



# Suffolk Coastal District Council

## Statement of Accounts

2014-15



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## 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 Explanatory Foreword is not formally part of the Statement of Accounts but provides some information on key issues affecting the Council and the accounts. It also provides a summary of the financial position at 31<sup>st</sup> March 2015.

The Explanatory Foreword is structured as follows:

- Summary Financial Performance 2014/15;
- Budget 2015/16, Medium Term Outlook, and Future Plans;
- Note on Strategic Partnerships; and
- Explanation of the Financial Statements.

## 2. Summary Financial Performance 2014/15

### 2.1 Key Issues influencing the Council and its Financial Position in 2014/15

Some of the key and most material issues influencing the Council in 2014/15 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 2014/15, the Council operated in an essentially low inflation, pay increase, and investment environment, offset to some extent by income generation and collection challenges.

**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 certainty regarding the new system, particularly in respect of the national revaluation intended for 2017; further Government changes to the system; the proposed reset of the system in 2020; 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, especially the uncertainty over both the outcome and timing of a very significant appeal in respect of a nuclear power station

**Government Grant** – Since 2010, central government funding has reduced substantially year-on-year, and reductions to Revenue Support Grant continued in 2014/15, 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.

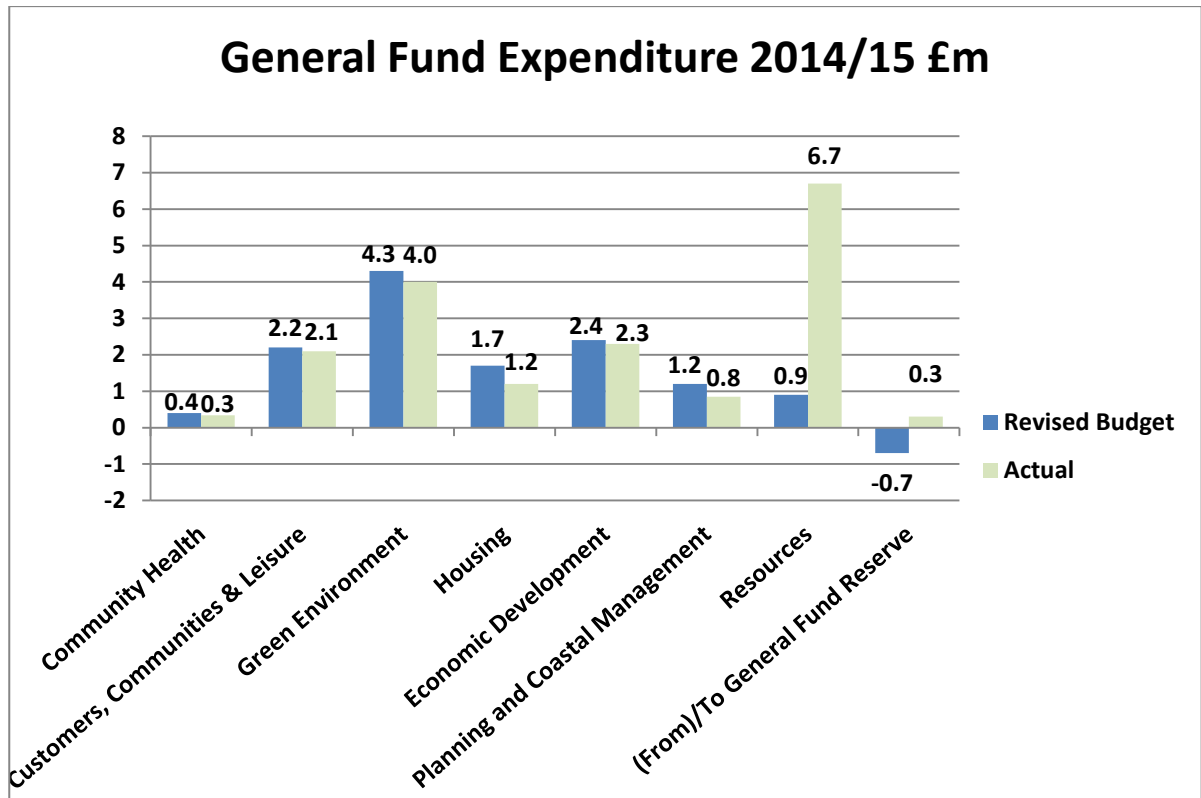
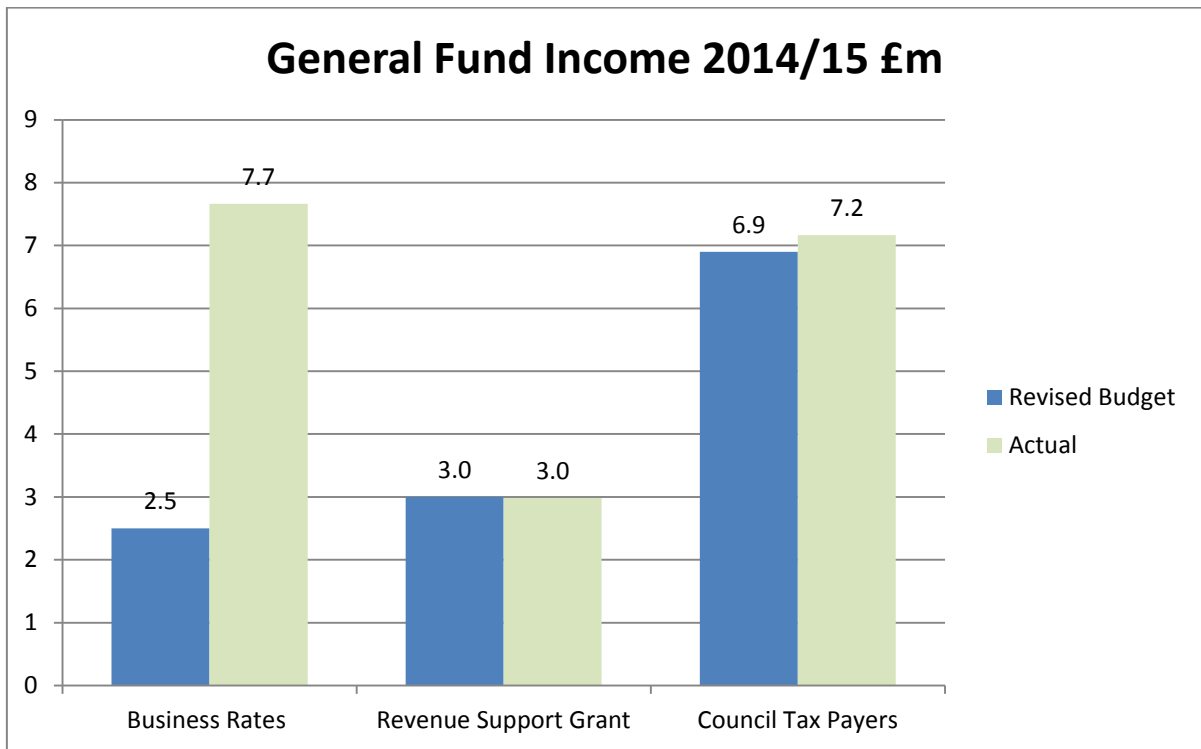
**Council Tax** – Council Tax represents a significant income stream to the Council. Scope for increasing the tax has been somewhat limited in recent years by the imposition of referendums for proposed increases above prescribed limits, but the Council has been able to take advantage of the Government's offer of Council Tax Freeze Grant in return for not increasing tax levels.

**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.



2.2 General Fund Income and Expenditure 2014/15

The General Fund is the main revenue fund of the Council, financed through service income, government grants and the Council Tax. The following charts illustrate the main areas of Income and Expenditure for the General Fund in 2014/15.



## 2.3 General Fund Outturn

The following table shows how the Council's General Fund net expenditure compares with the approved budget.

General Fund 2014/15	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance £'000
Net Expenditure	12,125	13,161	17,491	4,330
Income from Government and Local Taxpayers	(12,125)	(12,430)	(17,808)	(5,378)
<b>Met from / (added to) General Fund Balances</b>	<b>0</b>	<b>731</b>	<b>(317)</b>	<b>(1,048)</b>
Provision for Between Years Virements				475
				<b>(573)</b>

\*The above outturn figures for expenditure of £17.491m include an adjustment on the Collection Fund Account of £8.197m (including retained income for renewables of £48k) and use of the Business Rate Equalisation Reserve of £1.836m. The income outturn figure of £17.808m includes additional Business Rate income of £5.098m and is part of the £8.149m adjustment on the Collection Fund Account. This position is illustrated in the tables in section 2.5.

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

Key Variances to Revised Budget	
Description	£'000
Government Grants and Subsidies	(958)
Increased Income	(480)
Savings	(510)
Project Funding from Incentivised Income	1,470
Capital Funding	(322)
Reduced Income	56
Increased Costs	171
	<b>(573)</b>
Provision for Carry Forward requests	475

The General Fund Balance at the year end will be a working balance of £3.928m. As referred to above, this includes a central pool of £475k in respect of Budget Carry Forwards / Between Year Virements, the uncommitted balance being £3.453m. The budget report in February 2015 identified a target level for the General Fund balance of between £2.5m and £3m as a prudent balance to maintain in the long term, based on the risks contained within the budget.

## 2.4 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 2014/15 against the Original Budget approved by Full Council in February 2014, and the Revised Budget.

## EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

General Fund Capital Expenditure 2014/15	Original Budget	Revised Budget	Outturn	Variance to Revised Budget.
Portfolio	£'000	£'000	£'000	£'000
Community Health	18	18	0	(18)
Customers, Community & Leisure	734	1,144	418	(726)
Housing	895	740	597	(143)
Planning & Coastal Management	384	759	363	(396)
Resources	2,954	1,671	2,468	797
<b>Total Capital Expenditure</b>	<b>4,985</b>	<b>4,332</b>	<b>3,846</b>	<b>(486)</b>

The overall expenditure at outturn was £486k less than the Revised Budget for 2014/15. The reasons for this are summarised below:

### General Fund Capital Programme 2014/15

Main Variances to Revised Budget	£'000
Community Health - Port Health IMS - Deferral of ICT Procurement into 2015/16	(18)
Customers, Community & Leisure - Leisure Review to be completed in 2015/16	(370)
Customers, Community & Leisure - Public Convenience enhancement - delay in programme delivery until 2015/16	(139)
Customers, Community & Leisure - Property Enhancement - delay in programme delivery until 2015/16	(200)
Customers, Community & Leisure - Minor Variations to budget	(17)
Housing - Disabled Facilities Grant expenditure - revision of programme delivery	(143)
Planning & Coastal Management - Coast Protection - revision of programme delivery	(296)
Planning & Coastal Management - Information Technology - to be delivered in 2015/16	(100)
Resources -Accommodation Review - minor variation	(36)
Resources -Footway Lighting - to be delivered in 2015/16	(88)
Resources -Seafront Gardens - Approved as Revenue project in Revised Budget. £1.044m of scheme can be capitalised.	1,044
Resources - Martello Tower - Scheme to be completed in 2015/16	(112)
Resources - Minor variations to budget	(11)
	<b>(486)</b>

## EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

The General Fund Capital Programme was financed as follows in 2014/15:

<b>General Fund Capital Programme 2014/15</b>				
<b>Financed By:-</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance to Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
External:				
Grants	860	850	711	(139)
Contributions	200	507	195	(312)
Internal:				
Capital Receipts	0	0	1,755	1,755
Capital Receipts Reserve	1,289	1,761	0	(1,761)
Capital Reserve (DRF)	18	670	0	(670)
Port Health Reserve	18	18	0	(18)
Housing & Planning Delivery Grant	0	70	64	(6)
Seafront Gardens - Use of Reserves (DRF)	0	0	1,121	1,121
Internal Resources	2,600	456	0	(456)
<b>Total Financing</b>	<b>4,985</b>	<b>4,332</b>	<b>3,846</b>	<b>(486)</b>

The Council did not make any significant asset disposals during the year:

The Council did not enter into any borrowing in 2014/15 to finance its capital expenditure and consequently remains free of external debt.

### 2.5 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 surplus of £1.851m during 2014/15 (£618k in 2013/14) and the Council share of the surplus is £254k (£84k in 2013/14).

The in-year surplus primarily reflects stronger collection rates in comparison with those estimated when the Local Council Tax Reduction Scheme (LCTRS) was introduced, and increases in the council tax base during the course of the year. The surplus 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.

#### Business Rates

2014/15 was the second financial year of operation of the business rates retention scheme. 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%).

Business Rates is a complex new system that is in its early years. 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. Based on the NNDR1, the Council was forecast to receive net income of around £6.6m including Section 31 Grant income and benefit from the Suffolk Business Rates Pool. The Council has faced an exceptional level of volatility and uncertainty as a result of the appeal on the rateable value of Sizewell. The vast majority of the provision for outstanding appeals related to this one appeal, which was resolved in May 2015. The reduction in rateable value as a result of this appeal was lower than the reduction allowed for in the provision, meaning that the provision could be substantially reduced, resulting in a higher level of business rates income than originally estimated.

## EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

The variations in business rates income during the year are reflected in an outturn Collection Fund surplus or deficit in respect of the business rates element. As a Billing Authority, the Council administers the Collection Fund, and consequently the release of surpluses and the actual availability of funds, arising from increased income, take place in subsequent years. Due to the timing of the resolution of the appeal, and its reflection in the accounting regime for Business Rates, the realisation of the surplus resulting from the reduction in the appeals provision to the General Fund will be in 2016/17.

In order to reduce the amounts paid to Government (known as the levy) 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. For 2014/15, the benefit to the Council of participating in the Suffolk Business Rates Pool was £1.004m. Due to the materiality and uncertainty associated with the major appeal referred to above, the Council withdrew from the Pool for 2015/16 to ensure that the financial positions of both the Council and its partners in the Pool were protected.

The table below shows the difference between the estimated NNDR1 and outturn NNDR3 positions on Business Rates, and illustrates the significant impact of the resolution of the Sizewell appeal. The table also shows the variance between the outturn position for Suffolk Coastal compared with the budget for the business rates baseline, referred to in section 2.3 regarding the General Fund Outturn.

<b><u>Business Rates Retention 2014/15</u></b>	<b>NNDR1</b>	<b>NNDR3</b>
	<b>£000</b>	<b>£000</b>
Gross Rates	50,044	50,668
Change in Provision for Appeals	(5,256)	15,997
Change in bad debt provision		41
Deferrals		131
<b>Net Collectable Rates</b>	<b>44,788</b>	<b>66,837</b>
Disregarded - Renewables		48
Add: Transitional Protection	16,980	4,126
Less: Cost of Collection/Renewables	(278)	(327)
	<b>61,490</b>	<b>70,684</b>
<b><u>Shares</u></b>		
Central Government	(30,745)	(30,745)
Suffolk County Council	(6,149)	(6,149)
Suffolk Coastal	(24,596)	(24,596)
Suffolk Coastal - Renewables		(48)
	<b>(61,490)</b>	<b>(61,538)</b>
<b><u>Apportionment of previous year estimated deficit</u></b>		
Central Government		5,613
Suffolk County Council		1,123
Suffolk Coastal		4,490
<b>Surplus for the year</b>		<b>20,372</b>
<b><u>Suffolk Coastal District Council</u></b>		
<b><u>- Business Rate Retention Outturn 2014/15</u></b>		<b>£000</b>
Business Rates Income		24,596
Share of estimated deficit 13/14		(4,490)
Less: Tariff		(16,657)
Less: Levy		(4,986)
Pooling Benefit		1,004
		<b>(533)</b>
<b><i>Adjustments reversed through Movement in Reserves Statement to Collection Fund</i></b>		
<b><i>Adjustment Account</i></b>		
Reserval of Actual Deficit 13/14		4,147
Actual Surplus 14/15		4,002
<b>SCDC 40% Share of surplus for the year</b>		<b>8,149</b>
Renewables		48
		<b>8,197</b>
<b>Net Position</b>		<b>7,664</b>
Budget - Business Rates Baseline		2,566
Variance		<b>5,098</b>



## 2.6 Summary Reserves and Balances Position

Details of the movements in all reserves are shown in Notes 7, 8, and 21 to the Core Financial Statements. Reviewing the Council's reserves will continue to be carried out as part of the consideration of the MTFS during 2015/16. The main reserves held at 31<sup>st</sup> March are set out below:

	31 March 2015 £'000	31 March 2014 £'000
<b>Useable Reserves</b>		
<i>Held for Revenue Purposes</i>		
General Fund	3,928	7,956
Earmarked Reserves	9,394	6,938
<i>Held for Capital Purposes</i>		
Capital Receipts Reserve	231	1,761
Earmarked Reserves	3,445	3,745
Capital Grants Unapplied	2,843	2,649
	<b>19,841</b>	<b>23,049</b>
<b>Unusable Reserves</b>	<b>17,488</b>	<b>13,515</b>
<b>Total Council Reserves</b>	<b>37,329</b>	<b>36,564</b>

## 2.7 Net Assets

Net assets have increased during the year from £36.564m to £37.329m. Significant changes contributing to this net position are shown below. The majority of these are associated with movements regarding the Business Rates system.

- The reduction in the Business Rates appeals provision has reduced the total Provision figure from £7.324m to £925k.
- Short term creditors at year end have increased by £21.225m from £10.830m to £32.055m, with £20m of these short-term creditors relating to Business Rates;
- Short term Investments have increased by £14m from £22m to £36m, a net increase that is largely the result of £18.9m held in respect of Business Rate appeals;
- Pension liability has increased by £6.292m, from £31.978m in 2013/14 to £38.270m in 2014/15. However 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 30 to the Core Financial Statements.

## EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

### 3. Budget 2015/16, Medium Term Outlook, and Future Plans

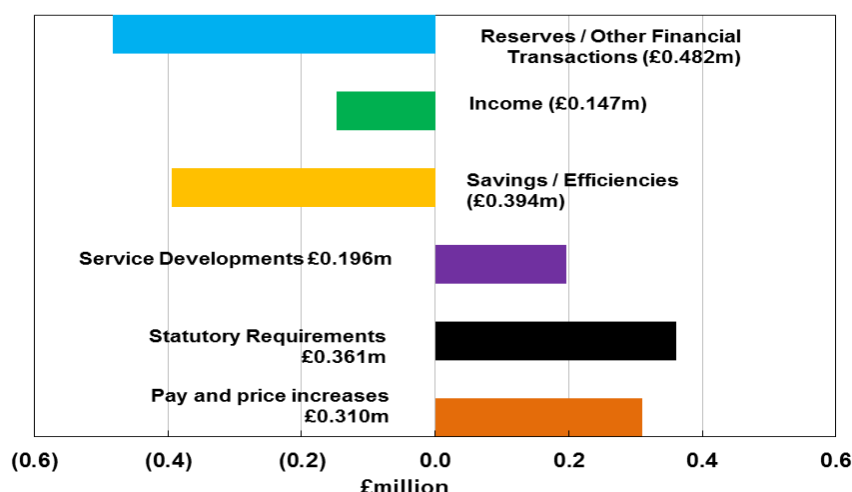
#### 3.1 General Fund – Future Budget Plans

Overall the Council's budget requirement, the net cost of services to be met from Revenue Support Grant, Business Rates Retention and Council Taxes is £11.969m in 2015/16. This represents a headline decrease of £156k or 1.3% over the budget for 2014/15 of £12.125m. The budget by priority theme as approved by Full Council in February 2015 for 2015/16 together with the forecasts for 2016/17 to 2018/19 is set out below:

