

Suffolk Coastal District Council

Statement of Accounts

2016-17



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FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present Suffolk Coastal District Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2017. The Accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, commenced their audit of the Accounts on 31st July 2017. The audited Accounts together with Ernst and Young's Audit Result Report were presented to the Audit and Governance Committee and Full Council in September 2017.

Prior to approval, the draft Accounts were 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 2016/17 financial year, the inspection period must include the first ten days of July and therefore the period commenced on 6th June 2017 and finish on 17th July 2017. From the 31st May 2017, the unaudited Accounts were available to the public on the Council's website.

The purpose of this Narrative Report is to provide an easily understandable guide to the most significant matters stated in the financial report. The change in reporting requirement was introduced in 2015/16 replacing and expanding upon on the Explanatory Foreword. It provides information about Suffolk Coastal as both a District and an organisation, including key issues affecting the Council and its Accounts.

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).



A handwritten signature in black ink that reads "H. Javadi".

Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer
S151 Officer

1. Introduction

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of Suffolk Coastal, Council Members, partners, stakeholders and other interested parties can:

- understand the overarching financial position of the Council;
- have confidence that the public money with which the Council has been entrusted and has used, has been accounted for in an appropriate manner; and
- be assured that the financial position of the Council is sound and secure.

The style and format of the accounts, complies with CIPFA standards and is similar to that of previous years. The information within the accounts is presented as simply and clearly as possible, but the accounts for an organisation such as the Council, are by their nature both technical and complex.

This Narrative Report is not formally part of the Statement of Accounts, but is intended to help enable readers to understand the Council, its operating environment, and assist in the interpretation of the financial statements. It contains a commentary on the major influences affecting the authority's income and expenditure and cash flow, and information on the financial needs and resources of the authority.

The Narrative Report is structured as follows:

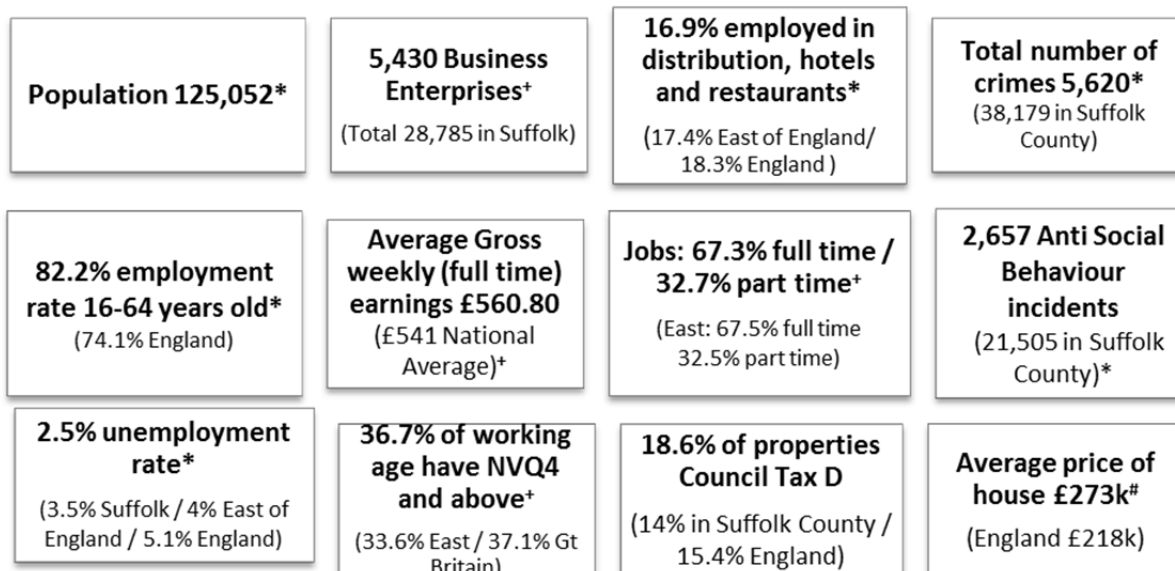
- About Suffolk Coastal
- About Suffolk Coastal District Council
- East Suffolk Business Plan
- Financial Performance 2016/17
- Non-Financial Performance 2016/17
- Budget 2017/18, Medium Term Outlook, and Future Plans;
- Note on Strategic Partnerships; and
- Explanation of the Financial Statements.

2. Key Facts about Suffolk Coastal

Suffolk Coastal covers an area of 88,938 hectares (891km²) and 53km of open coast. The area is a uniquely attractive place to live and work, attracting tourism and visitors and combining a strong economy with a natural and built environment.

A large part of the district is designated as an Area of Outstanding Natural Beauty, including numerous areas of nationally and internationally important areas of natural conservation. There are a wide and varied selection of historical sites, including the Sutton Hoo Saxon burial site and the castles at Orford and Framlingham, Martello Towers and Landguard Fort at Felixstowe.

It has a population of 125,052* (49% male and 51% female) with 26% of the population being age 65+ and 17% between 0-15 years old.



* Suffolk Observatory (ONS 2015 mid-year population estimate)

⁺ Nomis – Official Labour Market Statistics

[#] Office of National Statistics – Median sale price

3. Key Facts about Suffolk Coastal District Council

Political Structure

Suffolk Coastal District Council is represented by 42 Councillors following the elections on 7th May 2015. Those Councillors will serve for four years and will represent eleven single-member wards, fourteen two-member wards and one three-member ward across the District – 26 electoral wards in total.

The Conservatives have control of the Council with 37 councillors; there are two Liberal Democrat councillors, two Independent Councillors and one Labour councillor.

Shared Management Team and Shared Services Partnership

Nationally, Suffolk Coastal and Waveney District Councils are at the forefront of partnership working having agreed to share a Chief Executive in April 2008. Since then further opportunities have been taken to strengthen and build the partnership with the establishment of a shared senior management team in October 2010 and the merging of teams providing key services across both districts. Each management team member and head of service assumes responsibilities across both authorities.

In January 2017, Suffolk Coastal and Waveney District Councils both approved proposals to create a brand new 'Super District' council, delivering services to communities across east Suffolk. The councils will work with the Department of Communities and Local Government to begin the formal process of merger. With the Secretary of State's agreement the new Council would then hold elections, and commence operations, in 2019. This next step in the partnership will allow the Council to keep costs down and to be better placed to address the challenges faced by local government.

Strategic Management Team

Stephen Baker - Chief Executive and Head of Paid Service

Andy Jarvis - Strategic Director

Nick Khan - Strategic Director (joined July 2017)

Heads of Service

Homira Javadi - Chief Finance Officer & Section 151 Officer

Phil Gore - Head of Environmental Services & Port Health

Hilary Slater - Head of Legal & Democratic Services

Philip Ridley - Head of Planning & Coastal Management

Justin Hunt - Head of Housing Services

Kerry Blair - Head of Operations

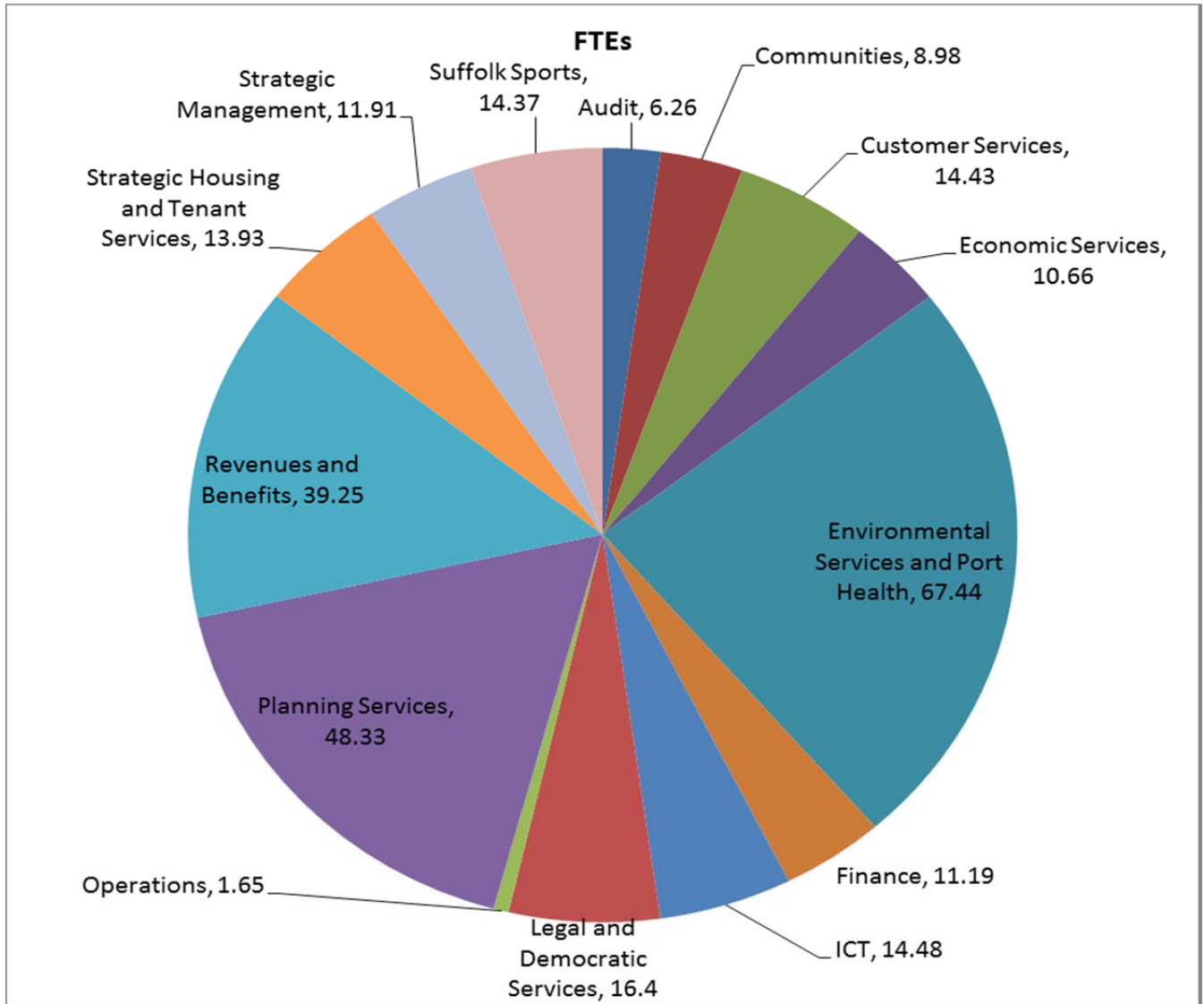
Ann Carey - Head of ICT

NARRATIVE REPORT

Darren Knight - Head of Customer Services
Paul Wood - Head of Economic Development & Regeneration
Nicole Rickard - Head of Communities
Siobhan Martin - Head of Internal Audit

Staffing

The Council employs 279.22 full time equivalent (FTE) staff to deliver its services and priorities, as shown in the following chart:



Accommodation

In December 2016 the Council moved into new purpose-built offices at Riduna Park, Melton. The new accommodation provides modern and efficient open plan office spaces for staff and a flexible and technologically advanced Council Chamber for meetings, making meetings more accessible. The project was completed on time and within the budget.

4. East Suffolk Business Plan

Councillors and staff work together to deliver the strategic objectives of the Council, which are now expressed in the first joint East Suffolk Business Plan shared with Waveney District Council - "**East Suffolk Means Business 2015-2023**".

Partnership working has already played a key role in Suffolk Coastal and Waveney District Councils' ability to drive down costs and provide more efficient frontline services, giving local tax payers better value for money. The Councils have been working increasingly closer together and published their first Business Plans in 2012, which were complementary but very separate.

The East Suffolk Business Plan outlines three strategic deliverables for both councils: Economic Growth, Enabling Communities, and Financial Self-Sufficiency. The overall objective of the East Suffolk Business Plan is **“To maintain and sustainably improve the Quality of Life for everybody growing up in, living in, working in and visiting East Suffolk.”**

East Suffolk Means Business 2015-2023



The Business Plan places East Suffolk in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges, including:

- Investment in growth and infrastructure projects
- Increasing housing demand and costs
- Growing employment opportunities and wages
- Devolution of greater powers and funding from Central Government
- Transfer of functions and responsibilities from Suffolk County Council
- Further alignment and integration across the public sector
- Improving education and skills
- Better use of technology
- Further welfare reform

5. Financial Performance 2016/17

5.1 Key Issues influencing the Council and its Financial Position in 2016/17

Some of the key and most material issues influencing the Council in 2016/17 are shown below:

Welfare Changes – Housing Benefit and Localised Council Tax Support are the Council’s largest financial transaction areas and are subject to increasing risk and change. The Council continued to monitor the impact of welfare changes on residents and the delivery of services, as well as on significant direct income and expenditure areas in the General Fund.

Economic Factors – The economic climate continued to have an influence on the Council’s activities. For 2016/17, the Council continued to operate in an essentially low inflation, pay increase, and investment environment, although inflation began to increase in the latter part of the year.

Business Rates Retention - From April 2013, councils have been able to retain a proportion of the business rates generated within the district and benefit from business growth over the longer term. This local retention represents a considerable transfer of financial risk and rewards from central to local government. Whilst Suffolk Coastal benefits from a very vibrant economy, one of the key risks facing it is uncertainty regarding the new system, particularly in respect of further Government changes to the system; the proposed reset of the system

in 2019; and developments in the local and national economy. Since the introduction of the new system, appeals, which can be backdated to 2010, have been a particular issue.

Government Grant – Since 2010, central government funding has reduced substantially year-on-year, and reductions to Revenue Support Grant continued in 2016/17, reflecting the Government’s continued need to reduce national debt, and public sector spending as part of that process.

