" recording accumulated gains arising from the revaluation of non-current assets until they are consumed by the authority or realised in a sale, arising after 1st April 2007, the establishment date of the reserve.

Revenue Expenditure

This is expenditure mainly on recurring items and consists principally of salaries and wages, capital charges and general running expenses.

Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure that is classified as capital for funding purposes which does not result in the expenditure being carried on the Balance Sheet as a non-current asset. Examples include improvement grants and capital grants to third parties.

Revenue Support Grant

A general grant paid by Central Government to local authorities in aid of revenues generally and not for specific services. It is paid to the General Fund.

Section 151 Officer

The officer with specific legal responsibility for the financial matters of a local authority.

Statement of Standard Accounting Practice (SSAP)

Accounting practice recommended by the former Accounting Standards Committee of the joint accountancy bodies for adoption in the preparation of accounts to ensure a true and fair view. These have now been adopted by the Accounting Standards Board and many superseded by Financial Reporting Standards.

The Code

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'presents a true and fair view' of the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

Trading Accounts

Trading accounts exist where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Usable Capital Receipts

Capital receipts that remain available to meet the cost of future capital expenditure.

UK GAAP

The accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements.

Valuation Loss

Impairment of an asset due to a general fall in prices, supported by a valuer's certificate. Valuation losses are charged initially to any balance in the Revaluation Reserve, and subsequently to the Comprehensive Income and Expenditure Account. Impairment charges do not, however, fall on the taxpayer, and the impact is reversed in the Movement in Reserves Statement.

Value Added Tax (VAT)

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

Abbreviations used in the Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SSAP	Statement of Standard Accounting Practice