<b>General Fund Revenue Budget Summary by Portfolio</b>				
	<b>Budget</b>	<b>MTFS</b>	<b>MTFS</b>	<b>MTFS</b>
	<b>2015/16</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£'000</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leader	25	24	24	25
Community Health	373	395	413	428
Customers, Communities & Leisure	1,903	1,862	1,865	1,882
Green Environment	4,188	4,730	4,789	4,788
Housing	1,587	1,805	1,921	1,950
Economic Development	2,016	1,934	1,955	1,860
Planning	1,197	1,241	1,290	1,335
Resources	3,511	3,730	4,362	4,137
Council Tax Support Funding - Parish and Town Councils	102	51	0	0
<b>Total Service Costs</b>	<b>14,902</b>	<b>15,772</b>	<b>16,619</b>	<b>16,405</b>
Revenue Contributions to/from Capital Reserve	533	330	330	330
Budget Contingency	240	240	240	240
<b>Net Cost of Services</b>	<b>15,675</b>	<b>16,342</b>	<b>17,189</b>	<b>16,975</b>
Interest from Investments	(277)	(287)	(287)	(287)
Council Tax Freeze Grant	(75)	0	0	0
Use of General Fund Reserve	0	0	0	0
	<b>15,323</b>	<b>16,055</b>	<b>16,902</b>	<b>16,688</b>
Other Financial Transactions	(3,354)	(3,931)	(3,721)	(3,397)
<b>Total Budget Expenditure</b>	<b>11,969</b>	<b>12,124</b>	<b>13,181</b>	<b>13,291</b>
Council Tax	(6,987)	(6,987)	(6,987)	(6,987)
Council Tax Surplus	(203)	0	0	0
Revenue Support Grant	(2,164)	(1,036)	(854)	(570)
Business Rates Baseline	(2,615)	(2,716)	(2,797)	(2,881)
	<b>(11,969)</b>	<b>(10,739)</b>	<b>(10,638)</b>	<b>(10,438)</b>
<b>Total Savings Required</b>	<b>0</b>	<b>1,385</b>	<b>2,543</b>	<b>2,853</b>

The reasons for the decrease in the 2015/16 Budget compared to the Budget for 2014/15 are summarised below:

## General Fund Budget Movements 2014/15 to 2015/16



For the fifth year in succession the Government proposed a Council Tax freeze for 2015/16 with the offer of a Council Tax Freeze grant equivalent to a 1% increase in Council Tax. The Council was able to take advantage of the Government's proposal and freeze Council Tax for 2015/16. The Government's Settlement Funding Assessment for the Council was reduced by £0.767m (13.8%) to £4.779m for 2015/16.

Since setting the budget in February 2015 the Council continues to monitor its Medium Term Financial Strategy (MTFS) and financial plans. The MTFS will be updated in October 2015 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.

### 3.2 Capital Programme – Future Years

Capital expenditure plans for the next four years and how they are financed are detailed below:

#### General Fund Capital Programme 2015/16 - 2018/19

Capital Expenditure Portfolio	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Community Health	20	20	20	20
Customers, Community & Leisure	812	134	337	479
Housing	565	565	515	490
Planning & Coastal Management	688	345	555	675
Resources	3,862	1,592	15	-
<b>Total Capital Expenditure</b>	<b>5,947</b>	<b>2,656</b>	<b>1,442</b>	<b>1,664</b>
Capital Financing	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Grants and Contributions	1,605	645	930	1,050
Capital and other Reserves	2,292	40	512	614
Internal Resources	2,050	1,971	-	-
	<b>5,947</b>	<b>2,656</b>	<b>1,442</b>	<b>1,664</b>

### 3.3 Overall Financial Position

The Budget report to Council in February 2015 highlighted significant Budget issues which have a bearing on shaping the budgets from 2015/16 onwards. The Medium Term Financial Strategy (MTFS) currently forecasts a shortfall of £1.384m in respect of 2016/17. Future years beyond 2016/17 show growing deficits, largely as a result of further losses in Central Government Grant funding. These deficits will be addressed as part of the next Budget round over the next few months in 2015.

Over the period of the MTFS, given the scale of Government funding reductions, it will become increasingly likely that the Council will need to factor in transfers of retained business rates income from the Business Rate Equalisation Reserve to the General Fund. The summary 2015/16 Budget and forecast MTFS position projects some limited use of these funds in support of the General Fund budget, in addition to some use of Section 31 Grants.

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) volatility in the wider economy and the need for further restraint in 2016/17, 2017/18 and 2018/19 and beyond, leading to a further significant reductions in spending by councils;
- c) uncertainty surrounding future taxation, inflation, and pay constraint assumptions in the years following 2015/16;
- d) delivery of Universal Credit, the programme which has been significantly delayed;
- e) the need for a renewed focus on cost reductions, efficiencies and redesigning services; and
- f) pursuing new forms of service delivery based around more entrepreneurial and commercial models.

In addition to General Fund Balances, the Council holds a range of Earmarked Reserves as part of its overall financial management. Some of the most significant earmarked reserves that the Council currently holds, such as Business Rates Equalisation and New Homes Bonus, 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.

### 3.4 Economic and Public Finances Outlook.

The economy has continued to grow over the last two years, with growth of 2.6% in GDP during 2014. Cheaper energy resulting from major reductions in the global oil price is having large and wide-ranging effects on the UK economy. Consumer confidence is increasing and inflation is being driven down to levels not seen for decades. The Consumer Price Index (CPI) currently stands at 0% and is expected to remain below the bank of England's 2% target until 2018. At these levels, inflation represents a relatively small pressure on Council budgets.

Overall Office for Budget Responsibility (OBR) GDP Growth figures are as follows:

- 2014 Actual 2.6%
- 2015 Forecast 2.5%
- 2016 Forecast 2.3%
- 2017 Forecast 2.3%

Low rates of inflation, or even deflation, mean that interest rates are likely to remain at historically lower levels. The Bank of England's base rate has remained unchanged at 0.5% since March 2009. The Council has relatively large sums invested and any increase in the base rate would have a positive impact on investment income.

Current downsides in the economic outlook are largely risks that might arise, rather than existing factors holding back the economy. Reductions in the oil price partly reflect a lack of demand in the global economy, and worries over the Eurozone continue. Over-reliance on consumer-led growth is also potentially a source of concern in the UK economy as political uncertainty increases surrounding the general election.

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.

Against this generally positive economic outlook, the outlook for public finances in general and local government finance in particular, remains bleak in the medium term.

Public Sector Borrowing Requirement forecasts reported with the Chancellor of the Exchequer's Budget Statement in March were as follows:

- 2014/15 £90.2bn
- 2015/16 £75.3bn
- 2016/17 £39.4bn
- 2017/18 £12.8bn

The Budget Statement outlined that a Government budget surplus of £5.2bn is expected to be achieved in 2018/19. The improved debt position nationally is largely as a result of lower interest payments and the disposal of banking assets, with these being used for paying down debt. There have been largely offsetting changes in the expected paths of receipts and spending. Lower wage growth has reduced income tax forecasts, and other factors have reduced VAT and excise duties receipts.

Budget surplus figures indicate that public spending reductions are to end a year early in 2018/19 - an "end to austerity" - with public spending to rise in 2019/20. However, the Government's policy assumption for total spending implies that the burden of the remaining consolidation would fall overwhelmingly on the day-to-day running costs of the public services, with a major budget squeeze on real spending in 2016/17 and 2017/18. The following annual reduction in spending / increase in revenues would consequently need to be achieved by 2017/18:

- Government Departments £13bn
- Welfare £12bn
- Tax avoidance / evasion £5bn

With continued ring-fencing of some Government budgets; potential spending increases in some areas; and the problems of achieving reductions in welfare budgets, the reductions to Government department budgets could be greater than indicated by this position. The new Government has now indicated that it will deliver a "stability" Budget in early July.

Overall, this position implies a sharper period of austerity for local government in the medium term than previously seen, an outlook that 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.

#### 4. 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 25 to the Core Financial Statements.

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 2014/15 financial year. These are listed in the table that follows:



## EXPLANATORY FOREWORD BY THE CHIEF FINANCE OFFICER

<b>Third Parties:</b>	
<b>Suffolk Coastal Norse Limited (formerly Suffolk Coastal Services Limited)</b> <b>(Norfolk County Council - Norse Commercial Services Limited (NCS) and its subsidiaries)</b>	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.
<b>Places For People (formerly DC Leisure)</b>	Provision of Leisure services.
<b>Joint Arrangements:</b>	
<b>Suffolk Coastal and Waveney District Councils.</b>	Shared services to manage and deliver services jointly for both Councils.
<b>Emergency Services - Joint Emergency Planning Unit</b>	Provides Emergency Planning services for Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Waveney and Suffolk Coastal District Councils.
<b>Internal Audit service.</b>	Internal Audit partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.
<b>Anglia Revenues Partnership.</b>	Provision of Revenues and Benefits services for Breckland, East Cambridgeshire, Fenland, Forest Heath, St. Edmundsbury, Suffolk Coastal, and Waveney District Councils.
<b>East Suffolk Partnership</b>	Provides local strategic junction for East Suffolk region and is a partnership of all public, voluntary and private sector partners.

### 5. Explanation of the Financial Statements

The Council's accounts for the year ended 31<sup>st</sup> March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (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 Explanatory Foreword.

The Council's Statement of Accounts consists of:

#### Core Statements:

- **Movement in Reserves Statement** – this statement (with corresponding balances shown for 2013/14) 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.
- **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), UK Generally Accepted Accounting Principles (UK GAAP) and Service Reporting Code of Practice for Local Authorities.
- **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 33 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

There have been no significant areas of change to the Statement of Accounts for 2014/15.

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

- **Accounts and Audit (England) Regulations 2011** – there have been no further regulations issued that apply to 2014/15 since the changes that came into force on 31<sup>st</sup> March 2011. Therefore the requirements introduced remain unchanged from last year.