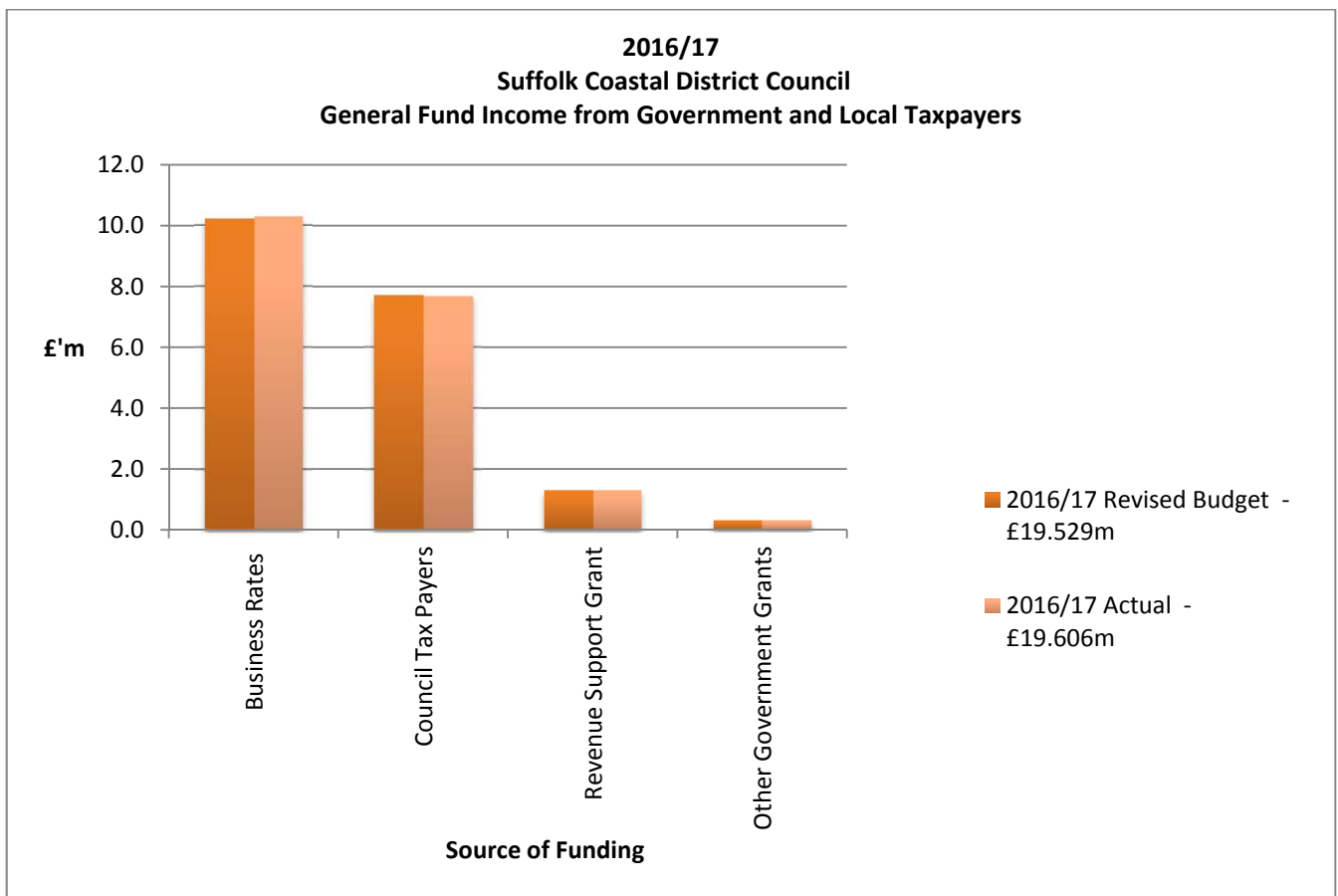
New Homes Bonus – As general government grant has reduced, the New Homes Bonus (NHB) - allocated to councils based on the building of new homes and bringing empty homes back into use – has become increasingly important as a source of funding for specific community-related budgets and invest to save initiatives. The Government has implemented changes to NHB from 2017/18 onwards, which will reduce the value of this income stream in future years.

Council Tax – Council Tax represents a significant income stream to the Council. Scope for increasing the tax is limited by the imposition of referendums for proposed increases above prescribed limits, although these have been relaxed from 2016/17.

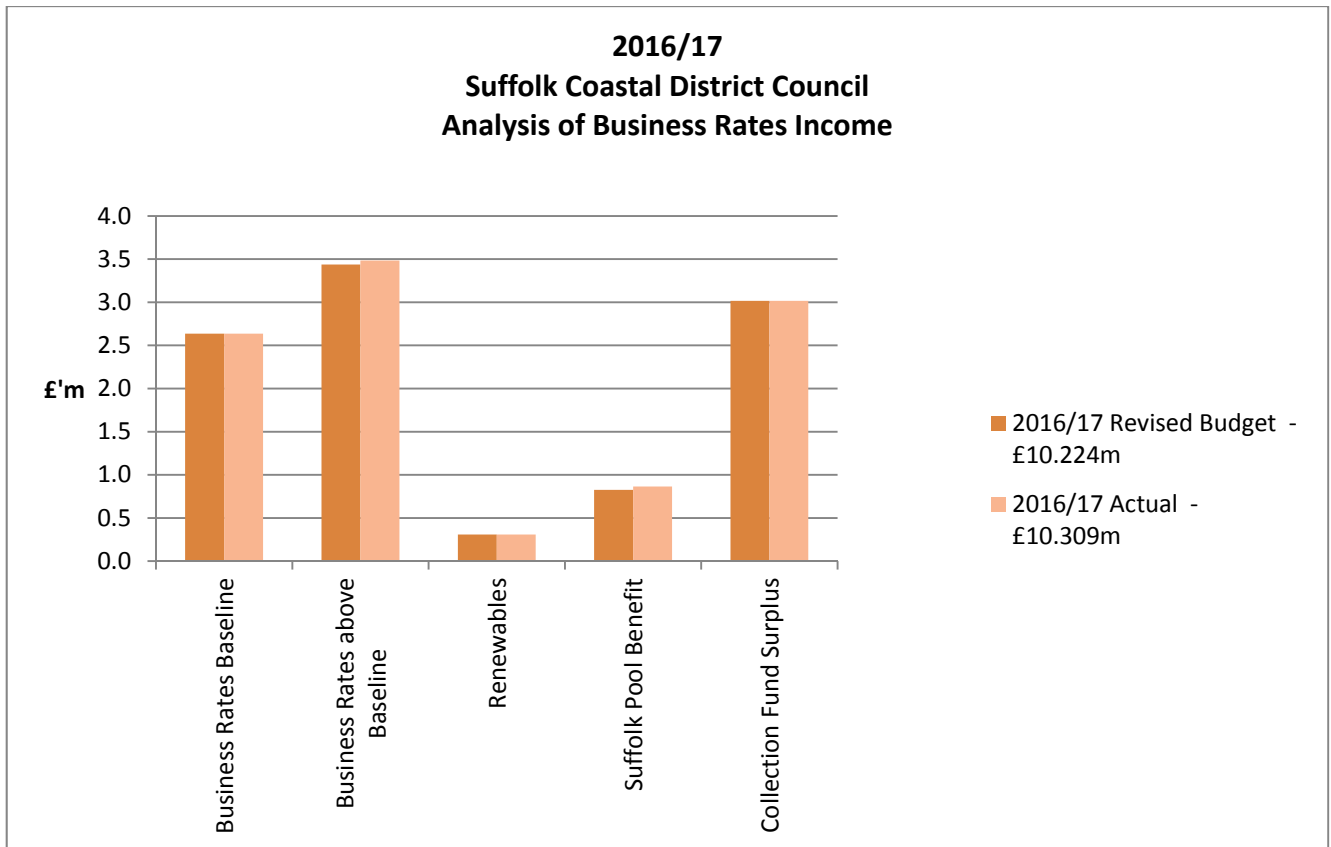
Transformation and Efficiency and Achievement of Savings - The Council has an enviable record of delivering its efficiency targets. However, finance settlements and the issues outlined above continue to make increasing demands on the Council to balance its resource and spending plans.

5.2 General Fund Income and Expenditure 2016/17

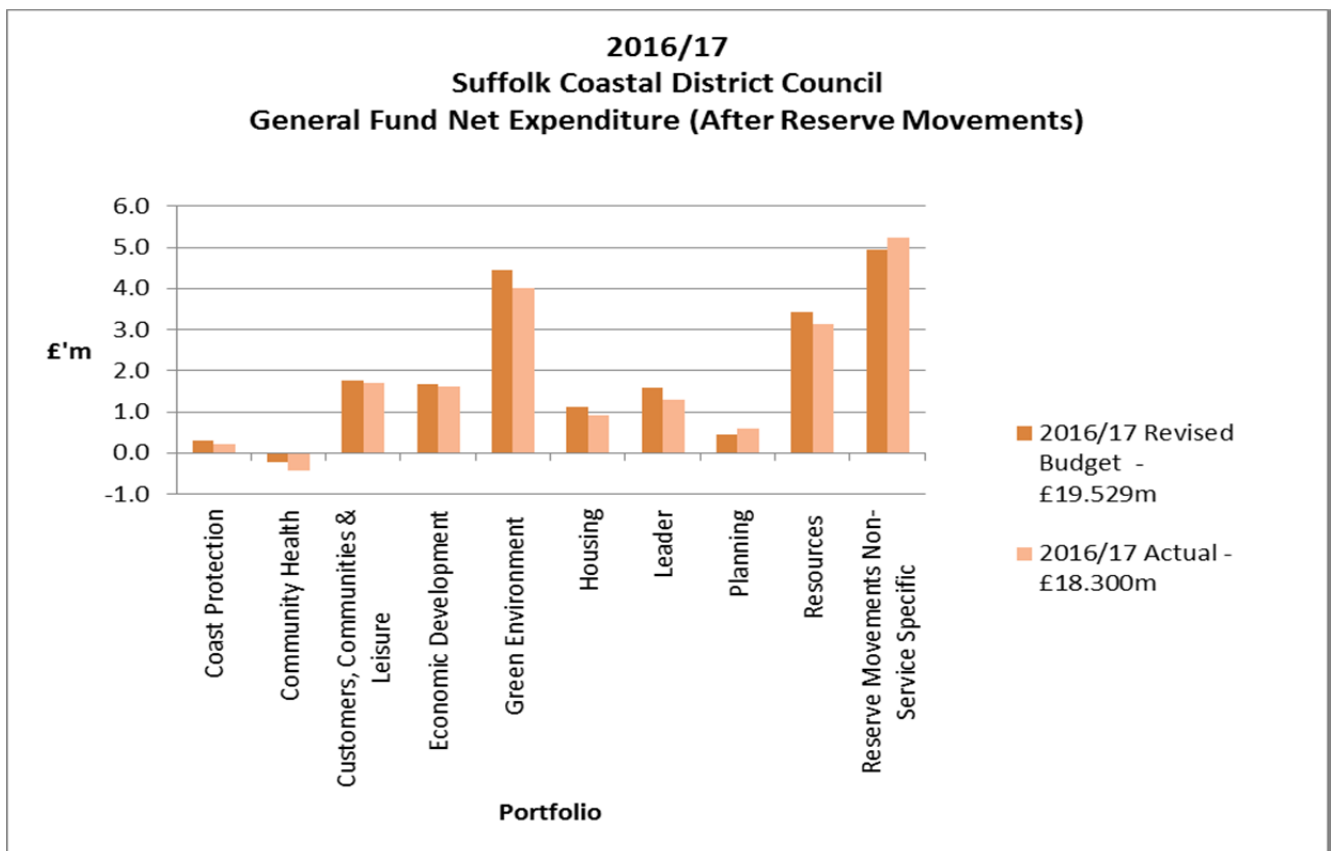
The General Fund is the main revenue fund from which the cost of the Council’s services is met. The cost of services is the expenditure of the Council less income from fees and charges for services, specific grants from the Government and any funding from earmarked reserves. The Council’s expenditure is financed by a general Government Grant known as the Revenue Support Grant (RSG) and income from Council Tax and Business Rates. In 2016/17 the Council also received from Government a Rural Service Delivery Grant and a Transitional Grant. Illustrated by the chart below, the total funding received by the Council in 2016/17 was £19.606m, against a revised budget of £19.529m.



Additional income was received from Business Rates due to an improved share of the Suffolk Pool Benefit by £0.039m and a reduction in the levy payment of £0.046m. An analysis of the Business Rates income is shown below.



The following chart sets out the Council’s General Fund Net Expenditure for 2016/17. The chart provides a high level summary of the Total Net Expenditure by Portfolio and compares actuals to the revised budget.



5.3 General Fund Outturn 2016/17

Taking the high level data presented in section 5.2 above, this section reviews the General Fund outturn position for 2016/17 in more detail and provides a summary of the key variances from the revised budget.

The Total Net Expenditure for 2016/17 was £18.300m, £1.229m less than the revised budget of £19.529m. With a total of £19.606m of funding from Government and Local Tax Payers and after allowing for transfer to reserves the overall Net Outturn Position was a surplus of £0.074m. This amount was added to the General Fund reserve. The table below provides high-level summary of key outturn outcomes:

Suffolk Coastal District Council Outturn Summary 2016/17				
Portfolio	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Actual 2016/17 £'000	Variance 2016/17 £'000
Coastal Management	309	305	216	(89)
Community Health	(122)	(222)	(430)	(208)
Customers, Community & Leisure	1,478	1,774	1,510	(264)
Economic Development	1,881	1,676	1,622	(54)
Green Environment	4,588	4,460	4,008	(452)
Housing	1,085	1,131	1,005	(126)
Leader	1,552	1,588	1,310	(278)
Planning	657	439	625	186
Resources	1,352	3,431	3,185	(246)
Reserve Movements (Non-Service Specific)	6,713	4,947	5,249	302
Net Expenditure after Reserve Movements	19,493	19,529	18,300	(1,229)
Financed by Income from Government and Local Tax Payers				
Council Tax Income	(7,688)	(7,697)	(7,689)	8
Business Rates Income* ²	(10,197)	(10,224)	(10,309)	(85)
Revenue Support Grant	(1,304)	(1,304)	(1,304)	-
Other Grants (Rural Service Delivery & Transitional Grant)	(304)	(304)	(304)	-
Total Income from Government & Local Taxpayers	(19,493)	(19,529)	(19,606)	(77)
Transfer to In-Year Savings Earmarked Reserve				1,000
Carry Forward Requests (Moved to Specific Earmarked Reserve)* ¹				232
2016/17 Net Outturn Position Deficit / (Surplus)				(74)
<i>*¹Carry Forward Requests for underspends in 2016/17 totalled £0.232m. These represent commitments made in 2016/17 but which have been delayed and there is insufficient budget in the following year to meet those commitments. Carry Forward Requests have been transferred to a specific earmarked reserve to enable closer monitoring of their use during 2017/18.</i>				
<i>*² Business Rate Income Analysis:</i>				
	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Actual 2016/17 £'000	Variance 2016/17 £'000
Business Rates Baseline	(2,637)	(2,637)	(6,120)	(46)
Business Rates above Baseline	(3,437)	(3,437)		
Renewables	(244)	(308)	(308)	0
Suffolk Pool Benefit	(862)	(825)	(864)	(39)
Collection Fund Deficit / (Surplus)	(3,017)	(3,017)	(3,017)	0
Total Business Rates Income	(10,197)	(10,224)	(10,309)	(85)

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The key variances by Portfolio are detailed in the following four tables below.

Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

	£'000
<u>Coastal Management</u>	
New contributions received to Coastal Partnership East	(59)
In-year staff vacancy savings, including contract staffing costs	(22)
Underspend on projects due to delays	(58)
Transfer of the above to the Coastal Protection Reserve	58
Additional Grant received from the Environment Agency	(17)
Additional Coastal Community Grants paid	10
Other minor variances	(1)
Total Variance on Coastal Management Portfolio	(89)
<u>Community Health</u>	
Additional Licensing income	(11)
Lower transfer to the Port Health reserve	(149)
Food & Safety in-year staff vacancy savings, including contract staffing costs	(30)
Community Safety Domestic Homicide review (carry forward request)	(10)
Other minor variances	(8)
Total Variance on Community Health Portfolio	(208)
<u>Customers, Community & Leisure</u>	
Exemplar Grants underspend (carry forward request)	(115)
Indoor Leisure one-off saving on management fee and reduction in consultancy costs	(45)
Customer Services in-year staff vacancy savings, including contract staffing costs	(12)
Savings on general office expenses	(10)
Community Development Grants (carry forward requests)	(23)
Leiston Forward Change Co-ordinator (carry forward request)	(8)
Consultancy costs for Leisure Development Programme	13
County Sports partnership In-year staff vacancy savings, including contract staffing costs	(35)
Community Safety Staffing - SFF FIP post (carry forward request)	(4)
Contribution to the Men's Tour 2017 (carry forward request)	(5)
Customer Services Savings on telephone calls/data/broadband	(12)
Other minor variances	(8)
Total Variance on Customers, Community & Leisure Portfolio	(264)

Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

	£'000
<u>Economic Development</u>	
Contributions and underspend to date on Armed Forces Event (Carry forward request)	(19)
Inward investment- Contribution to SCC Event ('The World's Leading Property Market') scheduled for October 2017 (carry forward request)	(10)
Business Support carry forward request re Broadband connectivity to fund connection vouchers within East Suffolk	(15)
Business Support carry forward request to support BT Evolution Strategy	(22)
Seafront garden revenue costs of project (underspend on capital)	57
New lease agreement of land at Felixstowe seafront	(14)
Economic Development in-year staff vacancy savings, including contract staffing costs	(14)
ICT in-year staff vacancy savings, including contract staffing costs	(7)
Other minor variances	(10)
Total Variance on Economic Development Portfolio	(54)
<u>Green Environment</u>	
Underspend on Car Park maintenance due to one-off refund from Suffolk Coastal Norse	(35)
Saving on Waste Management fee due to reduced management costs	(15)
Saving on Local Air Quality Management analyst fees (subject to demand)	(30)
Saving on rates and utility costs for Car Parks	(12)
Improved performance on Car Parking income, across all areas - General, Season Tickets and Fixed Penalty Notices	(232)
Increased income from Recycling Credits due to increased volume and price	(83)
Additional income from cemeteries	(16)
Environmental Protection in-year staff vacancy savings, including contract staffing costs	(20)
Other minor variances	(9)
Total Variance on Green Environment Portfolio	(452)
<u>Housing</u>	
Savings through the Anglia Revenue Partnership(ARP) service provision due to higher than expected income from the Enforcement service	(100)
Recovery of court costs (Council Tax income) was higher than expected	(72)
HB overpayments less than anticipated	26
Net position between HB subsidy income and expenditure	41
HB overpayments reduction in bad debt provision	(144)
HB and Council Tax (printing & software costs)	16
Transfer to Private Sector Housing Reserve, to be set aside to fund future renovation works	83
Corporate Counter Fraud - Audit Software purchase (ITEC) & DWP Grant	8
Other minor variances	16
Total Variance on Housing Portfolio	(126)

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Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

	£'000
<u>Leader</u>	
In-year staff vacancy savings, including contract staffing costs	(15)
Contingency	(173)
Saving on External Audit fees	(11)
External providers budget not used	(25)
Electoral Registration in-year staff vacancy savings, including contract staffing costs	(28)
Savings on Electoral Registration costs (Supplies and Services)	(19)
Other minor variances	(7)
Total Variance on Leader Portfolio	(278)
<u>Resources</u>	
Fewer Land Charge searches during the year	(16)
Additional S31 Grant received	(68)
Additional small grants received from DCLG	(17)
Suffolk Coastal Norse Profit share increased due to take on of third party work	(150)
Vacancy provision	200
Increase in the bad debt provision for sundry debtors	82
Increased level of investment term deposits and the rates of return have been maintained	(70)
Recovery of court costs (Council Tax income) was higher than expected	(72)
Council Tax bank fees	(10)
External recharging of Internal Audit staff due to increased work	(37)
Internal Audit in-year staff vacancy savings, including contract staffing costs	(35)
Legal costs associated with planning objections	33
Refurbishment of Cliff House	21
Income from external printing work	(46)
Early termination costs of communication provider for Melton Hill	51
Land Charges Settlement of complaints	20
Rates and utility costs (Melton Hill and ESH)	(80)
Revenue project costs of East Suffolk House	87
Contract staff costs for Asset management and Leisure Centre Project	47
Miscellaneous Property consultancy budget not used	(15)
Estate Management savings on building maintenance costs	(21)
Procurement in-year staff vacancy savings, including contract staffing costs	(21)
Additional Printing income (WDC and Elections)	(122)
Other minor variances	(7)
Total Variance on Resources Portfolio	(246)

Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

Planning

Building Control Submissions and Building Notices fee income reduced due to a reduction in volume	40
Planning application and advice income reduced due to volume	59
External legal costs associated with planning objections	33
Consultancy costs for planning objections	23
Advertising costs for planning applications	17
Planning Inspectorate costs (grant to be received in 2017/18)	113
Development & Building Control in-year staff vacancy savings, including contract staffing costs	(70)
Building Control microfilming budget not spent	(15)
Other minor variances	(14)
Total Variance on Planning Portfolio	186

Reserve Movements

New Homes Bonus	320
Transfer to In-Year Savings Reserve	1,000
Carry Forward Requests (Moved to Specific Earmarked Reserve)	232
Net other reserve movements	(18)
Total Variance on Reserves (Non-Service Specific)	1,534

Variance on Income from Government & Local Taxpayers **(77)**

2016/17 Net Outturn Position Deficit / (Surplus) **(74)**

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The key variances for 2016/17 have also been analysed under the headings of Operational Efficiencies, Additional Income, Reduced Income, Operational Requirements and Carry Forward Requests. These are summarised in the following two tables.

Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances

	£'000
<u>Operational Efficiencies</u>	
In-year staff vacancy savings, including contract staffing costs	(70)
Car Park maintenance costs met by one-off refund from Suffolk Coastal Norse	(35)
Saving on External Audit fees	(11)
Building Control Microfilming budget not spent	(15)
Waste Management fee due to reduced management costs	(15)
Savings through the Anglia Revenue Partnership(ARP) service provision due to higher than expected income from the Enforcement service	(100)
Fewer Land Charge searches during the year	(16)
Local Air Quality Management analyst fees subject to demand	(30)
Miscellaneous Property consultancy budget not used	(15)
Rates and utility costs for Car Parks	(12)
Bank fees and charges	(16)
Savings on Electoral Registration costs (Supplies and Services)	(19)
Adjustment to bad debt provisions	(62)
Indoor Leisure- saving on management fee and reduction in consultancy costs	(45)
Other minor variances	(34)
Total Operational Efficiencies	(495)
<u>Additional Income</u>	
New lease agreement of land at Felixstowe seafront	(14)
External printing due to the take on of Waveney District Councils external printing work	(46)
External recharging of Internal Audit staff due to increased work	(37)
Licensing income (including Environmental Licensing) was higher than anticipated	(26)
New Contributions received to Coastal Partnership East	(59)
Improved performance on Car Parking income, across all areas - General, Season Tickets and Fixed Penalty Notices	(232)
Recycling Credits due to increased volume and price	(83)
Increased level of investment term deposits and the rates of return have been maintained	(70)
Recovery of court costs (Council Tax income) was higher than expected	(72)
Cemeteries income - demand lead	(16)
Suffolk Coastal Norse Profit share due to increased take on of third party work	(150)
Additional small grants received from DCLG	(17)
Business Rate income due to improved share of Suffolk Pool Benefit, additional Section 31 Grant and reduced Levy	(153)
Total Additional Income	(975)

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Suffolk Coastal General Fund Outturn 2016/17 Summary of Key Variances

	£'000
<u>Reduced Income</u>	
Building Control Submissions and Building Notices fee income due to a reduction in volume	40
HB overpayments less than anticipated	26
Planning application and advice income due to volume	59
Total Reduced Income	125
 <u>Operational Requirements</u>	
Net position between HB subsidy income and expenditure	41
External legal costs associated with planning objections	33
Consultancy costs for planning objections	23
Advertising costs for planning applications	17
Additional Coastal Community Grants	10
Refurbishment of Cliff House	21
Planning Inspectorate costs (grant to be received in 2017/18)	113
Consultancy costs for Leisure Development Programme	13
Total Operational Requirements	271
 Requested carry forward underspends in respect of delayed commitments in 2016/17	 (232)
 <u>Reserve Movements</u>	
Transfer to In-Year Savings Earmarked Reserve	1,000
Carry Forward Requests (Moved to Specific Earmarked Reserve)* ¹	232
Total Transfer to Reserves	1,232
 2016/17 Net Outturn Position Deficit / (Surplus)	 (74)

5.4 Summary Reserves and Balances Position

As per the Statement of Accounts the Deficit/(Surplus) of Provision on Services for 2016/17 was a surplus of £8.645m. This represents the total transfer to earmarked reserves and balances. This is illustrated in the table below.

Suffolk Coastal District Council			
Deficit/ (Surplus) of Provision on Services for 2016/17			
	Actual After		Actual
	Reserve	Net Reserve	Before
	Movements	Movement	Reserve
	2016/17	2016/17	Movements
Portfolio	£'000	£'000	£'000
Coastal Management	210	(58)	152
Community Health	(430)	(256)	(686)
Customers, Community & Leisure	1,702	(117)	1,585
Economic Development	1,622	246	1,868
Green Environment	4,007	16	4,023
Housing	922	(1,793)	(871)
Leader	1,310	(133)	1,177
Planning	583	(50)	533
Resources	3,125	55	3,180
Reserve Movements (Non-Service Specific)	6,555	(6,555)	0
Net Expenditure	19,606	(8,645)	10,961
Financed by Income from Government and Local Tax Payers			
Council Tax Income			(7,689)
Business Rates Income			(10,309)
Revenue Support Grant			(1,304)
Other Grants (Rural Service Delivery & Transitional Grant)			(304)
Total Income from Government & Local Taxpayers			(19,606)
Deficit/ (Surplus) of Provision on Services for 2016/17 (as per the Statement of Accounts EFA)			(8,645)
Deficit/ (Surplus) of Provision on Services for 2016/17 Analysed as:			£'000
Net Movement on Earmarked Reserves			(8,571)
Transfer to General Fund Balance			(74)
			(8,645)

In 2016/17 the Council was able to increase its Earmarked Reserves by £8.571m, from £17.501m as at 31st March 2016 to £26.072m as at 31st March 2017. This is split between Revenue Earmarked Reserves of £25.873m and Capital Earmarked Reserves of £0.199m.

The General Fund balance as at 31st March 2017 is a working balance of £4.194m, an increase of £0.074m from 2015/16. In its Medium Term Financial Strategy, the Council seeks to maintain a prudent General Fund balance level of around 5% of its budgeted gross expenditure.

Further review of the Council's reserves will continue to be carried out as part of the consideration of the MTFs during 2017/18.

Detail of movements on the Earmarked Reserves is shown in Note 10 to the Core Financial Statements and is summarised in the table below.

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Suffolk Coastal District Council Summary of General Fund Balance and Earmarked Reserves 2016/17

	Balance as at 31 March 2016 £'000	Transfer In 2016/17 £'000	Transfer Out 2016/17 £'000	Balance as at 31 March 2017 £'000	<i>Budgeted Balance as at 31 March 2017 £'000</i>
Revenue Balances:					
General Fund	4,120	74	-	4,194	4,120
General Fund Balance	4,120	74	-	4,194	4,120
Revenue Earmarked Reserves					
Business Rate Equalisation	6,030	6,676	-	12,706	12,706
Port Health	3,421	273	-	3,694	3,943
Community Housing Fund	-	1,525	-	1,525	762
New Homes Bonus	798	1,317	-	2,115	1,795
In-Year Savings	850	1,000	-	1,850	850
In-Year Contingency	-	200	-	200	200
Carry Forwards	-	232	-	232	-
Other Revenue Earmarked Reserves	3,322	830	(601)	3,551	2,869
Total of Revenue Earmarked Reserves	14,421	12,053	(601)	25,873	23,125
Total of Capital Earmarked Reserves	3,080	330	(3,211)	199	199
Total Earmarked Reserves	17,501	12,383	(3,812)	26,072	23,324

The total of Earmarked Reserves as at 31st March 2017 is £2.748m higher than forecast as included in the February 2017 Budget Report. This improved position on reserve balances is mainly due to the £1m transferred to the In-Year Savings Reserve and £0.232m transferred to a newly created Carry Forwards Reserve. The remaining £0.074m of the 2016/17 outturn was transferred to the General Fund balance. Other Reserve movements that were notably different from the revised budget are highlighted below.

- An additional £0.762m was transferred to the Community Housing Fund Reserve. This was further funding received from DCLG to support initiatives in tackling the problem of high levels of second homeownership.
- The New Homes Bonus Reserve is used to fund specific community projects. During 2016/17 there was underspend in some of these areas and also delayed commitments, resulting in less use required from New Homes Bonus in the year of £0.320m.

A summary of the main reserves as set out in Balance Sheet to the Core Statements is set out below.

Suffolk Coastal District Council Summary of Reserves

	As at 31 March 2017 £'000	As at 31 March 2016 £'000
Useable Reserves		
<i>Held for Revenue Purposes</i>		
General Fund	4,194	4,120
Earmarked Reserves	25,873	14,421
<i>Held for Capital Purposes</i>		
Capital Receipts Reserve	424	635
Earmarked Reserves	199	3,080
Capital Grants Unapplied	4,656	3,011
	35,346	25,267
Unusable Reserves	27,647	33,594
Total Council Reserves	62,993	58,861

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5.5 Capital

Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The following table shows the outturn results for the Capital Programme in 2016/17 against the original budget approved by Full Council in February 2016, and the revised budget approved by Full Council in February 2017. Overall expenditure at outturn was £1.473m less than the Revised Budget for 2016/17.

Suffolk Coastal District Council General Fund Capital Programme 2016/17				
General Fund Capital Expenditure	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance £'000
Portfolio				
Customers, Community & Leisure	907	775	730	(45)
Coastal Management	120	-	-	-
Economic Development	100	407	92	(315)
Green Environment	356	721	573	(148)
Housing	565	661	416	(245)
Resources	1,894	3,005	2,285	(720)
Total General Fund Capital Expenditure	3,942	5,569	4,096	(1,473)
General Fund Capital Financing	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance £'000
<u>External:</u>				
Grants	495	496	386	(110)
Contributions	165	308	30	(278)
<u>Internal:</u>				
Capital Receipts	350	538	469	(69)
Capital Receipts Reserve	-	634	-	(634)
Capital Reserve (DRF)	2,932	3,211	3,211	-
Internal Resources	-	382	-	(382)
Total General Fund Capital Financing	3,942	5,569	4,096	(1,473)

The main variances between the revised budget and the outturn are summarised below.

Suffolk Coastal District Council General Fund Capital Programme 2016/17 Summary of Key Variances		£'000
<u>Customers, Community & Leisure</u>		
Customers, Community & Leisure - Felixstowe Events Area rephrased to 2017/18		(45)
<u>Economic Development</u>		
Economic Development - IT rephrased to 2017/18		(261)
Economic Development - Seafront Gardens treated as revenue costs		(54)
		(315)
<u>Green Environment</u>		
Green Environment - minor rephrasing to 2017/18		(148)
<u>Housing</u>		
Housing - Disabled Facilities Grants - programme revised		(245)
<u>Resources</u>		
Resources - East Suffolk House - transfer of £423k for future development and £250k for outstanding expenditure due in 2017/18		(673)
Resources - Footway Lighting - programme revised		(47)
		(720)
Total Variance on the General Fund Capital Programme		(1,473)

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The Council did not make any significant asset disposals during the year. However, the Council Offices at Melton Hill, Woodbridge are currently in the process of being disposed of following re-location of the Council's administrative headquarters to East Suffolk House in Melton.

The Council did not enter into any borrowing in 2016/17 to finance its capital expenditure and consequently remains free of external debt.

5.6 Collection Fund

The Collection Fund records the income from Business Rates and Council Tax and its distribution, net of an allowance for cost of collection paid to the Billing Authority.

Council Tax

Council Tax income finances the expenditure of Suffolk County Council, the Police and Crime Commissioner for Suffolk, Suffolk Coastal District Council and its Town and Parish Councils. The council tax collection fund made an overall in-year deficit of £1.179m during 2016/17 (£0.634m surplus in 2015/16). The reason for an overall in-year deficit position for 2016/17 is due to a higher apportionment of the previous years surplus. The in-year deficit is apportioned between Suffolk Coastal District Council, Suffolk County Council, and the Police and Crime Commissioner for Suffolk in proportion to their respective Council Tax precept demands in the year. The Council share of the deficit is £0.161m (£0.087m share of the surplus in 2015/16).

Business Rates

The Council as Billing Authority collects all non domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%).

Each year, the Council has to make a number of assumptions in January to produce the National Non Domestic Rate (NNDR1) return, which provides an estimate for the year ahead. Key assumptions in arriving at the estimated amounts include the value of outstanding appeals and forecasts of growth or reduction in the business rates base of the area. The Council is required to make provision for the estimated financial impact of outstanding appeals. In previous years, this provision was maintained at a very high level as a result of the appeal on the rateable value of Sizewell nuclear power station, which was resolved in May 2015. Due to the timing of the resolution of the Sizewell appeal, and its reflection in the accounting regime for Business Rates, the realisation of the surplus resulting from the subsequent reduction in the appeals provision to the General Fund was in 2016/17.

The bulk of Business Rates entries in the General Fund Revenue Account in 2016/17 are determined by the original NNDR1 form for the year. In general, variances in the level of rating income during the year, for whatever reason, are reflected in the Collection Fund surplus or deficit that is charged to the General Fund in future years. If variances are identified in January when the NNDR 1 for the following year is completed, then these will be reflected in the estimated Collection Fund surplus or deficit for that year. If further variances emerge on the end of year NNDR3 form, then these will be reflected in a further surplus or deficit figure with a two year time lag, i.e. in the 2018/19 General Fund Revenue Account in respect of the 2016/17 NNDR3. Only a few items in the General Fund Revenue Account vary in 2016/17 as a result of NNDR3 actual figures, such as the Levy (the amount paid to Government).

In order to reduce the amounts paid as Levies, all of the Suffolk councils have entered a pooling arrangement allowing them to retain a larger proportion of growth by reducing their individual rate of levy. The Council rejoined the Pool in 2016/17. For 2016/17, the benefit to the Council of participating in the Suffolk Business Rates Pool was £0.864m.

5.7 Assets and Liabilities

Net assets have increased during the year by £2.282m from £58.861m to £61.143m. This is summarised in the table below:

Suffolk Coastal District Council		
Summary of Net Assets		
	As at 31 March 2017	As at 31 March 2016
	£'000	£'000
Long Term Assets	56,899	57,510
Current Assets	53,781	54,255
Current Liabilities	(14,076)	(20,247)
Long Term Liabilities	(35,461)	(32,657)
Net Assets	61,143	58,861

Significant changes contributing to this net position are as follows:

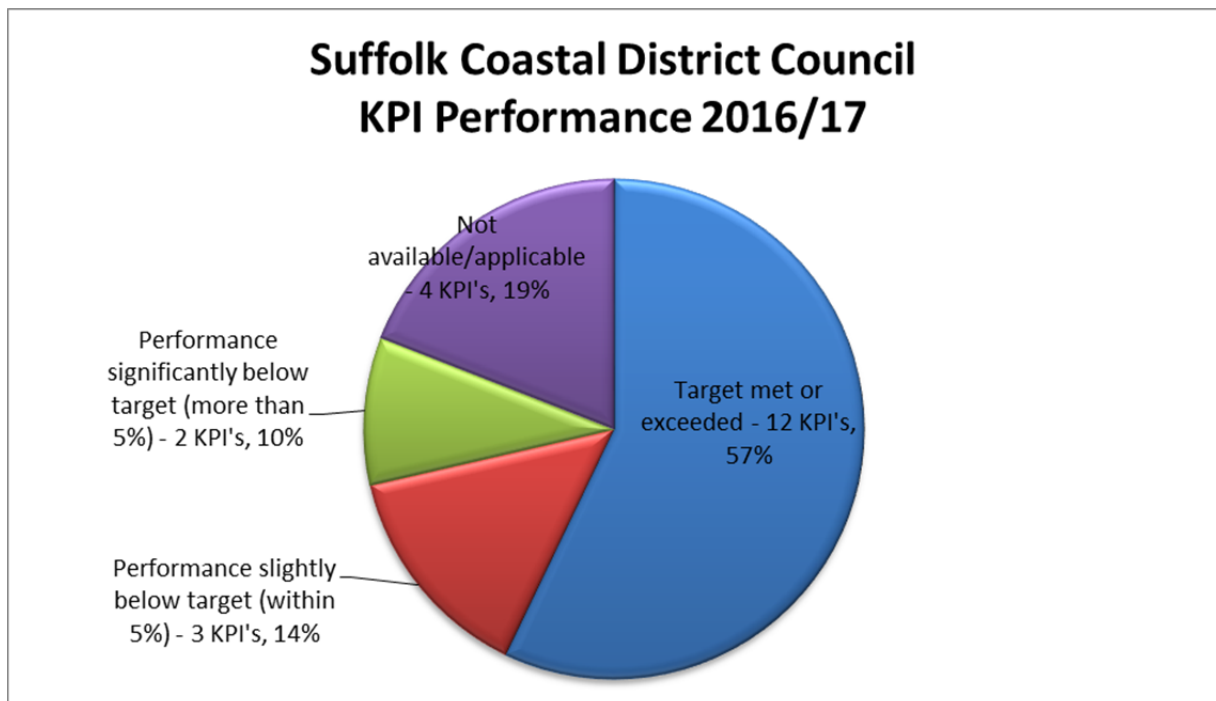
- Long term assets have decreased by £611k and this relates to reduction in non-asset current values of £1.689m netted off against an increase in long term debtors of £1.068m and specifically community infrastructure levy.
- Short term creditors within current liabilities have decreased by £6.235m, with the majority of the reduction relating to business rates following the repayment of a significant business rates appeal in 2015/16.
- Long term liabilities have increased by £2.804m and this relates to the pension liability increase of £2.751m, which comes about following the triennial review being completed during 2016/17. Statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. Detailed information on the performance of the Pension Fund is set out in Note 27 to the Core Financial Statements.

6. Non-Financial Performance 2016/17

The East Suffolk Performance Report is a quarterly report that captures how the Council's is performing against strategic deliverables within the East Suffolk Business Plan. There are ten identified Critical Success Factors (CSFs) which support the delivery of the East Suffolk Business Plan and it is against these that the Council monitors its performance.

Information within the Performance Report includes Key Performance Indicators (KPI's) for each quarter and end of year projections; progress against the Strategy which has been adopted in a three-pronged approach (Economic Growth, Enabling Communities and Financial Self-Sufficiency), financial updates, corporate risks, corporate projects, corporate activities and performance of partners.

In 2016/17 there was a total of 21 KPIs being monitored and performance for 2016/17 is illustrated in the chart below.



Non-Financial Performance highlights from 2016/17 under each of the strategic deliverables are shown below.

Enabling Communities

"Together we can improve services, build resilient communities and make life better for everyone"

Highlights:

- 57.37% household waste sent for recycling and composting (target: 57%)
- 84% of homeless decisions made within 33 days (target: 84%)

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- 248 fly tipping incidents reported and 389 fly tipping enforcement notices issued (target: 240)
- 691,548 leisure participation levels across all sites (target: 683,293)
- 82% homeless prevention outcomes (target: 75%)
- 139 affordable homes completed (target: 112).

Economic Growth

"We will encourage a strong local economy which is essential for vibrant communities in East Suffolk."

Highlights:

- 74.08% (383) minor planning applications determined in 8 weeks (target: 60%)
- 72.88% (43) major planning applications determined (target: 60%)
- 78.94% (862) other planning applications determined (target: 80%)
- 120 businesses supported (target: 120)
- 16 business creations supported (target: 11)
- 541 net dwellings completed (target: 517)
- 99.40% food hygiene rating (3-5 food rating).

Financial Self-Sufficiency

"Driving down costs and becoming even more business-like and entrepreneurial in our approach."

Highlights:

- 461,818 visits to East Suffolk website
- Sickness absence below the national level. In 2016/17 5.14 days/shifts lost per FTE (target: 6.8 days)
- 6.3 days taken to process new Housing Benefit claims (within 8 day target)
- 6 Local Government Ombudsman complaints in year
- 60,115 calls answered.

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7. Budget 2017/18, Medium Term Outlook, and Future Plans

7.1 General Fund – Future Budget Plans

Overall the Council's budget requirement, the net cost of services to be met from Revenue Support Grant, Business Rates Retention, Collection Fund Surpluses, and Council Taxes is £14.635m in 2017/18. This includes a net movement to Non-Service Specific Reserves of £2.693m. Set out in the table below, is the budget by Portfolio as approved by Full Council in February 2017. The table shows the budget for 2017/18 together with the MTFS forecasts for 2018/19 to 2020/21.

Suffolk Coastal District Council				
General Fund Revenue Budget Summary				
Portfolio	Budget	MTFS	MTFS	MTFS
	2017/18	Forecast	Forecast	Forecast
	£'000	£	£	£
Leader	2,154	2,195	2,202	2,224
Economic Development	1,363	1,036	1,000	1,007
Coastal Management	1,134	1,138	1,151	1,147
Community Health	471	478	483	489
Customers, Community & Leisure	2,281	2,232	2,232	2,240
Green Environment	4,797	5,048	5,304	5,574
Housing	2,105	2,135	2,154	2,175
Planning	1,279	1,240	1,271	1,298
Resources	181	121	62	78
Capital Financing	-	-	543	401
Total Service Costs	15,765	15,623	16,402	16,633
Net Contributions (from)/to Capital Reserve	-	330	(213)	(71)
Net Cost of Services	15,765	15,953	16,189	16,562
Interest from Investments	(280)	(280)	(280)	(280)
	15,485	15,673	15,909	16,282
Other Financial Transactions:				
<i>New Homes Bonus</i>	(2,071)	(1,839)	(2,029)	(1,886)
<i>S31 Grant</i>	(1,142)	(1,176)	(1,212)	(1,248)
<i>Partnership Profit (Suffolk Coastal Norse (SCN))</i>	(330)	(360)	(360)	(360)
Total Budget Expenditure	11,942	12,298	12,308	12,788
Movements (from)/to Revenue Reserves (Non-Service Specific)	2,693	1,023	1,261	1,131
Total Budget Expenditure after Reserve Movements	14,635	13,321	13,569	13,919
Financed by:				
Council Tax Base	(7,313)	(7,670)	(7,996)	(8,336)
Council Tax Base Increase (assumed 1% from 2018/19)	(119)	(77)	(80)	(83)
Council Tax Increase of £4.95	(238)	(249)	(260)	(271)
Collection Fund Surplus - Council Tax	(242)	-	-	-
Revenue Support Grant	(598)	(168)	310	310
Rural Service Delivery Grant	(199)	(153)	(199)	(199)
Transitional Grant	(57)	-	-	-
Business Rates Baseline	(2,690)	(2,771)	(2,854)	(2,940)
Business Rates Above Baseline	(3,055)	-	-	-
Business Rates Renewables	(198)	(124)	(127)	(131)
Business Rates - Suffolk Pool Benefit	(1,055)	-	-	-
Collection Fund Deficit/(Surplus)-Business Rates	1,129	-	-	-
	(14,635)	(11,212)	(11,206)	(11,650)
Budget Shortfall / (Surplus)	-	2,109	2,363	2,269

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The reasons for the reduction in the 2017/18 budget compared to the Budget for 2016/17 are summarised below:

Suffolk Coastal District Council	
General Fund Revenue Budget	
Summary of Movements 2016/17 to 2017/18	
	£'000
Budget Requirement 2016/17	19,493
Key Movements	
Community Investment	353
Operational Requirement - Staffing	646
Operational Requirement	533
National Policy	99
Operational Efficiency	(493)
Partnerships	(233)
Additional Income	(606)
Movements in Reserves*	(5,157)
Budget Requirement 2017/18	14,635

** The 2017/18 budget includes a transfer to the Business Rates Equalisation Reserve of £2.719m, which is £3.407m less compared to the 2016/17 budget.*

The Government's Spending Review, carried out during 2015, and the 2016/17 Local Government Finance Settlement, indicated a clear change in Government policy towards council tax. Rather than a continued emphasis on restriction and freezing of tax levels, council tax is now allowed to increase at above inflation levels in order to address priority spending areas. This has been reflected in the relaxation of referendum limits – all Shire District Councils are now able to increase council tax by a maximum of £5 rather than 2%. For 2017/18, the Council approved an increase in the Band D Council Tax from £152.37 to £157.32, an increase of 3.25%.

The Local Government Finance Settlement also contained substantial reductions in Government grant funding, with Revenue Support Grant being reduced from £1.304m in 2016/17 to £0.598m in 2017/18, a reduction of 54%.

Since setting the budget in February 2017 the Council continues to monitor its Medium Term Financial Strategy (MTFS) and financial plans. The MTFS will be updated in October 2017 to incorporate any financial implications resulting from potential changes in Government policies and/or changes in the future spending levels and grants allocation. It is inevitable that there will be inherent uncertainties on any future predictions used in the MTFS.

7.2 Capital Programme – Future Years

Capital expenditure plans for the next four years and how they are financed are detailed below. The most significant projects for the Council in 2017/18 are refurbishment of Deben Pool and Commercial Investment.

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Suffolk Coastal District Council General Fund Capital Programme 2017/18 - 2020/21

General Fund Capital Expenditure Portfolio	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Customers, Community & Leisure	2,932	2,322	5,187	141
Coastal Management	553	125	140	2,100
Economic Development	175	25	200	200
Green Environment	654	540	100	90
Housing	515	490	450	450
Resources	5,360	70	70	70
Total General Fund Capital Expenditure	10,189	3,572	6,147	3,051
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund Capital Financing				
Grants and Contributions	1,488	855	580	2,550
Capital and other Reserves	1,851	667	1,115	401
Internal Resources	6,850	2,050	4,452	100
Total General Fund Capital Financing	10,189	3,572	6,147	3,051

7.3 Economic and Public Finances Outlook.

The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The economic outlook has been characterised by uncertainty since the EU Referendum vote in June. The Bank of England's overall forecast for growth in Gross Domestic Product (GDP) outlined in its February 2017 Inflation Report, is:

- 2017 2.0%
- 2018 1.6%
- 2019 1.7%

Primarily as a result of weaker sterling and global commodity prices, inflation has picked up and CPI is expected to rise above the Bank of England's 2% target. The Bank of England's overall forecast for CPI in its February 2017 Inflation Report is:

- Q1 2017 2.0%
- Q1 2018 2.7%
- Q1 2019 2.6%
- Q1 2020 2.4%

Despite these projected rates of inflation, due to growth and real income factors, interest rates are likely to remain at historically lower levels, with the Bank of England's base rate currently at 0.25%. The Council has relatively large sums invested and any increase in the base rate would have a positive impact on investment income.

The local government funding system has become more dependent on economic performance, with the Council's finances consequently exposed to greater volatility. Any changes to the economy could see improvements or further reductions to the funding levels, Business Rates, the Council Tax Base, and fee income, as well as greater demand on services.

The outlook for public finances in general and local government finance in particular, remains challenging in the medium term.

The introduction of the Local Business Rates Retention System in 2013/14, together with the government's programme of fiscal consolidation since 2010, have combined to both reduce the quantum of funding available

to the Council, and to shift the balance of funding significantly away from central to local sources. The 2016/17 settlement continued and accelerated this process, and was characterised by the following key points:

- Significant reductions in central Government funding over the medium term and progression towards the 100% business rates retention – phasing out of Revenue Support Grant (RSG) and proposals for a four year settlement;
- Redistribution of central funding towards social care, through RSG reductions and New Homes Bonus (NHB) proposals; and
- Change in Government's approach to Council Tax – included in grant distribution calculations, assumption of increases, relaxation of police and social care referendum limits, scrapping of freeze grant, etc.