The signing and approving dates are:

- the Chief Finance Officer must, no later than 30<sup>th</sup> 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 30<sup>th</sup> 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 (which must include publication on the Council's website), the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 of the Audit Commission Act 1998.
  - 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.
  - The Accounts and Audit Regulations 2015 come into force on 1<sup>st</sup> April 2015 and from 2017/18 onwards will change the date for signing and dating the Statement of Accounts from 30<sup>th</sup> June to 31<sup>st</sup> May, and the date for approval and publication from 30<sup>th</sup> September to 31<sup>st</sup> July.
- **Other Issues and Amendments** – Further guidance has been issued on a number of technical areas through LAAP Bulletins:
    - LAAP Bulletin 103 dated March 2015 (Closure of the 2014/15 accounts and other related matters) which provides supplementary advice on interpretation of the 2014/15 Code, and updated information where appropriate.
    - LAAP Bulletin 99 Reserves and Balances.
    - LAAP Bulletin 100 Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17.
    - LAAP Bulletin 86 (Update) Componentisation of Property, Plant, and Equipment.

## 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 2013/14 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 2014/15 Accounts, issued by CIPFA.

## Further Information

Further information on the Council's finances is available from the Chief Finance Officer at Suffolk Coastal District Council, Town Hall, Melton Hill, Woodbridge, Suffolk, IP12 1AU (Telephone 01394 383789).

## Translation Services

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,  
Melton Hill,  
Woodbridge,  
Suffolk IP12 1AU

Or email: [accountancy@eastsoffolk.gov.uk](mailto:accountancy@eastsoffolk.gov.uk)

Homira Javadi (FCCA - ACCA)  
Chief Finance Officer (S151 Officer) Suffolk Coastal District Council

## **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 S Harvey

Chairman, Suffolk Coastal District Council – 24<sup>th</sup> September 2015

## **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 2014/15* (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 31<sup>st</sup> March 2015 and its income and expenditure for the year ending on that date.

Homira Javadi (FCCA – ACCA)

Chief Finance Officer – 24<sup>th</sup> September 2015

## MOVEMENT IN RESERVE STATEMENT

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Council's share of Reserves of Associate £'000	Total Reserves £'000
<b>Balance at 31 March 2013</b>	<b>(3,795)</b>	<b>(8,830)</b>	<b>(744)</b>	<b>(2,118)</b>	<b>(15,487)</b>	<b>(26,373)</b>	<b>(41,860)</b>	<b>42</b>	<b>(41,818)</b>
<b><u>Movement in reserves during 2013/14</u></b>									
(Surplus) or deficit on provision of services	2,552	-	-	-	2,552	-	2,552	-	2,552
Other Comprehensive Expenditure and Income	-	-	-	-	-	2,744	2,744	-	2,744
<b>Total Comprehensive Expenditure and Income</b>	<b>2,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,552</b>	<b>2,744</b>	<b>5,296</b>	<b>-</b>	<b>5,296</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	(55)	(55)
- Share of Actuarial Gains/Losses								112	112
<b>Net (Increase) / Decrease before Transfers</b>	<b>2,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,552</b>	<b>2,744</b>	<b>5,296</b>	<b>57</b>	<b>5,353</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(8,566)	-	(1,017)	(531)	(10,114)	10,114	-	-	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(6,014)</b>	<b>-</b>	<b>(1,017)</b>	<b>(531)</b>	<b>(7,562)</b>	<b>12,858</b>	<b>5,296</b>	<b>57</b>	<b>5,353</b>
Transfer to/from Earmarked Reserves (note 8)	1,853	(1,853)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in 2013/14</b>	<b>(4,161)</b>	<b>(1,853)</b>	<b>(1,017)</b>	<b>(531)</b>	<b>(7,562)</b>	<b>12,858</b>	<b>5,296</b>	<b>57</b>	<b>5,353</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(7,956)</b>	<b>(10,683)</b>	<b>(1,761)</b>	<b>(2,649)</b>	<b>(23,049)</b>	<b>(13,515)</b>	<b>(36,564)</b>	<b>99</b>	<b>(36,465)</b>



## MOVEMENT IN RESERVE STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Council's share of Reserves of Associate £'000	Total Reserves £'000
<b>Balance at 31 March 2014 brought forward</b>	<b>(7,956)</b>	<b>(10,683)</b>	<b>(1,761)</b>	<b>(2,649)</b>	<b>(23,049)</b>	<b>(13,515)</b>	<b>(36,564)</b>	<b>99</b>	<b>(36,465)</b>
<b><u>Movement in reserves during 2014/15</u></b>									
(Surplus) or deficit on provision of services	(6,808)	-	-	-	<b>(6,808)</b>	-	<b>(6,808)</b>	-	<b>(6,808)</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	6,043	<b>6,043</b>	-	<b>6,043</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,808)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,808)</b>	<b>6,043</b>	<b>(765)</b>	<b>-</b>	<b>(765)</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	<b>(68)</b>	<b>(68)</b>
- Share of Actuarial Gains/Losses								<b>397</b>	<b>397</b>
<b>Net (Increase) / Decrease before Transfers</b>	<b>(6,808)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,808)</b>	<b>6,043</b>	<b>(765)</b>	<b>329</b>	<b>(436)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	8,680		1,530	(194)	<b>10,016</b>	(10,016)	-	-	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>1,872</b>	<b>-</b>	<b>1,530</b>	<b>(194)</b>	<b>3,208</b>	<b>(3,973)</b>	<b>(765)</b>	<b>329</b>	<b>(436)</b>
Transfer (to)/from Earmarked Reserves (note 8)	2,156	(2,156)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>4,028</b>	<b>(2,156)</b>	<b>1,530</b>	<b>(194)</b>	<b>3,208</b>	<b>(3,973)</b>	<b>(765)</b>	<b>329</b>	<b>(436)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(3,928)</b>	<b>(12,839)</b>	<b>(231)</b>	<b>(2,843)</b>	<b>(19,841)</b>	<b>(17,488)</b>	<b>(37,329)</b>	<b>428</b>	<b>(36,901)</b>

## 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. The Group includes the Council's share of the Suffolk Coastal Norse Ltd profits and tax expenses.

	Authority						Group	
	Gross Expenditure	2014/15 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2013/14 Gross Income £'000	Net Expenditure £'000	2014/15 Net Expenditure £'000	2013/14 Net Expenditure £'000
<b>Cost of Services</b>								
Central Services to the Public	2,932	(1,144)	1,788	2,377	(1,010)	1,367	1,788	1,367
Cultural and Related Services	3,662	(1,624)	2,038	5,474	(1,459)	4,015	2,038	4,015
Environmental and Regulatory Services	11,933	(6,519)	5,414	12,435	(6,400)	6,035	5,414	6,035
Planning Services	3,595	(1,781)	1,814	3,980	(1,986)	1,994	1,814	1,994
Highways and Transport Services	1,032	(1,646)	(614)	958	(1,577)	(619)	(614)	(619)
Other Housing Services	30,922	(30,095)	827	30,766	(29,995)	771	827	771
Corporate and Democratic Core	1,555	(9)	1,546	1,749	(8)	1,741	1,546	1,741
Non-Distributed Costs	32	-	32	(3)	-	(3)	32	(3)
<b>Total Cost of Services</b>	<b>55,663</b>	<b>(42,818)</b>	<b>12,845</b>	<b>57,736</b>	<b>(42,435)</b>	<b>15,301</b>	<b>12,845</b>	<b>15,301</b>
<b>Other Operating Expenditure (note 9)</b>			<b>3,049</b>			<b>4,227</b>	<b>3,049</b>	<b>4,227</b>
<b>Financing and Investment Income and Expenditure (note 10)</b>			<b>1,069</b>			<b>1,110</b>	<b>1,069</b>	<b>1,110</b>
<b>Taxation and Non-Specific Grant Income (note 11)</b>			<b>(23,771)</b>			<b>(18,086)</b>	<b>(23,771)</b>	<b>(18,086)</b>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(6,808)</b>			<b>2,552</b>	<b>(6,808)</b>	<b>2,552</b>
Share of (Surplus)/Deficit on the Provision of services by Associate			-			-	(85)	(56)
Tax expenses of Associate			-			-	17	1
<b>(Surplus)/Deficit</b>			<b>(6,808)</b>			<b>2,552</b>	<b>(6,876)</b>	<b>2,497</b>
(Surplus) or deficit on revaluation of property, plant and equipment (note 21)			(152)			(1,404)	(152)	(1,404)
Remeasurement of the net defined benefit liability/(asset) (note 21)			6,195			4,148	6,195	4,148
<b>Other Comprehensive Income and Expenditure</b>			<b>6,043</b>			<b>2,744</b>	<b>6,043</b>	<b>2,744</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(765)</b>			<b>5,296</b>	<b>(833)</b>	<b>5,241</b>

## 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 31<sup>st</sup> 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 21 to the Council's Core Financial Statements.

	Note	Authority		Group	
		2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Property, Plant and Equipment	12	48,379	49,071	48,379	49,071
Heritage Assets	13	196	15	196	15
Intangible Assets	14	444	417	444	417
Investment in Associate	33	-	-	(428)	(99)
Long Term Debtors	15 + 35	37	38	37	38
<b>Long Term Assets</b>		<b>49,056</b>	<b>49,541</b>	<b>48,628</b>	<b>49,442</b>
Short Term Investments		36,076	22,028	36,076	22,028
Current Assets held for sale	17	2,916	779	2,916	779
Inventories		55	34	55	34
Short Term Debtors	16	4,957	3,176	4,957	3,176
Cash and Cash Equivalents	Cash Flow	17,309	12,910	17,309	12,910
<b>Current Assets</b>		<b>61,313</b>	<b>38,927</b>	<b>61,313</b>	<b>38,927</b>
Cash and Cash Equivalents	Cash Flow	(102)	(734)	(102)	(734)
Short Term Creditors	18	(32,055)	(10,830)	(32,055)	(10,830)
Short Term Capital Grants Receipts in Advance	20	(130)	(112)	(130)	(112)
<b>Current Liabilities</b>		<b>(32,287)</b>	<b>(11,676)</b>	<b>(32,287)</b>	<b>(11,676)</b>
Long Term Creditors	15 + 36	(107)	-	(107)	-
Long Term Provisions	19	(925)	(7,324)	(925)	(7,324)
Long Term Capital Grants Receipts in Advance	20	(1,451)	(926)	(1,451)	(926)
Other Long Term Liabilities - Pension Liability	30	(38,270)	(31,978)	(38,270)	(31,978)
<b>Long Term Liabilities</b>		<b>(40,753)</b>	<b>(40,228)</b>	<b>(40,753)</b>	<b>(40,228)</b>
<b>Net Assets</b>		<b>37,329</b>	<b>36,564</b>	<b>36,901</b>	<b>36,465</b>
<u>Capital Reserves</u>					
Capital Receipts Reserve		(231)	(1,761)	(231)	(1,761)
Capital Grants Unapplied Reserve		(2,843)	(2,649)	(2,843)	(2,649)
Earmarked Reserves		(3,445)	(3,745)	(3,445)	(3,745)
Share of Reserves of Associate		-	-	428	99
<u>Revenue Reserves</u>					
General Fund		(3,928)	(7,956)	(3,928)	(7,956)
Earmarked Reserves		(9,394)	(6,938)	(9,394)	(6,938)
Usable reserves		(19,841)	(23,049)	(19,413)	(22,950)
Unusable reserves	21	(17,488)	(13,515)	(17,488)	(13,515)
<b>Total Reserves</b>		<b>(37,329)</b>	<b>(36,564)</b>	<b>(36,901)</b>	<b>(36,465)</b>

Homira Javadi (ACCA)  
Chief Finance Officer

24<sup>th</sup> September 2015

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority and Group during the reporting period. The statement shows how the Authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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.