7.4 Overall Financial Position

The Medium Term Financial Strategy (MTFS) provides a baseline forecast of income and expenditure and a framework within which the Council's overall spending plans are developed.

The Government has announced proposals for Councils to retain all locally raised business rates in 2019/20, and to end the distribution of core grant from central Government. These proposals are subject to development by the Government in consultation with local government stakeholders. Significant changes have also been implemented for the New Homes Bonus (NHB). Overall, recent developments will fundamentally change the Local Government Finance environment and the relationship with Central Government.

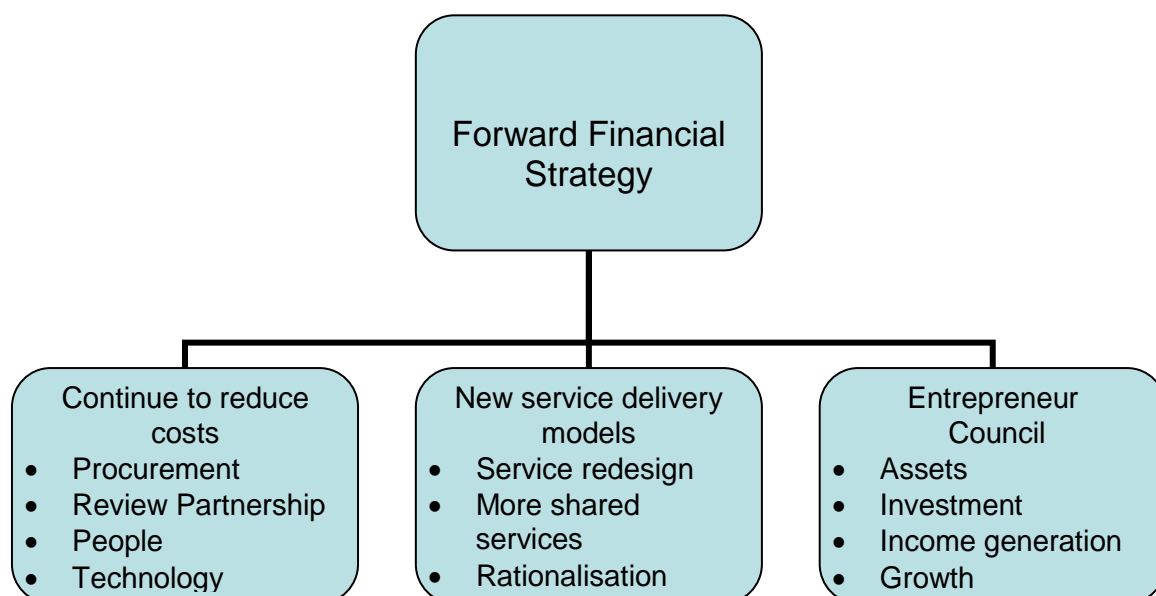
Overall, this period and the long-term Local Government financial picture is characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. Large reductions in Government grant, together with the NHB changes, have significant medium-term financial implications for the Council. The MTFS reported to Council in February 2017 highlighted significant Budget issues which have a bearing on shaping the budgets from 2017/18 onwards. Future years beyond 2017/18 show continuing budget shortfalls of core funding sources compared with budgeted expenditure.

Major influences on the Council's financial position include:

- a) the funding uncertainties and greater risk transfer from central government to local levels evident in business rate income and rising arrears in both council tax and business rates;
- b) the total reset of the Business Rates Retention system in respect of implementing 100% local business rates retention from 2019/20;
- c) volatility in the wider economy and the need for further restraint in 2018/19, 2019/20, and 2020/21 and beyond, leading to further significant reductions in spending by councils;
- d) uncertainty surrounding future taxation, inflation, and pay constraint assumptions in the years following 2017/18;
- e) the need for a renewed focus on cost reductions, efficiencies and redesigning services;
- f) pursuing new forms of service delivery based around more entrepreneurial and commercial models; and
- g) the proposal to create a new East Suffolk district council with Waveney District Council in April 2019.

In addition to General Fund Balances, the Council holds a range of Earmarked Reserves as part of its overall financial management. The Council currently holds significant reserves, such as Business Rates Equalisation and New Homes Bonus, which have been built up from incentivised income areas under the current arrangements for financing local government. These reserves form an extremely important part of delivering a range of Council objectives and are subject to specific risks over the next few years. 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 finance its longer-term ambitions.

Overall, this outlook highlights the importance of continuing to develop and implement entrepreneurial and commercial models, efficiencies and some key changes to service provision, in order to be sustainable over the medium term. The key elements in the Council's forward financial strategy to move towards Financial Self Sufficiency are illustrated in the chart shown below:



8. Strategic Partnerships

The Council is committed to achieving its strategic objectives and delivering services in the most effective and efficient ways possible.

Suffolk Coastal District Council and Waveney District Council have formally agreed that both councils are each others preferred partner for shared services, whilst not excluding partnership working with any other organisation. In order to fully enable joint working partnership arrangements, a Joint Partnership Board (JPB) is established to enable a shared services programme to be jointly developed, evaluated and implemented.

The shared joint management structure was implemented in October 2010 with new Directors and Heads of Service appointed to run services for both councils. Further information is disclosed in Note 24 to the Core Financial Statements. The councils have now submitted a proposal to the Secretary of State to create a new single district council for East Suffolk with effect from April 2019.

One of the considerations, when assessing the best way of delivering a service or a project, is the possible benefits of entering into a partnership in order to achieve this optimum solution. The Council had a number of strategic service delivery partnerships - either through third parties or joint arrangements with local authorities - in operation during the 2016/17 financial year. These are listed in the table that follows:

Third Parties:	
Suffolk Coastal Norse Limited (Norfolk County Council - Norse Commercial Services Limited (NCS) and its subsidiaries)	Provide the District Council with a range of environmental services including street sweeping, dog warden and pest control services, abandoned vehicle removal and litter bin provision and emptying. Suffolk Coastal Norse Ltd also manage the District Council's car parks, including running the cyclical maintenance programme, provision of car parking meters and tickets, cash collection and management of car park inspectors.
Places For People	Provision of Leisure services.
Joint Arrangements:	
Suffolk Coastal and Waveney District Councils.	Shared services to manage and deliver services jointly for both Councils.
Emergency Services - Joint Emergency Planning Unit	Provides Emergency Planning services for Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Waveney and Suffolk Coastal District Councils.
Internal Audit service.	Internal Audit partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.
Anglia Revenues Partnership.	Provision of Revenues and Benefits services for Breckland, East Cambridgeshire, Fenland, Forest Heath, St. Edmundsbury, Suffolk Coastal, and Waveney District Councils.

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East Suffolk Partnership	Provides local strategic junction for East Suffolk region and is a partnership of all public, voluntary and private sector partners.
New Anglia Local Enterprise Partnership	The New Anglia LEP works with businesses and public sector partners, to help grow jobs in Norfolk and Suffolk.
Coastal Partnership East	Joint provision of Coastal services along the East Anglia coastline, comprising Waveney, North Norfolk, Great Yarmouth, and Suffolk Coastal councils.
Building Control	Building Control partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.

9. Explanation of the Financial Statements

The Council's accounts for the year ended 31st March 2017 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Accounts are set out in the pages following this Narrative Report.

The Council's Statement of Accounts consists of:

Core Statements:

- **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council in the year in a format compliant with CIPFA's Code of Practice, International Financial Reporting Standards (IFRS) and UK Generally Accepted Accounting Principles (UK GAAP).
- **Movement in Reserves Statement** – this statement (with corresponding balances shown for 2015/16) shows the movement in the year on the different reserves held by the Council analysed in to "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.
- **Balance Sheet** – shows the Council's balances and reserves and long-term indebtedness at the financial year end, and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements:

- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for Suffolk Coastal District Council as a billing authority to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to Central Government, Suffolk County Council, the Police and Crime Commissioner for Suffolk and to the Council's General Fund.
- **Statement of Responsibilities for the Statement of Accounts** - this outlines the responsibilities of the Council and the Chief Finance Officer, with respect to the Statement of Accounts.
- **Group Accounts** – it has been determined that the Council must complete Group Accounts because of its Associate relationship with Suffolk Coastal Norse Limited. Details are set out in Note 30 to the Core Financial Statements (Interests in Companies).

These accounts are supported by Accounting Policies (Note 1 to the Core Financial Statements) on which the Council has based the Statements, and by various further notes to the core financial statements, providing additional information in support of the main financial statements.

Changes to the Statement of Accounts

Changes to the Statement of Accounts for 2016/17, which have been introduced via the Code, are in relation to the new Expenditure and Funding Analysis and associated notes which details segmental items in relation to Net Expenditure chargeable under statutory funding provisions (Notes 7 and 8).

Expenditure and Funding Analysis is a reconciliation of the adjustments between the Council's financial performance under the funding position and the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, describing all material reconciling items.

In addition, the Chief Finance Officer has determined that materiality in relation to preparing the Statement of Accounts equates to 2% of Gross Expenditure at Total Cost of Services level within the Comprehensive Income and Expenditure Statement (£59,730,000). This means that disclosures in relation to amounts below £1,194,000 have not been provided.

Some further important information about the Statement of Accounts is shown below:

- The **Accounts and Audit (England) Regulations 2015** came into force on 1st April 2015 and require all Local Authorities to have published a statement setting out the period for the exercise of public rights giving notification that the single period of 30 working days has commenced in which any rights of objection, inspection and questioning of the local auditor must take place. The public inspection period must include the first ten working days in July. From 2017/18 onwards the Regulations also change the date for signing and dating the Statement of Accounts from 30th June to 31st May, and the date for approval and publication from 30th September to 31st July. In order to prepare for compliance with this revised timetable the Council implemented an accelerated closure of accounts process for the 2016/17 Accounts, although for 2016/17 the signing and approving dates continue to be as follows:
 - the Chief Finance Officer must, no later than 30th June immediately following the end of a financial year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the Council at the end of the financial year to which it relates and of the Council's income and expenditure for the year.
 - No later than 30th September in the year following the financial year to which the statement relates the Council must:
 - consider, (either by way of a committee, or by the members meeting as a whole), the Statement of Accounts;
 - following that consideration, approve the Statement of Accounts by a resolution of that committee or meeting;
 - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting, at which that approval was given; and
 - publish the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 20(2) of the Local Audit and Accountability Act 2014.
 - The Chief Finance Officer must re-certify the presentation of the Statement of Accounts before the Council approves it.
 - The Council must keep copies of the Statement of Accounts with any auditor opinion for purchase by any person on payment of a reasonable sum.

Accounting Policies

The Council's Accounting Policies are set out in Note 1 to the Core Financial Statements. Any changes to the Council's Accounting Policies since the previous Statement of Accounts was produced for 2015/16 are in respect of the Code, and have been added to Accounting Policies under the relevant headings. These have been made following a review of the latest Code Guidance Notes for Practitioners for the 2016/17 Accounts, issued by CIPFA.

Further Information and Translation Services

Further information on the Council's finances is available from the Chief Finance Officer at the below address. Information on the Suffolk Coastal District Council website can be translated into various languages. If you would like a copy or a summary of this Statement of Accounts in an alternative language or format, please ask an English speaking friend to contact us at the address below:

Financial Services, Corporate Performance and Risk Management
Suffolk Coastal District Council
East Suffolk House
Station Road
Melton,
Woodbridge,
Suffolk, IP12 1RT

Or email: accountancy@eastsoffolk.gov.uk

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 C Blundell
Chairman, Suffolk Coastal District Council – 28th September 2017

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 2016/17* (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
- complied 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 2017 and its income and expenditure for the year ending on that date.



Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer – 28th September 2017

EXPENDITURE AND FUNDING ANALYSIS

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	2016/17 (Note 7)				Net Expenditure Chargeable to General Fund Balance £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2015/16 (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		
679	-	82	-	82	761	Communities	720	-	70	-	70	790
348	(22)	38	-	16	364	Customer Services	358	(31)	32	-	1	359
1,112	(259)	64	-	(195)	917	Economic Development and Regeneration	(282)	(78)	72	-	(6)	(288)
(139)	(1)	359	-	358	219	Environmental Services and Port Health	240	-	343	-	343	583
420	(6)	1,853	-	1,847	2,267	Financial Services, Corporate Performance and Risk Management	53	(5)	-	-	(5)	48
504	(8)	63	-	55	559	Housing Operations and Landlord Services	595	(65)	59	-	(6)	589
1,064	(129)	67	-	(62)	1,002	ICT Services	1,476	(122)	1,772	-	1,650	3,126
167	-	43	-	43	210	Internal Audit	271	-	43	-	43	314
985	(1)	70	-	69	1,054	Legal and Democratic Services	1,114	(1)	65	-	64	1,178
9,884	(4,780)	10	-	(4,770)	5,114	Operations	5,254	(726)	9	-	(717)	4,537
1,487	(866)	204	-	(662)	825	Planning and Coastal Management	1,701	(1,264)	187	-	(1,077)	624
204	(5)	140	-	135	339	Revenue and Benefits	273	(5)	135	-	130	403
997	-	114	-	114	1,111	Senior and Corporate Management	864	-	112	-	112	976
17,712	(6,077)	3,107	-	(2,970)	14,742	Cost of Services	12,637	(2,297)	2,899	-	602	13,239
2,703	238	-	-	238	2,941	Other Operating Expenditure	1,633	1,202	-	-	1,202	2,835
578	3,211	(3,061)	-	150	728	Financing and Investment Income and Expenditure	861	2,833	(3,421)	-	(588)	273
(25,598)	1,982	-	(3,440)	(1,458)	(27,056)	Taxation and Non-Specific Grant Income	(20,848)	1,155	-	(1,508)	(353)	(21,201)
(4,605)	(646)	46	(3,440)	(4,040)	(8,645)	(Surplus) or Deficit on Provision of Services	(5,717)	2,893	(522)	(1,508)	863	(4,854)
					(21,621)	Opening General Fund Balance						(16,767)
					(8,645)	Less/Plus Surplus of (Deficit) on General Fund Balance in Year						(4,854)
					(30,266)	Closing General Fund Balance at 31 March						(21,621)

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	
	2016/17		Net Expenditure	2015/16		2016/17 Net Expenditure	2015/16 Net Expenditure	
	Gross Expenditure	Gross Income		Gross Expenditure	Gross Income			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost of Services								
Communities	1,410	(731)	679	1,388	(668)	720	679	720
Customer Services	371	(23)	348	369	(11)	358	348	358
Economic Development and Regeneration	1,730	(618)	1,112	1,893	(2,175)	(282)	1,112	(282)
Environmental Services and Port Health	4,476	(4,615)	(139)	4,541	(4,301)	240	(139)	240
Financial Services, Corporate Performance and Risk Management	1,008	(588)	420	53	-	53	420	53
Housing Operations and Landlord Services	1,967	(1,463)	504	1,423	(828)	595	504	595
ICT Services	1,135	(71)	1,064	1,953	(477)	1,476	1,064	1,476
Internal Audit	373	(206)	167	412	(141)	271	167	271
Legal and Democratic Services	1,359	(374)	985	1,361	(247)	1,114	985	1,114
Operations	14,166	(4,282)	9,884	9,469	(4,215)	5,254	9,884	5,254
Planning and Coastal Management	3,439	(1,952)	1,487	3,746	(2,045)	1,701	1,487	1,701
Revenue and Benefits	27,576	(27,372)	204	28,613	(28,340)	273	204	273
Senior and Corporate Management	1,015	(18)	997	963	(99)	864	997	864
Total Cost of Services	60,025	(42,313)	17,712	56,184	(43,547)	12,637	17,712	12,637

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
	2016/17			2015/16			2016/17	2015/16
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Cost of Services	60,025	(42,313)	17,712	56,184	(43,547)	12,637	17,712	12,637
Other Operating Expenditure (note 11)			2,703			1,633	2,703	1,633
Financing and Investment Income and Expenditure			578			861	578	861
Taxation and Non-Specific Grant Income (note 12)			(25,598)			(20,848)	(25,598)	(20,848)
(Surplus) or Deficit on Provision of Services			(4,605)			(5,717)	(4,605)	(5,717)
Share of (Surplus) / Deficit on the Provision of services by Associate (note 30)			-			-	(73)	(38)
Tax expenses of Associate (note 30)			-			-	25	(1)
(Surplus) / Deficit			(4,605)			(5,717)	(4,653)	(5,756)
(Surplus) or deficit on revaluation of non-current assets (note 20)			(472)			(5,308)	(472)	(5,308)
Remeasurement of the net defined benefit liability / (asset) (note 20)			2,797			(10,505)	2,797	(10,505)
Other Comprehensive Income and Expenditure			2,325			(15,813)	2,325	(15,813)
Total Comprehensive Income and Expenditure			(2,280)			(21,530)	(2,328)	(21,569)

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.