	2014/15 £'000	2013/14 £'000
Net (surplus) or deficit on the provision of services	(6,808)	2,552
Adjust net surplus or deficit on the provision of services for non		
- Depreciation and Amortisation	(1,907)	(2,151)
- Impairment and Downward valuations	883	(1,121)
- Impairment of investments	-	(8)
- Change in Creditors	5,988	(7,569)
- Change in Debtors	2,015	(456)
- Change in Inventory	21	(35)
- Pension Liability	(97)	(133)
- Movement in provisions	6,399	(7,304)
- Carrying value of Non-Current Assets disposed	(520)	(3,223)
	12,782	(22,000)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,492	2,374
Net cash flows from Operating Activities	<b>7,466</b>	<b>(17,074)</b>
Investing Activities:		
- Purchase of property, plant and equipment, and intangible assets	3,069	750
- Purchase of short-term and long-term investments	114,100	94,400
- Other payments for investing activities	-	-
- Proceeds from the sale of property, plant and equipment, and intangible assets	(226)	(1,718)
- Proceeds from short-term and long-term investments	(100,100)	(79,400)
- Other receipts from investing activities	(1,266)	(475)
	15,577	13,557
Financing Activities:		
- Other receipts from financing activities	-	4,165
- Other payments for financing activities	(28,074)	-
	(28,074)	4,165
Net increase or decrease in cash and cash equivalents	<b>(5,031)</b>	<b>648</b>
Cash and cash equivalents at the beginning of the reporting period	<b>(12,176)</b>	<b>(12,824)</b>
<b>Cash and cash equivalents at the end of the reporting period (See below)</b>	<b>(17,207)</b>	<b>(12,176)</b>
- Cash held by officers	1	1
- Short-term deposits	17,308	12,909
<b>Sub-Total - Cash and Cash Equivalents</b>	<b>17,309</b>	<b>12,910</b>
- Other bank balances (overdrafts)	(102)	(734)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>17,207</b>	<b>12,176</b>

In addition to the cash and cash equivalents shown above at 31<sup>st</sup> March 2015, the Council held £1.120m in relation to Partnerships which it hosts (31<sup>st</sup> March 2014 was £1.042m).

## 1. Accounting policies

### a) General principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31<sup>st</sup> March 2015. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* and the *Service Reporting Code of Practice 2014/15*, 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.

### 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement 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 2014/15 accounts is 3.2% 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 Non Distributed Costs; and
  - net interest on the net defined benefit liability, i.e. net interest expense for the authority – 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.

### *Pensions impact on council tax*

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.

Any loans made at less than market rates are known as "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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:

- 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.

## **j) Heritage assets**

Tangible and intangible heritage assets (described in this summary of significant accounting policies as Heritage Assets).

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council's collections of heritage assets are accounted for as follows:

### *Civic regalia*

The Council owns a collection of mayoral items. Where material, these assets are included in the Council's accounts and reported in the Balance Sheet at insurance valuation, based on new for old values. These valuations are reviewed at appropriate intervals to ensure their carrying value remains current. Because these assets are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

The collection is relatively static and acquisitions and donations are rare. Where they do occur acquisitions are initially recognised at cost and donations are recognised at valuation.

### *Roman coins*

The Council owns a hoard of Roman coins and a single gold Roman Coin. Where material these items are reported in the Balance Sheet at insurance value based on valuations provided by a numismatic dealer. Valuations are reviewed at appropriate intervals to ensure the carrying value remains current. These assets are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation but are rare. Material acquisitions are initially recognised at cost, and donations are recognised at valuation, referenced to any appropriate commercial markets such as recent auction sales.

### *Martello Tower*

The Council owns Martello Tower 'P', a listed and scheduled ancient monument. This asset is reported in the Balance Sheet at a valuation provided by the Council's internal valuers based on their fair value existing use value.

### *Scallop Shell Memorial*

The Scallop Shell Memorial to Benjamin Britten was a donation to the Council in 2003. This asset is not being held on the Council's Balance Sheet due to there being insufficient information being available on valuation and

prohibitive cost of valuation.

### *Walton Old Hall Ruins*

The Walton Old Hall dates back to the 13<sup>th</sup> Century. It was originally built and established as an important manor at Walton by the powerful Bigod family. Large ruins of the Old Hall still remained in the 18<sup>th</sup> Century but the last major portion fell during a high storm in the 1800's and today only ruins remain.

### *Heritage assets – general*

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment (see note P in this summary of significant accounting policies).

In the rare event of disposal of any heritage assets the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note P in this summary of significant accounting policies).

## **k) Intangible assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when the original cost exceeds £10,000 (increased from £3,000 in 2013/14) and it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website's is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council is required to disclose details of any material intangible assets in the Statement of Accounts. For the purpose of disclosure, the materiality threshold for intangible assets has been set at a carrying value of £100,000.

## **l) Interests in companies and other entities**

On 1<sup>st</sup> 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 2014/15, 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 1<sup>st</sup> February 2015, with adjustments for items between that date and 31<sup>st</sup> March 2015 only being made where transactions or events are significant. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

### m) Inventories

Inventories are included in the Balance Sheet at the last purchase price for the commodities with an allowance for obsolescence. This gives material compliance with the Code, which requires the carrying value to be the lower of cost and net realisable value.

### n) Leases

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

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

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

#### The Council as Lessee

##### *Finance leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

##### *Operating leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges 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 rent-free period at the commencement of the lease).

#### The Council as Lessor

##### *Finance leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the asset - applied to write down the lease debtor (together with any premiums received); and
- finance income (credited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### *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.

## **o) Overheads and support services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **p) 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 (increased from £3,000 in 2013/14), is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH); or
- all other assets - fair 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 fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2014/15 is 1<sup>st</sup> April 2014. 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 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

The estimated useful life of the asset used to calculate the depreciation charge is assessed on acquisition and reviewed on revaluation. The asset life applied can vary from as little as three years for IT equipment, to up to 60 years for new permanent buildings and some categories of infrastructure.

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 1<sup>st</sup> 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.

### q) Provisions, contingent liabilities and contingent assets

#### Provisions

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

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

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

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

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

#### Contingent liabilities

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

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

#### Contingent assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### r) 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.

### s) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in

the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## t) Collection Fund

The transactions of the Collection Fund are wholly prescribed by legislation. The Council, as a Billing Authority, has no discretion to determine which receipts and payments are accounted for within the fund and which outside. However, decisions will have to be made in relation to the application of accounting concepts to the prescribed transactions in the calculation of accruals and provisions.

The statutory provisions for Collection Fund accounting are to be found in the following sources:

- Section 90(1) of the 1988 Act: setting out the main types of income from other parties which must be paid directly into the Collection Fund (council tax, NDR, Business Rate Supplements (BRS) receipts, and sums received from precepting authorities and central government to meet a deficit on the fund arising in the previous year).
- Section 90(2) of the 1988 Act: setting out the main types of expenditure which must be made directly from the Collection Fund (council tax precepts (excluding parish precepts), shares of NDR to precepting authorities and central government, distributions of a surplus on the fund arising in the previous year in respect of council tax and NDR, council tax and NDR refunds and payments to BRS levying authorities).
- Section 97 of the 1988 Act: providing for transfers between the General Fund and the Collection Fund in relation to the billing authority's own demand on the latter.
- Fund Regulations made under section 99 of the 1988 Act: prescribing the timing of transactions specified in the sections of the 1988 Act cited above and arrangements for holding and investing surplus cash belonging to the fund.
- General Specifications and Directions made under sections 90(1), 90(2), 98(4) and 98(5) of the 1988 Act: specifying that interest on Fund investments with other parties, residual community charge receipts, contributions in aid, refunds and adjustments to community charge grant and precepts issued before 1993/94 must be accounted for in the Collection Fund and directing the transactions to be effected between the General Fund and the Collection Fund for the cash flow transfers, reliefs and adjustments, NDR reliefs and costs of collection and netted off payments made to and from billing and precepting authorities.

The effect on the Collection Fund is:

- Shares of non-domestic rating income to major preceptors and a billing authority are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year).
- The central share (after allowable deductions) of the non-domestic rating income is paid out of the Collection Fund to central government.
- Council tax precepts for major precepting authorities and a billing authority's demand on the fund are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statements of precepting and billing authorities. However, as with non-domestic rating income, the transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, whereas each authority will recognise income on a full accruals basis (i.e. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to or recovered from the authorities in a subsequent financial year).
- Parish precepts are paid from the General Fund of billing authorities and will be disclosed on the face of the Comprehensive Income and Expenditure Statement.
- Interest is not payable on cash flow transfers between the General Fund and the Collection Fund.
- The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates of the year-end balance made on 15<sup>th</sup> January for council tax and 31<sup>st</sup> January for non-domestic rates.