	Earmarked		Capital		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	
	General Fund Balance	Reserves	Capital Receipts Reserve	Grants Unapplied Account				£'000	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2015	(3,928)	(12,839)	(233)	(2,843)	(19,843)	(17,488)	(37,331)	358	(36,973)
<u>Movement in reserves during 2015/16</u>									
(Surplus) or deficit on provision of services	(5,717)	-	-	-	(5,717)	-	(5,717)	-	(5,717)
Other Comprehensive Expenditure and Income	-	-	-	-	-	(15,813)	(15,813)	-	(15,813)
Total Comprehensive Expenditure and Income	(5,717)	-	-	-	(5,717)	(15,813)	(21,530)	-	(21,530)
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 30)	-	-	-	-	-	-	-	(39)	(39)
- Share of Actuarial Gains/Losses (note 30)	-	-	-	-	-	-	-	(393)	(393)
Net (Increase) / Decrease before Transfers	(5,717)	-	-	-	(5,717)	(15,813)	(21,530)	(432)	(21,962)
Adjustments between accounting basis and funding basis under regulations (note 9)	863	-	(402)	(168)	293	(293)	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(4,854)	-	(402)	(168)	(5,424)	(16,106)	(21,530)	(432)	(21,962)
Transfer to / from Earmarked Reserves (note 10)	4,662	(4,662)	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(192)	(4,662)	(402)	(168)	(5,424)	(16,106)	(21,530)	(432)	(21,962)
Balance at 31 March 2016 carried forward	(4,120)	(17,501)	(635)	(3,011)	(25,267)	(33,594)	(58,861)	(74)	(58,935)

MOVEMENT IN RESERVES STATEMENT

	Earmarked		Capital		Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	
	General Fund Balance	Fund Reserves	Capital Receipts Reserve	Grants Unapplied Account				£'000	£'000
Balance at 31 March 2016 brought forward	(4,120)	(17,501)	(635)	(3,011)	(25,267)	(33,594)	(58,861)	(74)	(58,935)
<u>Movement in reserves during 2016/17</u>									
(Surplus) or deficit on provision of services	(4,605)	-	-	-	(4,605)	-	(4,605)	-	(4,605)
Other Comprehensive Expenditure and Income	-	-	-	-	-	2,325	2,325	-	2,325
Total Comprehensive Expenditure and Income	(4,605)	-	-	-	(4,605)	2,325	(2,280)	-	(2,280)
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 30)	-	-	-	-	-	-	-	(48)	(48)
- Share of Actuarial Gains/Losses (note 30)	-	-	-	-	-	-	-	345	345
Net (Increase) / Decrease before Transfers	(4,605)	-	-	-	(4,605)	2,325	(2,280)	297	(1,983)
Adjustments between accounting basis and funding basis under regulations (note 9)	(4,041)		211	(1,645)	(5,475)	5,475	-	-	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(8,646)	-	211	(1,645)	(10,080)	7,800	(2,280)	297	(1,983)
Transfer to / from Earmarked Reserves (note 10)	8,571	(8,571)	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(75)	(8,571)	211	(1,645)	(10,080)	7,800	(2,280)	297	(1,983)
Balance at 31 March 2017 carried forward	(4,195)	(26,072)	(424)	(4,656)	(35,347)	(25,794)	(61,141)	223	(60,918)

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	
		2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Property, Plant and Equipment	13	55,053	56,742	55,053	56,742
Heritage Assets		353	353	353	353
Intangible Assets		381	381	381	381
Long Term Investments	14	10	-	10	-
Investment in Associate	30	-	-	(223)	74
Long Term Debtors	14	1,102	34	1,102	34
Long Term Assets		56,899	57,510	56,676	57,584
Short Term Investments		23,091	34,108	23,091	34,108
Current Assets held for sale	16	2,144	2,144	2,144	2,144
Inventories		-	59	-	59
Short Term Debtors	15	6,687	4,720	6,687	4,720
Cash and Cash Equivalents	Cash Flow	21,859	13,224	21,859	13,224
Current Assets		53,781	54,255	53,781	54,255
Short Term Creditors	17	(13,802)	(20,037)	(13,802)	(20,037)
Short Term Capital Grants Receipts in Advance	19	(274)	(210)	(274)	(210)
Current Liabilities		(14,076)	(20,247)	(14,076)	(20,247)
Long Term Creditors	14	(36)	(71)	(36)	(71)
Long Term Provisions	18	(2,470)	(2,229)	(2,470)	(2,229)
Long Term Capital Grants Receipts in Advance	19	(1,917)	(2,070)	(1,917)	(2,070)
Other Long Term Liabilities - Pension Liability	27	(31,038)	(28,287)	(31,038)	(28,287)
Long Term Liabilities		(35,461)	(32,657)	(35,461)	(32,657)
Net Assets		61,143	58,861	60,920	58,935
<u>Capital Reserves</u>					
Capital Receipts Reserve		(424)	(635)	(424)	(635)
Capital Grants Unapplied Reserve		(4,656)	(3,011)	(4,656)	(3,011)
Earmarked Reserves	10	(199)	(3,080)	(199)	(3,080)
Share of Reserves of Associate	30	-	-	223	(74)
<u>Revenue Reserves</u>					
General Fund		(4,195)	(4,120)	(4,195)	(4,120)
Earmarked Reserves	10	(25,873)	(14,421)	(25,873)	(14,421)
Usable reserves		(35,347)	(25,267)	(35,124)	(25,341)
Unusable reserves	20	(25,796)	(33,594)	(25,796)	(33,594)
Total Reserves		(61,143)	(58,861)	(60,920)	(58,935)



Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer

28th September 2017

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.

	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on the provision of services	(4,605)	(5,717)
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation	(2,949)	(1,926)
- Impairment and Downward valuations	(2,812)	900
- Change in Creditors	755	(686)
- Change in Debtors	3,069	(211)
- Change in Inventory	(57)	2
- Pension Liability	46	(522)
- Movement in provisions	(240)	(1,304)
- Carrying value of Non-Current Assets disposed	(20)	(2,063)
	(2,208)	(5,810)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,683	4,516
Net cash flows from Operating Activities	(4,130)	(7,011)
Investing Activities:		
- Purchase of property, plant and equipment, and intangible	3,299	5,153
- Purchase of short-term and long-term investments	23,010	108,900
- Proceeds from the sale of property, plant and equipment, and intangible assets	(257)	(2,987)
- Proceeds from short-term and long-term investments	(34,000)	(110,900)
- Other receipts from investing activities	(2,336)	(2,298)
	(10,284)	(2,132)
Financing Activities:		
- Other receipts from financing activities	(14)	-
- Other payments for financing activities	5,793	13,126
	5,779	13,126
Net increase or decrease in cash and cash equivalents	(8,635)	3,983
Cash and cash equivalents at the beginning of the reporting	(13,224)	(17,207)
Cash and cash equivalents at the end of the reporting period (See below)	(21,859)	(13,224)
- Cash held by officers	-	1
- Bank account	3,353	1,206
- Short-term deposits	18,506	12,017
Sub-Total - Cash and Cash Equivalents	21,859	13,224
- Other bank balances (overdrafts)	-	-
Cash and cash equivalents at the end of the reporting period	21,859	13,224

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17*, 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. Preparers materiality has been set at £1.194m 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).

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.
- 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 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 2016/17 accounts is 2.5% 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.

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 into two types:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments. The Council does not have any assets classified as Available for Sale.

Loans and receivables

Loans and receivables 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 loans that the Council has made, 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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.

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:

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- 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

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 2016/17, 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 2nd April 2017. 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.

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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.

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;

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- 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 2016/17 is 1st April 2016. 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

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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

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.

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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. There were no new accounting standards issued that will affect the 2016/17 statement of accounts.

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 2016/17. 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 2016, the Council had to estimate the business rates income expected to be received in 2016/17 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 which was 5% of appeals that had been lodged with the Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015, otherwise backdated to 1st April 2015. Regarding purpose built GP surgeries, the provision for appeals is based on 65% of the appeal lodged.

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:

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 £396k 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>

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 pensions 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 2017, the Council had a balance of sundry debtors of £3.595m. A review of significant balances suggested that an allowance for doubtful debts of £1.639m 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 £25.7 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>
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 Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%).</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>

NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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>	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.

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 are no items to disclose for 2016/17 (there were no items to disclose in 2015/16).

6. Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 28th September 2017. 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 2017, 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 2016/17 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 is one non-adjusted Post Balance Sheet Events to disclose 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.

The business case for a single council was submitted to the Secretary of State on 2nd February 2017. The next stages in the process are proceeding, but have been delayed by national events, such as the Parliamentary election that was suddenly called and took place in June 2017.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Member Programme Board have met and are considering issues such as councillor numbers and governance structures for the new single council. The proposals from the Member Programme Board will be taken to a Simultaneous Cabinet on 6th November 2017. Close liaison continues with the DCLG, both between officers and politicians; although a draft Order has not yet been issued, it is expected late 2017 / early 2018.

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 pensions 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

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefits expenses	12,216	11,844
Other service expenses	42,050	42,968
Depreciation, amortisation, impairment	5,760	1,373
Interest payments	978	1,288
Precepts and levies	2,889	2,712
Council tax support grant to parish councils	51	102
Business rates tariff payment and levy	21,257	20,076
Gain or loss on the disposal of assets	(238)	(1,181)
Total expenditure	84,963	79,182
Income		
Fees, Charges and other service income	(42,314)	(43,548)
Interest and investment income	(400)	(427)
Income from council tax, non-domestic rates, district rate income	(38,636)	(34,776)
Government grants and contributions	(8,218)	(6,148)
Total income	(89,568)	(84,899)
Surplus or deficit on the provision of services	(4,605)	(5,717)

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 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

2015/16	<u>Usable Reserves</u>				Movement
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	in Unusable 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	(1,824)	-	-	(1,824)	1,824
- Revaluation losses on Property, Plant and Equipment	552	-	-	552	(552)
- Amortisation of intangible assets	(102)	-	-	(102)	102
- Capital grants and contributions that have been applied to capital financing	527	-	-	527	(527)
- Revenue expenditure funded from capital under statute	(745)	-	-	(745)	745
- Revenue expenditure funded from section 106 receipts	(620)	-	-	(620)	620
- 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	(1,716)	-	-	(1,716)	1,716
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
- Capital expenditure charged against the General Fund balance	2,833	-	-	2,833	(2,833)
Adjustment involving the Capital Grants Unapplied Account:					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,072	-	(1,152)	(80)	80
- Application of grants to capital financing	-	-	984	984	(984)

NOTES TO THE CORE FINANCIAL STATEMENTS

2015/16	<u>Usable Reserves</u>				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 Receipts Reserve:					
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,011	(3,011)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	2,514	-	2,514	(2,514)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(95)	95	-	-	-
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	(3,420)	-	-	(3,420)	3,420
- Employer's pensions contributions and direct payments to pensioners payable in the year	2,898	-	-	2,898	(2,898)
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	(1,508)	-	-	(1,508)	1,508
Total Adjustments	863	(402)	(168)	293	(293)

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	<u>Usable Reserves</u>				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	(2,837)	-	-	(2,837)	2,837
- Revaluation losses on Property, Plant and Equipment	(2,812)	-	-	(2,812)	2,812
- Amortisation of intangible assets	(112)	-	-	(112)	112
- Capital grants and contributions that have been applied to capital financing	287	-	-	287	(287)
- Revenue expenditure funded from capital under statute	(416)	-	-	(416)	416
- Revenue expenditure funded from section 106 receipts	(344)	-	-	(344)	344
- 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	(20)	-	-	(20)	20
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
- Capital expenditure charged against the General Fund balance	3,211	-	-	3,211	(3,211)
Adjustment involving the Capital Grants Unapplied Account					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,139	-	(2,139)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	494	494	(494)

NOTES TO THE CORE FINANCIAL STATEMENTS

2016/17	<u>Usable Reserves</u>				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 Receipts Reserve:					
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	265	(265)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	468	-	468	(468)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(8)	8	-	-	-
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	(3,061)	-	-	(3,061)	3,061
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,107	-	-	3,107	(3,107)
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	(3,440)	-	-	(3,440)	3,440
Total Adjustments	(4,041)	211	(1,645)	(5,475)	5,475

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 2015/16 and 2016/17.