## u) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

**IFRS 13 Fair Value Measurement** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

**IFRIC 21 Levies** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

**Annual Improvements to IFRSs (2011 – 2013 Cycle)** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1<sup>st</sup> April 2015 and there is therefore no impact on the 2014/15 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 2014/15. 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 2014, the Council had to estimate the business rates income expected to be received in 2014/15 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 1<sup>st</sup> April 2010. For one business, 15% of the appeal lodged was used backdated to 1<sup>st</sup> April 2010 based on information received from the Valuation Office in relation to the outcome from a similar appeal hearing. On 6<sup>th</sup> May 2015, we were informed by the Valuation Office that this appeal had been resolved with a reduction of 8.5%. This reduction has resulted in a significant repayment of transitional protection payment to Central Government (£10.571m) and a significant decrease in the provision for appeals held being shown in the Collection Fund (£15.283m of the £15.997m).



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 Authority 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 £36k for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net 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 31<sup>st</sup> March 2015, the Council had a balance of sundry debtors of £3.127m. A review of significant balances suggested that an allowance for doubtful debts of £1.511m 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 £27.7 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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non-domestic rates from local business and distributes these to 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>

### 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 2014/15.

### 6. Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 24<sup>th</sup> September 2015. 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 31<sup>st</sup> March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There was one adjusted Post Balance Sheet Event for the 2014/15 Account, which is detailed below.

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 were no non-adjusted Post Balance Sheet Events to disclose.

#### Adjusted Post Balance Sheet Event

On the 8<sup>th</sup> May 2015, the Council was informed by the Valuation Office that an appeal in relation to the Nuclear Power Station within the District had been resolved with their Agents. The reduction in the Nuclear Power Station's rateable value was 8.5% backdated to 1<sup>st</sup> April 2010.

As the Council had received transitional protection payments from Central Government in relation to the increase in the Nuclear Power Station's rateable value as at 1<sup>st</sup> April 2010, a refund of £10.571m is due back to Central Government and this has been reflected within the Collection Fund.

Under the new Business Rates Retention Scheme, the Council established within its 2013/14 Statement of Accounts a provision totalling £15.283m in relation to the Nuclear Power Station's appeal, which represented 15% of the rateable value of the business backdated to 1<sup>st</sup> April 2010. Following the resolution of the appeal, this has been released back to the Collection Fund as part of the £15.997m shown against decrease in

provision for appeals and will be used to fund the £10.571m transitional protection payments to Central Government.

During 2014/15, the Council withheld £4.131m of business rates income to fund, during the financial year an additional 15% increase in provision for appeals for the Nuclear Power Station. As the appeal was resolved shortly after the 31<sup>st</sup> March 2015, the £4.131m was not added to the provision for appeals. It is reflected within the surplus for the year, along with the repayment of the previous year's deficit (£11.226m); the difference between the decrease in provision for appeals (£15.997m); and payment to Central Government for transitional protection payments (£10.571m).

### **7. 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 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

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.

2013/14	General Fund Balance	<u>Usable Reserves</u>		Total Usable Reserves	Movement in Unusable Reserves
	£'000	Capital Receipts Reserve	Capital Grants Unapplied Account	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(2,065)	-	-	<b>(2,065)</b>	2,065
Revaluation losses on Property, Plant and Equipment	(1,121)	-	-	<b>(1,121)</b>	1,121
Amortisation of intangible assets	(86)	-	-	<b>(86)</b>	86
Capital grants and contributions that have been applied to capital financing	447	-	-	<b>447</b>	(447)
Revenue expenditure funded from capital under statute	(650)	-	-	<b>(650)</b>	650
Revenue expenditure funded from section 106 receipts	(127)	-	-	<b>(127)</b>	127
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	(3,223)	-	-	<b>(3,223)</b>	3,223
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Capital expenditure charged against the General Fund balance	109	-	-	<b>109</b>	(109)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>					
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	658	-	(658)	-	-
Application of grants to capital financing	-	-	127	<b>127</b>	(127)

## NOTES TO THE CORE FINANCIAL STATEMENTS

2013/14	General Fund Balance	<u>Usable Reserves</u>		Total Usable Reserves	Movement in Unusable Reserves
	Capital Receipts Reserve	Capital Grants Unapplied Account			
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,702	(1,702)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	672	-	<b>672</b>	(672)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(14)	14	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	-	-	-
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2	(3)	-	<b>(1)</b>	1
<b>Adjustments involving the Pensions Reserve:</b>					
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 (see note 21)	(2,955)	-	-	<b>(2,955)</b>	2,955
Employer's pensions contributions and direct payments to pensioners payable in the year	2,822	-	-	<b>2,822</b>	(2,822)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>					
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	(4,063)	-	-	<b>(4,063)</b>	4,063
<b>Total Adjustments</b>	<b>(8,566)</b>	<b>(1,017)</b>	<b>(531)</b>	<b>(10,114)</b>	<b>10,114</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	<u>Usable Reserves</u>			Total Usable Reserves	Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000		
<b>Adjustments Involving the Capital Adjustment Account:</b>					
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Charges for depreciation and impairment of non current assets	(1,793)	-	-	<b>(1,793)</b>	1,793
Revaluation losses on Property, Plant and Equipment	883	-	-	<b>883</b>	(883)
Amortisation of intangible assets	(114)	-	-	<b>(114)</b>	114
Revenue expenditure funded from capital under statute	(637)	-	-	<b>(637)</b>	637
Revenue expenditure funded from section 106 receipts	(166)	-	-	<b>(166)</b>	166
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	(520)	-	-	<b>(520)</b>	520
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>					
Capital expenditure charged against the General Fund balance	1,185	-	-	<b>1,185</b>	(1,185)
<b>Adjustment involving the Capital Grants Unapplied Account</b>					
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,266	-	(1,266)	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,072	<b>1,072</b>	(1,072)



## NOTES TO THE CORE FINANCIAL STATEMENTS

2014/15	<u>Usable Reserves</u>				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	267	(267)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure		1,754	-	<b>1,754</b>	(1,754)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(41)	41	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	-	-	-
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>					
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)	-	-	<b>(1)</b>	1
<b>Adjustments involving the Pensions Reserve:</b>					
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 (see note 21)	(3,059)	-	-	<b>(3,059)</b>	3,059
Employer's pensions contributions and direct payments to pensioners payable in the year	2,962	-	-	<b>2,962</b>	(2,962)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>					
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	8,450	-	-	<b>8,450</b>	(8,450)
<b>Total Adjustments</b>	<b>8,680</b>	<b>1,530</b>	<b>(194)</b>	<b>10,016</b>	<b>(10,016)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. 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 2013/14 and 2014/15.

	Balance 1 April 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers in 2014/15 £'000	Balance 31 March 2015 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Actuarial Contributions	525	(356)	278	447	(276)	-	171	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Air Quality	-	-	-	-	-	78	78	To provide a source of finance for Air Quality Management Areas.
Benefit Verification	428	(178)	-	250	-	-	250	To provide a source of finance to implement Government legislative changes.
Business Incentive	964	(118)	-	846	(105)	-	741	To support economic development throughout the district.
Business Rate Equalisation	-	-	300	300	(1,493)	3,804	2,611	To provide a source of finance to equalise the effect of changes in Business Rate income.
Capital	2,163	-	1,437	3,600	(330)	-	3,270	To provide an additional source of finance for unspecified capital investment plans.
Climate Change	27	-	-	27	-	35	62	To provide an additional source of finance for initiatives to reduce climate change.
Coast Protection	145	-	-	145	-	30	175	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Elections	29	-	18	47	-	18	65	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	-	-	100	To provide a source of finance for the Council to assist in bringing empty properties situated within the District back into use.
Flood Prevention	-	-	142	142	(32)	-	110	Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Grants	244	(59)	60	245	(111)	60	194	To provide grant aid towards local voluntary and charitable organisations.
Housing and Planning Delivery	438	(110)	-	328	(64)	-	264	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	152	-	5	157	(100)	5	62	To meet the cost of the periodic survey of private sector housing within the district.
Private Sector Housing Grant Support	-	-	-	-	-	100	100	Transferred from the Housing Condition Survey reserve to support administration

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance 31 March 2014 £'000	Transfers Out 2014/15 £'000	Transfers in 2014/15 £'000	Balance 31 March 2015 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Insurance	110	-	-	110	-	-	110	To provide a source of finance for any uninsured losses.
Land Charges	47	-	-	47	(47)	-	-	To provide a source of finance to implement service enhancements.
Local Development Framework	167	(38)	100	229	(23)	100	306	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Localism	-	-	52	52	-	-	52	To provide a source of finance to community initiatives.
New Homes Bonus	629	(832)	734	531	(1,360)	1,231	402	To provide a source of finance to fund initiatives arising from the Big Society agenda.
Port Health	2,461	-	444	2,905	-	454	3,359	To provide a source of finance to support the future investment and development of the Council's infrastructure at the Port of Felixstowe.
Recycling and Waste Management	61	-	-	61	-	-	61	To provide a source of finance to fund the one-off costs associated with waste reduction.
Suffolk Energy Action Link	11	-	4	15	-	-	15	Monies held to promote energy efficiency across the district.
Transformation (formerly known as Efficiency Reserve)	229	(130)	-	99	(90)	69	78	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.
Emerging Plans Initiative	-	-	-	-	-	198	198	To facilitate the delivery of the Council's Business Plan including any emerging priorities.
Active Communities	-	-	-	-	-	5	5	To provide a source of finance to fund the women's cycling tour through the District.
<b>Total</b>	<b>8,830</b>	<b>(1,821)</b>	<b>3,674</b>	<b>10,683</b>	<b>(4,031)</b>	<b>6,187</b>	<b>12,839</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9. Comprehensive Income and Expenditure Statement- other operating expenditure