	Balance 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund:								
Active Communities	5	(5)	-	-	-	-	-	- To provide a source of finance to fund the women's cycling tour through the District.
Actuarial Contributions	171	-	129	300	(79)	-	221	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Air Quality	78	-	-	78	(2)	-	76	To provide a source of finance for Air Quality Management Areas.
Benefit Verification	251	-	21	272	-	41	313	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Business Incentive	741	(535)	-	206	(90)	-	116	To support economic development throughout the district.
Business Rate Equalisation	2,611	-	3,419	6,030	-	6,676	12,706	To provide a source of finance to equalise the effect of changes in Business Rate income.
Capital	3,270	(2,833)	2,468	2,905	(3,211)	330	24	To provide an additional source of finance for unspecified capital investment plans.
Carry Forwards	-	-	-	-	-	232	232	Budget carry forward requests.
Climate Change (includes Suffolk Energy Link)	77	(22)	3	58	(26)	8	40	To provide an additional source of finance for initiatives to reduce climate change and to promote energy efficiency.
Coastal Protection	175	-	-	175	-	-	175	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Coastal Management	-	-	36	36	-	58	94	To provide a source of finance to fund revenue expenditure on coastal defences in the district.
Community Health	-	-	99	99	(59)	-	40	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	-	-	-	-	-	1,525	1,525	To enable local community groups to deliver affordable housing units.
Community Safety	-	-	24	24	(11)	53	66	To provide a source of finance to support anti-social behaviour and crime reduction initiatives.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund:								
Economic Development	-	-	160	160	(127)	6	39	Funding provided to support the delivery of Economic Development projects.
Elections	65	(72)	30	23	-	30	53	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Empty Property	100	-	-	100	-	90	190	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	198	-	120	318	-	-	318	To facilitate the delivery of the Council's Business Plan including any emerging priorities.
Flood Prevention	110	(110)	-	-	-	-	-	- Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Grants	194	(77)	-	117	(117)	-	-	- To provide grant aid towards local voluntary and charitable organisations.
Homelessness Prevention	-	-	-	-	-	109	109	To match revenue grants received in advance with its related expenditure in subsequent years.
Housing and Planning Delivery	264	(82)	-	182	-	-	182	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	62	-	5	67	-	-	67	To meet the cost of the periodic survey of private sector housing within the district.
Individual Electoral Registration	-	-	-	-	-	97	97	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	-	-	-	-	-	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	To provide in-year contingency provision.
In-Year Savings	-	-	850	850	-	1,000	1,850	In-Year savings set aside to support future year budget gaps.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers in 2016/17 £'000	Balance 31 March 2017 £'000	Purpose of the Earmarked Reserve
General Fund:								
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	-	-	127	To provide a source of finance to implement service enhancements.
Local Development Framework	305	-	100	405	-	50	455	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Localism	52	(52)	-	-	-	-	-	To provide a source of finance to community initiatives.
New Homes Bonus	402	-	396	798	-	1,317	2,115	To provide a source of finance to fund initiatives arising from the Big Society agenda.
Port Health	3,359	-	62	3,421	-	273	3,694	To provide a source of finance to support the future investment and development of the Council's infrastructure at the Port of Felixstowe.
Private Sector Housing Grant Support	100	(10)	-	90	(90)	-	-	Transferred from the Housing Condition Survey reserve to support administration.
Private Sector Housing Renovation Grants	-	-	-	-	-	83	83	Grants repaid set aside to fund future Renovation works.
Recycling and Waste Management	61	(61)	-	-	-	-	-	To provide a source of finance to fund the one-off costs associated with waste reduction.
Transformation	78	-	372	450	-	7	457	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	78	To provide a source of finance to fund grants towards heating of homes.
Total	12,839	(3,859)	8,521	17,501	(3,812)	12,383	26,072	

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2016/17 £'000	2015/16 £'000
Parish Council precepts	2,820	2,643
Council tax support grant to Parish Councils	51	102
Payments to the Government Housing Capital Receipts Pool	-	-
Gains/losses on the disposal of non current assets	(237)	(1,181)
Levies	69	69
Total	2,703	1,633

12. Comprehensive Income and Expenditure Statement - taxation and non-specific grant income and expenditure

	2016/17 £'000	2015/16 £'000
Council tax income	(10,350)	(9,922)
Non domestic rates	(27,583)	(26,288)
Tariff payment to Suffolk County Council	17,116	16,975
Share of (surplus)/deficit on NDR collection fund	161	1,436
Share of pooling benefit with other Suffolk Councils	(864)	(2)
Levy to Central Government for Business Rates	4,140	3,101
Non-ring fenced government grants	(6,236)	(4,993)
Capital grant and contributions	(1,982)	(1,155)
Total	(25,598)	(20,848)

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Property, plant and equipment

Movements in 2016/17:									
	Council Dwellings	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	£'000
Cost or Valuation									
At 1 April 2016	493	35,654	6,350	22,631	985	838	2,708	485	70,144
Additions	-	433	790	97	-	-	1,499	684	3,503
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(1,084)	-	-	-	(166)	-	-	(1,250)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(2,843)	-	-	-	(178)	-	-	(3,021)
Derecognition - Disposals	-	-	(24)	-	-	-	-	-	(24)
Derecognition - Other	-	-	(355)	-	-	-	-	-	(355)
Other movements in Cost or Valuation	(493)	5,181	(1)	-	2	(145)	(4,183)	(361)	-
At 31 March 2017	-	37,341	6,760	22,728	987	349	24	808	68,997
Accumulated Depreciation and Impairment									
At 1 April 2016	12	961	4,218	8,150	39	20	-	-	13,400
Depreciation charge	-	1,714	294	749	71	9	-	-	2,837
Depreciation written out to the Revaluation Reserve	-	(1,715)	-	-	-	(8)	-	-	(1,723)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(192)	-	-	-	(17)	-	-	(209)
Derecognition - Disposals	-	-	(24)	-	-	-	-	-	(24)
Derecognition - Other	-	-	(335)	-	-	-	-	-	(335)
Other movements in Depreciation and Impairment	(12)	3	(1)	-	1	7	-	-	(2)
At 31 March 2017	-	771	4,152	8,899	111	11	-	-	13,944
Net Book Value									
At 31 March 2017	-	36,570	2,608	13,829	876	338	24	808	55,053
At 31 March 2016	481	34,693	2,132	14,481	946	818	2,708	485	56,744

Following clarification around the definition of council dwellings being only those within a housing revenue account, the Councils shared equity dwellings have been transferred to Other Land and Buildings during 2016/17.

NOTES TO THE CORE FINANCIAL STATEMENTS

Comparative Movements in 2015/16:									
	Council Dwellings	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	£'000
Cost or Valuation									
At 1 April 2015	170	30,666	4,945	22,088	91	358	1,865	361	60,544
Additions	-	570	472	259	177	227	3,563	-	5,268
Revaluation increases/(decreases) recognised in the Revaluation Reserve	138	3,652	177	-	66	933	-	-	4,966
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the	185	(36)	-	-	-	312	-	-	461
Derecognition - Disposals	-	(7)	-	-	-	(505)	-	-	(512)
Derecognition - Other	-	-	(221)	-	-	-	-	-	(221)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(363)	-	-	(363)
Other movements in Cost or Valuation	-	808	977	284	651	(124)	(2,720)	124	-
At 31 March 2016	493	35,653	6,350	22,631	985	838	2,708	485	70,143
Accumulated Depreciation and Impairment									
At 1 April 2015	8	645	4,164	7,336	-	12	-	-	12,165
Depreciation charge	12	743	208	814	39	8	-	-	1,824
Depreciation written out to the Revaluation	(5)	(338)	-	-	-	-	-	-	(343)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3)	(88)	-	-	-	-	-	-	(91)
Derecognition - Other	-	-	(154)	-	-	-	-	-	(154)
At 31 March 2016	12	962	4,218	8,150	39	20	-	-	13,401
Net Book Value									
At 31 March 2016	481	34,691	2,132	14,481	946	818	2,708	485	56,742
At 1 April 2015	162	30,021	781	14,752	91	346	1,865	361	48,379

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)
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 - Details of the authority's surplus assets and information about the fair value hierarchy as at 31st March 2017 are as follows:

Valuation techniques used to determine Level 2 were Significant Observable Inputs, which are the fair value for land and have 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.

Valuation techniques used to determine Level 3 Fair Values for Surplus Assets were Significant Unobservable Inputs, which are where insufficient comparable evidence exists (i.e. from active markets that are directly / indirectly observable) due to the nature of the land, its use or location. The closest available comparable evidence (as regards nature / use / location) has been used as a basis, applied on a precautionary basis (i.e. lower value). Where the asset appears to potentially require significant works of rectification with little potential for reimbursement of costs, or where other parties may potentially have rights over the land with no reciprocal obligations, the only realistic conclusion has been that the asset can only have a nominal value.

	Other significant observable inputs (Level 2) £,000	Significant unobservable inputs (Level 3) £,000	Fair value as at 31 March 2017 £,000
31 March 2017	388	-	388
31 March 2016	513	99	612

Capital Commitments

At 31st March 2017, the Council has entered into a contract for the construction of new office accommodation and budgeted cost in 2017/18 is £250k. There were similar commitments at 31st March 2016 costing £1.58m.

NOTES TO THE CORE FINANCIAL STATEMENTS

Effects of changes in estimates

The Council has made no material changes to its accounting estimates for property, plant & equipment. There were no changes to the useful life, residual value estimates or amortisation methods that had a material financial effect on the results for the current period or are expected to have an effect in subsequent periods.

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 2016/17 is 1st April 2016.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	973	6,541	22,728	904	-	24	-	31,170
Value at fair value as at:									
31 March 2017	-	19,073	-	-	-	338	-	-	19,411
31 March 2016	-	3,244	219	-	83	11	-	808	4,365
31 March 2015	-	2,375	-	-	-	-	-	-	2,375
31 March 2014	-	11,676	-	-	-	-	-	-	11,676
Total Cost or Valuation	-	37,341	6,760	22,728	987	349	24	808	68,997

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Financial instruments

Categories of financial instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Investments				
Loans and receivables	10	-	44,950	47,332
Total investments	10	-	44,950	47,332
Debtors				
Loans and receivables	1,102	34	3,938	3,551
Total debtors	1,102	34	3,938	3,551
Creditors				
Financial liabilities at amortised cost	(36)	(71)	(3,405)	(3,108)
Total creditors	(36)	(71)	(3,405)	(3,108)
Total Financial Instruments	1,076	(37)	45,483	47,775

Income, Expense, Gains and Losses

	2016/17			2015/16		
	Financial liabilities measured at amortised cost	Financial assets - loans and receivables	Total	Financial liabilities measured at amortised cost	Financial assets - loans and receivables	Total
	2016/17 £'000	2016/17 £'000	2016/17 £'000	2015/16 £'000	2015/16 £'000	2015/16 £'000
Interest expense	7	-	7	74	-	74
Total expense in Surplus or Deficit on the	7	-	7	74	-	74
Interest income	-	(400)	(400)	-	(427)	(427)
Total income in Surplus or Deficit on the	-	(400)	(400)	-	(427)	(427)
Net (gain) / loss for the year	7	(400)	(393)	74	(427)	(353)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised;

NOTES TO THE CORE FINANCIAL STATEMENTS

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2017		31 March 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	(3,441)	(3,441)	(3,179)	(3,179)
Loans and receivables	50,000	50,000	50,917	50,917

15. Debtors

	2016/17	2015/16
	£'000	£'000
Central Government bodies	1,288	375
Other Local Authorities	2,065	1,334
Public Corporations and trading funds	-	2
Council Taxpayers	823	765
Other entities and individuals	3,595	4,045
Prepayments	949	212
Total	8,720	6,733
less Bad Debt Impairment Provisions		
Council Taxpayers	(394)	(359)
Other service debtors	(1,639)	(1,654)
Total	6,687	4,720

16. Assets held for sale

	Current	
	2016/17	2015/16
	£'000	£'000
Balance outstanding at start of year	2,144	2,916
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	363
Assets sold	-	(1,135)
Balance outstanding at year-end	2,144	2,144

NOTES TO THE CORE FINANCIAL STATEMENTS

17. Creditors

	2016/17	2015/16
	£'000	£'000
Central Government bodies	2,245	8,132
Other Local Authorities	7,560	8,233
Public corporations and trading funds	3	5
Other entities and individuals	2,898	2,643
Receipts in Advance	1,096	1,024
Total	13,802	20,037

18. Provisions

	Other	Business Rate Appeals	Total
	£'000	£'000	£'000
<u>Long Term Provisions</u>			
Balance at 1 April 2016	5	2,224	2,229
Additional provisions made in 2016/17	-	841	841
Amounts used in 2016/17	-	(237)	(237)
Unused amounts reversed in 2016/17	-	(363)	(363)
Balance at 31 March 2017	5	2,465	2,470

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 £6.163m, of which the Council's share is 40%.

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 2017, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2016/17.

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:

	2016/17 £'000	2015/16 £'000
Credited to Taxation and Non-Specific Grant Income		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	(1,304)	(1,500)
New Homes Bonus	(2,099)	(2,165)
Community Housing Fund	(1,524)	-
Business Rates Reliefs	(1,035)	(1,240)
Other non-ringfenced grants	(275)	(88)
<u>Capital grant and contributions:</u>		
Community Infrastructure Levy	(1,695)	(219)
S106 contributions	(198)	(631)
Other capital grants and contributions	(89)	(305)
Total	(8,219)	(6,148)
Credited to Services		
Housing Benefits Subsidy	(25,357)	(26,108)
Benefits Administration Grant	(433)	(486)
Disabled Facilities Grants	(444)	(444)
Warmer Homes Healthy People	(254)	(112)
Seafront Gardens Lottery Funding	(219)	(1,406)
Coastal Communities/Coastal Revival	(171)	(443)
Other Grants	(430)	(387)
Total	(27,308)	(29,386)

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:

	2016/17 £'000	2015/16 £'000
Capital Grants Receipts in Advance (Short-Term)		
S106 Contributions	212	148
Coast Protection	62	62
Total	274	210
Capital Grants Receipts in Advance (Long-Term)		
S106 Contributions	1,917	2,070
Total	1,917	2,070

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Balance Sheet – Unusable Reserves

	2016/17 £'000	2015/16 £'000
Revaluation Reserve	(16,755)	(16,621)
Capital Adjustment Account	(40,617)	(42,358)
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	31,038	28,287
Collection Fund Adjustment Account	542	(2,898)
Total Unusable Reserves	(25,796)	(33,594)

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.

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(16,622)	(12,353)
Upward revaluation of assets	(1,202)	(6,049)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	730	741
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	(472)	(5,308)
Difference between fair value depreciation and historical cost	339	190
Accumulated gains on assets sold or scrapped	-	850
Amount written off to the Capital Adjustment Account	339	1,040
Balance at 31 March	(16,755)	(16,621)

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.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(42,358)	(38,914)
<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	2,837	1,824
- Revaluation losses on Property, Plant and Equipment	2,812	(552)
- Amortisation of intangible assets	112	102
- Revenue expenditure funded from capital under statute	416	745
- Revenue expenditure funded from section 106 receipts	344	620
- 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	20	1,716
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
- Amortisation of Revaluation Reserve	(339)	(190)
- Amounts written out on disposal of assets	-	(851)
Net written out amount of the cost of non current assets consumed in the year	6,202	3,414
<u>Capital financing applied in the year:</u>		
- Use of Capital Receipts Reserve to finance new capital expenditure	(469)	(2,514)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(83)	(66)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(494)	(984)
- Application of grants to capital financing from Receipts in Advance	(204)	(461)
- Capital expenditure charged against the General Fund balance	(3,211)	(2,833)
Balance at 31 March	(40,617)	(42,358)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the proceeds recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(4)	(87)
Other Movements	-	80
Transfer to the Capital Receipts Reserve upon receipt of cash	-	3
Balance at 31 March	(4)	(4)

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	28,287	38,270
Actuarial gains or losses on pensions assets and liabilities	2,797	(10,505)
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	3,061	3,420
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,107)	(2,898)
Balance at 31 March	31,038	28,287

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.

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(2,898)	(4,405)
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.	3,440	1,507
Balance at 31 March	542	(2,898)

21. Members' allowances

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

	2016/17	2015/16
	£'000	£'000
Basic, Attendance and Special Responsibility Allowances	362	299
Subsistence and Expenses	19	22
Total	381	321

NOTES TO THE CORE FINANCIAL STATEMENTS

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.

	2016/17	2015/16
	£'000	£'000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	50	50
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	18	12
Total	68	62

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 2017 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 £1.385m with a year end debtor of £0.174m (2015/16 £1.512m with a year end debtor of £0.314m).

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 2016/17 is shown in Note 21. During 2016/17, the Council made payments totalling £0.060m (£0.141m in 2015/16) 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 £0.071m (£0.069m in 2015/16).

Suffolk Coastal Norse Ltd - As part of the contract with Suffolk Coastal Norse Ltd, one Council employees, 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 2016/17 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 2016/17 or 2015/16.

		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	2016/17	129,341	-	-	129,341	21,471	150,812	-
	2015/16	128,061	-	-	128,061	21,258	149,319	-
Strategic Director	2016/17	90,199	-	-	90,199	15,220	105,419	-
	2015/16	87,597	-	-	87,597	14,788	102,385	-
Chief Finance Officer	2016/17	72,114	-	-	72,114	11,971	84,085	-
	2015/16	73,622	-	-	73,622	12,221	85,843	-
Head of Internal Audit	2016/17	61,812	-	-	61,812	10,261	72,073	-
	2015/16	62,857	-	-	62,857	10,434	73,291	-
Head of Planning Services & Coastal Management	2016/17	72,114	-	-	72,114	11,971	84,085	-
	2015/16	71,776	-	-	71,776	11,915	83,691	-
Head of Legal and Democratic Services	2016/17	69,538	-	-	69,538	11,543	81,081	-
	2015/16	68,768	-	-	68,768	11,415	80,183	-
Head of Environmental Services and Port Health	2016/17	69,538	-	-	69,538	11,543	81,081	-
	2015/16	70,261	-	-	70,261	11,666	81,927	-
Head of Community and Economic Services	2016/17	61,812	-	-	61,812	10,261	72,073	-
	2015/16	64,395	-	-	64,395	10,696	75,091	-

No employees were paid in excess of £150,000 in the year, therefore no additional disclosure of employee names is required. The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

NOTES TO THE CORE FINANCIAL STATEMENTS

Remuneration band	2016/17		2015/16	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	6	-	4	-
£55,000 - £59,999	2	-	-	-
	8	-	4	-

The above numbers include officers who were made redundant voluntarily during the 2016/17 and 2015/16 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 26 of Waveney District Council's 2016/17 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 & Monitoring Officer (Part Year)	2016/17	69,830	-	-	69,830	11,002	80,832	-
	2015/16	96,505	-	-	96,505	15,051	111,556	-
Head of Housing Operations & Landlord Services	2016/17	71,255	-	-	71,255	11,401	82,656	-
	2015/16	32,011	-	-	32,011	5,122	37,133	-
Head of ICT Services	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	61,895	-	-	61,895	11,434	73,329	-
Head of Customer Services	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	57,762	-	-	57,762	9,271	67,033	-
Head of Communities	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	54,324	-	-	54,324	8,692	63,016	-
Head of Commercial Partnerships and Strategic Commissioning	2016/17	36,555	-	-	36,555	-	36,555	-
	2015/16	30,897	-	-	30,897	4,943	35,840	-

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	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17 £	2015/16 £
£0 - £20,000	7	3	1	-	8	3	46,101	23,518
£20,001 - £40,000	1	3	1	-	2	3	62,332	87,461
£60,001 - £70,000	1	-	-	-	1	-	64,191	-
TOTAL	9	6	2	-	11	6	172,624	110,979

The total cost in the above table covers exit packages (also know 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 2016/17 (2015/16 – 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.

	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	-	-
<i>Capital investment</i>		
Property, Plant and Equipment*	3,503	5,268
Heritage Assets	-	157
Intangible Assets	112	39
Cost of Asset Disposals	8	96
Payments in Advance	33	(67)
Revenue Expenditure Funded from Capital under Statute	760	1,365
Total Capital Investment	4,416	6,858
<i>Sources of finance</i>		
Capital receipts	(469)	(2,514)
Government grants and other contributions	(781)	(1,511)
Sums set aside from revenue:		
Direct revenue contributions	(3,211)	(2,833)
	(4,461)	(6,858)
Closing Capital Financing Requirement	(45)	-

* 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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2016/17	2015/16
	£'000	£'000
Not later than one year	178	237
Later than one year and not later than five years	814	753
Later than five years	2,743	2,901
	3,735	3,891

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 2016/17 and 2015/16.

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 £31.038m in 2016/17 (2015/16 was £28.287m). 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.

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	
	2016/17	2015/16
	£'000	£'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current service cost	1,990	2,182
Past Service cost	100	24
<i>Financing and investment income</i>		
Net interest expense	971	1,214
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,061	3,420
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(12,921)	1,265
Actuarial gains and losses arising on changes in demographic assumptions	(1,090)	-
Actuarial gains and losses arising on changes in financial assumptions	18,218	(10,242)
Other	(1,358)	(1,530)
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	2,849	(10,507)
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,061)	(3,420)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	3,159	2,896

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	
	2016/17	2015/16
	£'000	£'000
Pension Assets and Liabilities recognised in the Balance Sheet		
Present value of the defined benefit obligation	(127,244)	(108,715)
Fair value of plan assets	96,206	80,428
Net liability arising from defined benefit obligation	(31,038)	(28,287)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme	
	2016/17	2015/16
	£'000	£'000
Opening balance 1 April	80,428	79,228
Interest Income	2,814	2,534
The return on plan assets, excluding the amount included in net interest expense	12,921	(1,265)
Employer contributions	3,159	2,896
Contributions by scheme participants	542	515
Benefits paid	(3,658)	(3,480)
Closing balance at 31 March	96,206	80,428

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

	Local Government Pension Scheme	
	2016/17	2015/16
	£'000	£'000
Opening balance 1 April	108,715	117,498
Current service cost	1,990	2,182
Interest cost	3,785	3,748
Contributions by scheme participants	542	515
Remeasurement of the net defined benefit comprising:		
Actuarial gains and losses arising on changes in demographic assumptions	(1,090)	-
Actuarial gains and losses arising on changes in financial assumptions	18,218	(10,242)
Other	(1,358)	(1,530)
Past service costs	100	24
Benefits paid	(3,658)	(3,480)
Closing balance at 31 March	127,244	108,715

NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme	
	Assets	
	2016/17	2015/16
	£'000	£'000
Equity Instruments:		
Consumer	8,409	6,259
Manufacturing	2,612	2,410
Energy and Utilities	1,753	884
Financial Institutions	3,277	3,340
Health and Care	2,741	2,717
Information Technology	3,435	2,160
Other	1,197	898
	23,423	18,668
Debt Securities:		
Corporate (Investment Grade)	14,053	12,799
UK Government	4,063	-
Other	-	2,983
	18,116	15,782
Private Equity (Non-active Market)	3,103	2,494
Real Estate:		
UK Property	8,961	8,810
Investment Funds & Unit Trusts:		
Equities	28,807	3,030
Bonds (Non-active Market)	-	2,033
Hedge Funds	2,935	-
Commodities	-	21,623
Infrastructure (Non-active Market 2016/17 (2015/16 1,945))	2,194	7,244
Other (Non-active Market 1,441)	6,656	-
	40,592	33,930
Derivatives:		
Foreign exchange	28	72
Cash and Cash Equivalents	1,982	672
Total Assets	96,205	80,428

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	
	2016/17	2015/16
Mortality assumptions:		
Longevity for current pensioners:		
Men	21.9	22.4
Women	24.4	24.4
Longevity for future pensioners:		
Men	23.9	24.3
Women	26.4	26.9
Rate of inflation	2.4%	2.1%
Rate of increase in salaries	2.7%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.5%	3.5%

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 2017	Approx. increase in Employers Liability	Approx. amount £'000
0.5% decrease in Real Discount Rate	9%	11,511
0.5% increase in the Salary Increase Rate	1%	1,855
0.5% increase in the Pension Increase Rate	7%	9,483

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

NOTES TO THE CORE FINANCIAL STATEMENTS

revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.207m in contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16.9 years in 2016/17 (17.8 years 2015/16).

28. Contingent liabilities

At 31st March 2017, the Council has no material contingent liabilities.

29. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments; and
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Financial Services, under policies and practices approved by the Council in accordance with the annual Treasury Management and Investment Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers (debtors).

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's, and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with UK Banks	Short Term	£15m (£20m group)
	Long Term: A- Rated	
	Access to Government Credit Guarantee	
Deposits with Building Societies	Short Term	£8m
	Value of Assets: Top 5 Societies only	
Money Market Fund Deposits	AAA Rated	£8m
Deposits with Non-UK Banks	Short Term	£8m (max 15% of holdings)

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £15 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2017 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability, adjusted to reflect current market conditions.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Amount at 31 March 2017 £'000	Historical experience of default % Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default and uncollectability at 31 March 2017 £'000	Estimated maximum exposure at 31 March 2016 £'000
Deposits with banks and other financial institutions	44,950	-	-	-
Customers	5,346	10	20	1,069
				915
				1,069
				915

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and has therefore not provided for any impairment of these assets.

The Council does not generally allow credit for customers, such that only £995,977 of general debt out of a total debt of £5,345,986 has been outstanding for more than three months. Within the total debt classified as receivable from customers £1,935,497 relates to Housing Benefit overpayments of which £1,750,850 has been outstanding for more than three months. The past due amounts can be analysed by age as follows:

	2016/17 £'000	2015/16 £'000
Less than three months	2,599	2,510
Three to Six Months	954	221
Six months to one year	275	380
More than one year	1,518	1,464
	5,346	4,575

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the Public Works Loans Board, but before borrowing the Council ensures it has adequate, but not excessive cash resources available to meet its business objective. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates - the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. Investments are made with a range of counter-parties meeting the specified criteria, with a rolling programme of maturities. The Council aims to achieve maximum interest returns but only where commensurate with minimising liquidity and credit risks. The security of public money is paramount.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set Treasury Management Prudential Indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

As an indication of the degree of risk associated with interest rates, if average rates in 2016/17 had been 1% higher with all other variables held constant, the financial effect would have been an increase in the variable investment income of £328k.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk and foreign exchange risk

The Council does not invest in equity shares or any other market priced investment and therefore has no exposure to losses arising from movements in the prices of the shares.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

30. 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 since 1st April 2009. This company provides a package of services including Refuse, Cleansing and Maintenance.

Group accounts have been prepared as the 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 the Council's share of the net assets and surplus of Suffolk Coastal Norse Ltd as an Associate, using the Equity method.

The Company prepared its accounts for 2nd April 2017, a few days after the 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 the Company to make it co-terminus with the Council. The Group Accounts are included in this document as additional columns to the Council's primary statements, showing the extent of the Council's 20% interest in the Company.

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 the Council's Statement of Accounts.

- a) The registered name of the Company is Suffolk Coastal Norse Limited;
- b) Nature of the business - the principal activity of the Company 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) The Company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share;
- f) The Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 20% share of the Company and also receives a 50-50 profit / loss share at year-end;

NOTES TO THE CORE FINANCIAL STATEMENTS

- g) Payments made to Suffolk Coastal Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Suffolk Norse Ltd were £8.066m in 2016/17 (£7.668m in 2015/16) and included as follows:

	2016/17	2015/16
	£'000	£'000
Economic Development	136	130
Legal & Democratic Services	2	2
Operations	7,928	7,536
	8,066	7,668

- i) Details of the Company's annual financial results to 2nd April 2017 are set out below:

	2017	2017	2016	2015
	Suffolk	Council	Suffolk	Council
	Coastal	Investment	Coastal	Investment
	Norse Ltd	(20%)	Norse Ltd	(20%)
	£'000	£'000	£'000	£'000
Property, Plant & Equipment	-	-	-	-
Current Assets				
Stock	150	30	95	19
Debtors	4,996	999	3,998	800
Cash at Bank	45	9	5	1
	5,191	1,038	4,098	820
Creditors falling due within one year	(2,300)	(460)	(1,891)	(378)
Provision for Deferred Taxation	-	-	-	-
Defined Benefit Pension Scheme Liability	(4,012)	(801)	(1,839)	(368)
	(1,121)	(223)	368	74
Net Assets / Shareholder's funds				
Share of Actuarial Gains/(Losses)	(1,727)	(345)	1,966	393
Turnover	12,569	2,514	14,896	2,979
Profit on ordinary activity before taxation	363	73	191	38
Tax on profit on ordinary activity	(125)	(25)	7	1
Profit for the Financial Period	238	48	198	39
<u>Tax components included in the above figures are as follows:</u>	£'000	£'000	£'000	£'000
Debtors				
- Deferred Tax asset	705	141	350	70
Creditors falling due within one year				
- Corporation Tax	(97)	(19)	(50)	(10)
Tax on profit on ordinary activity				
- Current Tax	129	26	(49)	(10)
- Deferred Tax	(4)	(1)	56	11
	125	25	7	1

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	2016/17		2015/16	
		Business rates	Council tax	Business rates	Council tax
		£'000	£'000	£'000	£'000
Income					
Income from council tax	1	-	(75,406)	-	(72,914)
Transfer from General Fund - council tax benefits		-	21	-	60
Income from business rates	2	(69,045)	-	(66,428)	-
Transitional protection payments from Central Government		-	-	2	-
		(69,045)	(75,385)	(66,426)	(72,854)
Expenditure					
Precepts, demands and shares:					
- Central Government		34,220	-	32,629	-
- Suffolk County Council		6,844	55,090	6,526	52,682
- Police and Crime Commissioner for Suffolk		-	8,315	-	7,955
- Suffolk Coastal District Council		27,583	10,126	26,288	9,630
		-	-	-	-
Transitional protection payments to Central Government		14	-	477	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		101	3	51	91
- Increase / (decrease) in bad debt provision		(195)	227	470	369
- Increase / (decrease) in provision for appeals		602	-	3,297	-
- Cost of collection allowance		277	-	278	-
Apportionment of previous years surplus / (deficit)					
- Central Government		3,772	-	370	-
- Suffolk County Council		754	2,102	74	1,124
- Police and Crime Commissioner for Suffolk		-	317	-	166
- Suffolk Coastal District Council		3,017	384	296	203
		76,989	76,564	70,756	72,220
(Surplus) / deficit for year		7,944	1,179	4,330	(634)
Balance brought forward - (surplus) / deficit		(5,674)	(3,228)	(10,004)	(2,594)
Balance carry forward - (surplus) / deficit	3	2,270	(2,049)	(5,674)	(3,228)

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.

	2016/17	2015/16
	£	£
The average Band D Council Tax set was:	1,533.66	1,502.56
The Council estimated its Tax Base for 2016/17 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,504	4,336
B	12,964	10,083
C	10,541	9,370
D	10,186	10,186
E	7,279	8,896
F	3,829	5,531
G	2,075	3,458
H	152	304
	<u>53,530</u>	<u>52,164</u>
Less: local council tax reduction scheme		(3,799)
provision for bad and doubtful debts (1.25%)		(605)
Add: Ministry of Defence properties		185
Tax Base 2016/17 (Band D equivalents)		<u>47,945</u>

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.

	2016/17	2015/16
The rateable value at 31 March was	£157.3m	£157.5m
The multiplier was	49.7p	49.3p

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:	2016/17 £,000	2015/16 £,000
<u>Council Tax</u>		
Suffolk County Council	884	(475)
Police and Crime Commissioner for Suffolk	134	(72)
Suffolk Coastal District Council	161	(87)
Total Council Tax	1,179	(634)
<u>Business Rates</u>		
Central Government	3,972	2,165
Suffolk County Council	794	433
Suffolk Coastal District Council	3,178	1,732
Total Business Rates	7,944	4,330

Opinion on the Authority's financial statements

We have audited the financial statements of Suffolk Coastal District Council for the year ended 31st March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 30 to the Authority Accounts, including the Authority Expenditure and Funding Analysis, and
- Collection Fund and the 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 2016/17.

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 the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities of the Chief Finance Officer set out on page 29, the Chief Finance Officer is responsible for the preparation of the 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Suffolk Coastal District Council and Group as at 31st March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Council;
- 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.

Conclusion on Suffolk Coastal District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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.

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 Comptroller and Auditor General (C&AG) in November 2016, as to whether the 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 Comptroller and Auditor General 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 31st March 2017.

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.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, 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 31st March 2017.

Certificate

We certify that we have completed the audit of the accounts of Suffolk Coastal District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Kevin Suter (senior statutory auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton Office

29th September 2017

The maintenance and integrity of the Suffolk Coastal District Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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