	2014/15 £'000	2013/14 £'000
Parish Council precepts	2,597	2,545
Council tax support grant to Parish Councils	156	195
Payments to the Government Housing Capital Receipts Pool	2	2
Gains/losses on the disposal of non current assets	294	1,485
<b>Total</b>	<b>3,049</b>	<b>4,227</b>

### 10. Comprehensive Income and Expenditure Statement- financing and investment income

	2014/15 £'000	2013/14 £'000
Interest payable and similar charges	47	99
Pensions interest cost and expected return on pensions assets	1,348	1,222
Interest receivable and similar income (note 34)	(326)	(211)
<b>Total</b>	<b>1,069</b>	<b>1,110</b>

### 11. Comprehensive Income and Expenditure Statement- taxation and non specific grants

	2014/15 £'000	2013/14 £'000
Council tax income	(9,762)	(9,499)
Non domestic rates	(24,644)	(23,676)
Tariff payment to Suffolk County Council	16,657	16,338
Share of (surplus)/deficit on NDR collection fund	(3,659)	4,147
Lewy payment to Suffolk Business Rates Pool	4,987	673
Share of pooling benefit with other Suffolk Councils	(1,004)	(31)
Non-ring fenced government grants	(5,424)	(5,381)
Capital grant and contributions	(922)	(657)
<b>Total</b>	<b>(23,771)</b>	<b>(18,086)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12. Property, plant and equipment

Movements in 2014/15:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2014	170	32,744	5,294	21,974	113	505	-	-	60,800
Additions	-	128	302	114	-	3	1,835	360	2,742
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	87	-	-	-	16	-	-	103
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	153	-	-	-	33	-	-	186
Derecognition - Disposals	-	(198)	(3)	-	(21)	(51)	-	-	(273)
Derecognition - Other	-	-	(597)	-	-	-	-	-	(597)
Assets reclassified (to)/from Held for Sale	-	(2,248)	-	-	-	(147)	-	-	(2,395)
Other movements in Cost or Valuation	-	-	(52)	-	-	-	30	-	(22)
<b>At 31 March 2015</b>	<b>170</b>	<b>30,666</b>	<b>4,944</b>	<b>22,088</b>	<b>92</b>	<b>359</b>	<b>1,865</b>	<b>360</b>	<b>60,544</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2014	4	623	4,555	6,534	-	13	-	-	11,729
Depreciation charge	4	778	223	803	-	-	-	-	1,808
Depreciation written out to the Revaluation Reserve	-	(49)	-	-	-	-	-	-	(49)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(708)	-	-	-	-	-	-	(708)
Derecognition - Disposals	-	-	(3)	-	-	-	-	-	(3)
Derecognition - Other	-	-	(596)	-	-	-	-	-	(596)
Other movements in Depreciation and Impairment	-	-	(16)	-	-	-	-	-	(16)
<b>At 31 March 2015</b>	<b>8</b>	<b>644</b>	<b>4,163</b>	<b>7,337</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>12,165</b>
<b>Net Book Value</b>									
<b>At 31 March 2015</b>	<b>162</b>	<b>30,022</b>	<b>781</b>	<b>14,751</b>	<b>92</b>	<b>346</b>	<b>1,865</b>	<b>360</b>	<b>48,379</b>
<b>At 31 March 2014</b>	<b>166</b>	<b>32,121</b>	<b>739</b>	<b>15,440</b>	<b>113</b>	<b>492</b>	<b>-</b>	<b>-</b>	<b>49,071</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comparative Movements in 2013/14:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2013	181	33,396	6,495	26,029	113	392	136	-	66,742
Additions	-	49	260	18	-	-	-	-	327
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	899	-	-	(6)	(7)	-	-	886
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of	-	(638)	-	-	-	26	-	-	(612)
Derecognition - Disposals	-	(265)	-	-	-	(30)	-	-	(295)
Derecognition - Other	-	(22)	(1,468)	(4,073)	-	-	-	-	(5,563)
Assets reclassified (to)/from Held for Sale	(11)	(496)	-	-	-	(49)	-	-	(556)
Other movements in Cost or Valuation	-	(179)	7	-	6	173	(136)	-	(129)
<b>At 31 March 2014</b>	<b>170</b>	<b>32,744</b>	<b>5,294</b>	<b>21,974</b>	<b>113</b>	<b>505</b>	<b>-</b>	<b>-</b>	<b>60,800</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2013	-	705	5,443	7,054	-	12	-	-	13,214
Depreciation charge	4	656	444	961	-	-	-	-	2,065
Depreciation written out to the Revaluation	-	(517)	-	-	-	(2)	-	-	(519)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(195)	-	-	-	1	-	-	(194)
Derecognition - Disposals	-	(2)	-	-	-	-	-	-	(2)
Derecognition - Other	-	(22)	(1,332)	(1,481)	-	-	-	-	(2,835)
Other movements in Depreciation and	-	(2)	-	-	-	2	-	-	-
<b>At 31 March 2014</b>	<b>4</b>	<b>623</b>	<b>4,555</b>	<b>6,534</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>11,729</b>
<b>Net Book Value</b>									
<b>At 31 March 2014</b>	<b>166</b>	<b>32,121</b>	<b>739</b>	<b>15,440</b>	<b>113</b>	<b>492</b>	<b>-</b>	<b>-</b>	<b>49,071</b>
<b>At 1 April 2013</b>	<b>181</b>	<b>32,691</b>	<b>1,052</b>	<b>18,975</b>	<b>113</b>	<b>380</b>	<b>136</b>	<b>-</b>	<b>53,528</b>



## 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:

	<b>Estimated Life (Years)</b>
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
Intangible assets	Up to 5

**Capital Commitments** - At 31<sup>st</sup> March 2015, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 and future years budgeted to cost £7.4m. There were no similar commitments at 31<sup>st</sup> March 2014. The major commitments are:

- Office Accommodation - £3.9m;
- Seafront gardens - £3.5m total project cost split between capital and revenue.

## 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 fair value is revalued at least every five years. All valuations were carried out by the Council's internal 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 2014/15 is 1<sup>st</sup> April 2014.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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	-	-	4,945	22,088	91	-	1,865	360	29,349
Value at fair value as at:									
31 March 2015	-	13,006	-	-	-	122	-	-	13,128
31 March 2014	-	15,636	-	-	-	200	-	-	15,836
31 March 2013	170	95	-	-	-	-	-	-	265
31 March 2012	-	1,784	-	-	-	22	-	-	1,806
31 March 2011	-	145	-	-	-	15	-	-	160
<b>Total Cost or Valuation</b>	<b>170</b>	<b>30,666</b>	<b>4,945</b>	<b>22,088</b>	<b>91</b>	<b>359</b>	<b>1,865</b>	<b>360</b>	<b>60,544</b>

Fair values include impairments

### Gains / Losses on Disposal of Non-Current Assets

On disposal, both the capital receipt arising from asset sales and the carrying value of the asset at the point of disposal are taken to the Comprehensive Income and Expenditure Statement, and any difference between the two amounts is recognised as a gain or loss on disposal. It is important to highlight that gains and losses are not a charge on taxpayers or housing tenants, and the impact is reversed out in the Movement in Reserves Statement to ensure there is no real impact on fund balances for the year.

## 13. Heritage assets

### Reconciliation of the carrying value of Heritage Assets held by the Council:

Tangible Heritage Assets (all reported at Valuation)	Walton Old Hall £'000	Martello Tower £'000	Civic Regalia £'000	Roman Coins £'000	Total Assets £'000
1 April 2013	-	-	11	4	15
Transfer In	-	13	-	-	13
Revaluations	-	(13)	-	-	(13)
<b>31 March 2014</b>	-	-	11	4	15
Additions	-	181	-	-	181
Revaluations	-	-	-	-	-
<b>31 March 2015</b>	-	181	11	4	196

### Summary of Heritage Asset transactions

#### Civic Regalia

The Council's Civic Regalia consists of the Chairman's Chain of Office, Badges of Office and the Office Crest. These items were purchased in 1974 when the district was formed as part of the Local Government Reorganisation. The valuation of these items has been determined on a new-for-old basis.

#### Roman Coins

In 1983 a Roman Pot containing a hoard of Roman coins was unearthed on a piece of land owned by the Council. The coins were dated between AD 249 and AD 275 and were valued by a local numismatic dealer, Schwer Coins in 1993 for £3,300. The Council is also in possession of a single gold aureus coin of Marcus Aurelius also found on the Council's land. This coin was valued at £330 in 1997 by Seaby Coins. In 2007 it was advised that these items would not have materially changed in value.

#### Martello Tower P

Martello Tower "P" is one of 103 towers built between 1805 and 1812 to resist a potential invasion by Napoleon. This scheduled ancient monument is also a listed building situated at South Felixstowe and is currently being used by the National Coastwatch Institution. The tower has been valued at de-minimis by the Council's internal qualified valuers.

#### Scallop Shell Memorial

The Scallop Shell positioned on the beach at Aldeburgh was built in memorial to Benjamin Britten, one of the twentieth-century's most important composers who spent much of his life in Aldeburgh and near by Snape. This tribute was built in 2003 by local craftsmen J. T. Pegg & Sons Ltd and was later donated to the Council by the artist, Maggi Hambling and by the Adnams Charity which co-ordinates the raising of funds. This asset is not being held on the Council's balance sheet as it gives no financial value to the Council.

#### Walton Old Hall Ruins

The Walton Old Hall dates back to the 13th Century. It was originally built and established as an important Manor at Walton by the powerful Bigod family. Large ruins of the Old Hall still remained in the 18th Century but the last major portion fell during a high storm in the 1800's and today only ruins remain. The ruins have been valued at de-minimis by the Council's internal qualified valuers.

#### The Drums to the Fore and Aft

The Drums to the Fore and Aft was sculpted by Arnold 8th Earl of Albemarle and was cast 1901. It was presented to the Council in memory of Walter 9th Earl by his widow Diana Countess of Albemarle in 1980. This asset is not being held on the Council's balance sheet as it gives no financial value to the Council.

## 14. Intangible assets

The Council accounts for its material software licences as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Council has no Internally Generated Assets.

## NOTES TO THE CORE FINANCIAL STATEMENTS

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful life assigned to the major software suites used by the Council is between 5 and 7 years. The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on Intangible Asset balances during the year is as follows:

	2014/15		2013/14	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
Balance at start of year:				
• Gross carrying amount	1,144	1,144	1,185	1,185
• Accumulated amortisation	(727)	(727)	(1,047)	(1,047)
Net carrying amount at start of year	<b>417</b>	<b>417</b>	<b>138</b>	<b>138</b>
Additions:				
• Purchases	146	146	241	241
Net Transfers In				
• Gross carrying amount	(4)	(4)	129	129
• Accumulated amortisation	-	-	1	1
Other disposals				
• Gross carrying amount	(81)	(81)	(411)	(411)
• Accumulated amortisation	80	80	405	405
Amortisation for the period	(114)	(114)	(86)	(86)
Net carrying amount at end of year	<b>444</b>	<b>444</b>	<b>417</b>	<b>417</b>
Comprising				
• Gross carrying amount	1,205	1,205	1,144	1,144
• Accumulated amortisation	(761)	(761)	(727)	(727)
	<b>444</b>	<b>444</b>	<b>417</b>	<b>417</b>

There is one item of capitalised software that is individually material to the financial statements.

	Carrying Amount		Remaining Amortisation Period
	31 March 2015	31 March 2014	
	£'000	£'000	
Uniform Licences and Operating System	<b>240</b>	221	<b>5 Years</b>

### Effects of Changes in Estimates

The Council has made no material changes to its accounting estimates for Intangible Assets. 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.

### Capital Commitments

At 31<sup>st</sup> March 2015, the Council has no capital commitments in relation to Intangible Assets (31<sup>st</sup> March 2014 nil).

## 15. Financial instruments

### Categories of Financial Instruments

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

	Long-term		Current	
	2014/15	2013/14	2014/15	2013/14
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	-	-	53,384	34,972
<b>Total investments</b>	-	-	<b>53,384</b>	<b>34,972</b>
<b>Debtors</b>				
Loans and receivables	37	38	4,012	2,552
<b>Total debtors</b>	<b>37</b>	<b>38</b>	<b>4,012</b>	<b>2,552</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	(107)	-	(4,360)	(3,316)
<b>Total creditors</b>	<b>(107)</b>	<b>-</b>	<b>(4,360)</b>	<b>(3,316)</b>
<b>Total Financial Instruments</b>	<b>(70)</b>	<b>38</b>	<b>53,036</b>	<b>34,208</b>

## Income, Expense, Gains and Losses

	2014/15			2013/14		
	Financial liabilities measured at amortised cost 2014/15	Financial assets - loans and receivables 2014/15	Total 2014/15	Financial liabilities measured at amortised cost 2013/14	Financial assets - loans and receivables 2013/14	Total 2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	47	-	47	99	-	99
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>47</b>	<b>-</b>	<b>47</b>	<b>99</b>	<b>-</b>	<b>99</b>
Interest income	-	(326)	(326)	-	(211)	(211)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(326)</b>	<b>(326)</b>	<b>-</b>	<b>(211)</b>	<b>(211)</b>
<b>Net (gain) / loss for the year</b>	<b>47</b>	<b>(326)</b>	<b>(279)</b>	<b>99</b>	<b>(211)</b>	<b>(112)</b>

## 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;
- 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	4,360	4,360	3,316	3,316

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Loans and receivables	57,433	57,433	37,562	37,562

### 16. Debtors

	2014/15	2013/14
	£'000	£'000
Central Government bodies	461	175
Other Local Authorities	2,239	1,209
Public Corporations and trading funds	2	20
Council Taxpayers	696	591
Other entities and individuals	3,127	2,735
Prepayments	252	84
<b>Total</b>	<b>6,777</b>	<b>4,814</b>
<b>less Bad Debt Impairment Provisions</b>		
Council Taxpayers	(309)	(258)
Other service debtors	(1,511)	(1,380)
<b>Total</b>	<b>4,957</b>	<b>3,176</b>

### 17. Assets held for sale

	Current	
	2014/15	2013/14
	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>779</b>	<b>1,111</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,395	556
Revaluation losses	(11)	(692)
Assets sold	(247)	(196)
<b>Balance outstanding at year-end</b>	<b>2,916</b>	<b>779</b>



18. Creditors

	2014/15	2013/14
	£'000	£'000
Central Government bodies	19,766	5,108
Other Local Authorities	9,214	3,258
Public corporations and trading funds	21	17
Other entities and individuals	1,734	1,266
Receipts in Advance	1,320	1,181
<b>Total</b>	<b>32,055</b>	<b>10,830</b>

19. Provisions

	MMI	Business Rate Appeals	Total
	£'000	£'000	£'000
<u>Long Term Provisions</u>			
<b>Balance at 1 April 2014</b>	20	7,304	7,324
Additional provisions made in 2014/15	-	276	276
Amounts used in 2014/15	-	(537)	(537)
Unused amounts reversed in 2014/15	-	(6,138)	(6,138)
<b>Balance at 31 March 2015</b>	<b>20</b>	<b>905</b>	<b>925</b>

Outstanding Legal Cases

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

Provisions

- a) The provision of £20k in relation to Municipal Mutual Insurance (MMI) is based on the fact that the Scheme Administrator (Ernst and Young) has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims could be required to achieve a projected solvent run-off. The Council paid during 2013/14 its Levy equivalent to 15% of the claims (£23k) and therefore established a provision to cover the possibility of a further Levy equivalent to 13% of claims. As at 31<sup>st</sup> March 2015, MMI have confirmed that the levy of £23k is still equivalent to 15% of the claims and no further payments are required, therefore no change is required to the provision as it still represents the 13% difference.
- b) 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. A major appeal has been settled and reflected in a reduction in the provision. The total appeals provision in the Collection Fund is £2.664mm, 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 2013/14, 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 31<sup>st</sup> March 2015 otherwise appeals lodged after that date could only be backdated until 1<sup>st</sup> 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 31<sup>st</sup> March 2015, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2014/15.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. Grant income

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

	2014/15 £'000	2013/14 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Non-ring fenced government grants	(5,424)	(5,381)
Capital grant and contributions	(922)	(657)
<b>Total</b>	<b>(6,346)</b>	<b>(6,038)</b>
<b>Credited to Services</b>		
Council Tax Benefits Subsidy	-	2
Housing Benefits Subsidy	(27,426)	(27,213)
Benefits Administration Grant	(532)	(593)
Disabled Facilities Grants	(345)	(435)
Warmer Homes Healthy People	(77)	(508)
Business Support Scheme (Flooding)	-	(153)
Other Grants	(317)	(310)
<b>Total</b>	<b>(28,697)</b>	<b>(29,210)</b>

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:

	2014/15 £'000	2013/14 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	130	112
<b>Total</b>	<b>130</b>	<b>112</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
s106 Contributions	1,451	926
<b>Total</b>	<b>1,451</b>	<b>926</b>

### 21. Balance Sheet – Unusable Reserves

	2014/15 £'000	2013/14 £'000
Revaluation Reserve	(12,353)	(12,471)
Capital Adjustment Account	(38,915)	(36,981)
Deferred Capital Receipts Reserve	(87)	(88)
Pensions Reserve	38,270	31,978
Collection Fund Adjustment Account	(4,403)	4,047
<b>Total Unusable Reserves</b>	<b>(17,488)</b>	<b>(13,515)</b>

## **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 1<sup>st</sup> 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.

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(12,471)</b>	<b>(11,384)</b>
Upward revaluation of assets	(448)	(3,571)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	296	2,167
<b>Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement</b>	<b>(152)</b>	<b>(1,404)</b>
Difference between fair value depreciation and historical cost depreciation	113	108
Accumulated gains on assets sold or scrapped	157	209
<b>Amount written off to the Capital Adjustment Account</b>	<b>270</b>	<b>317</b>
<b>Balance at 31 March</b>	<b>(12,353)</b>	<b>(12,471)</b>

## **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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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 enhancement.

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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 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

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(36,981)</b>	<b>(42,580)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	1,793	2,065
- Revaluation losses on Property, Plant and Equipment	(883)	1,121
- Amortisation of intangible assets	114	86
- Revenue expenditure funded from capital under statute	637	650
- Revenue expenditure funded from section 106 receipts	166	127
- 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	520	3,223
Adjusting amounts written out of the Revaluation Reserve		
- Amortisation of Revaluation Reserve	(113)	(108)
- Amounts written out on disposal of assets	(157)	(209)
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	(1,754)	(672)
- Capital grants and contributions credited to the	(166)	(575)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(906)	-
- Capital expenditure charged against the General Fund balance	(1,185)	(109)
<b>Balance at 31 March</b>	<b>(38,915)</b>	<b>(36,981)</b>

### 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.

	2014/15 £'000	2013/14 £'000
<b>Balance at 1 April</b>	<b>(88)</b>	<b>(90)</b>
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	2
<b>Balance at 31 March</b>	<b>(87)</b>	<b>(88)</b>

### Pensions Reserve

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>31,978</b>	<b>27,697</b>
Actuarial gains or losses on pensions assets and liabilities	6,195	4,148
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	3,059	2,955
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,962)	(2,822)
<b>Balance at 31 March</b>	<b>38,270</b>	<b>31,978</b>

### 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.

	2014/15	2013/14
	£'000	£'000
<b>Balance at 1 April</b>	<b>4,047</b>	<b>(16)</b>
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.	(8,450)	4,063
<b>Balance at 31 March</b>	<b>(4,403)</b>	<b>4,047</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Amounts reported for resource allocation decisions (segmental reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Strategic Priority Themes. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's services as recorded in the budget reports for the year is as follows:

Service Income and Expenditure	2014/15								Total
	Community Health	Customers, Communities and Leisure	Green Environment	Housing	Leader	Economic Development	Planning	Resources	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(4,608)	(1,399)	(3,679)	(1,650)	-	(347)	(1,381)	(1,164)	(14,228)
Government grants	(17)	-	(17)	(28,445)	-	(51)	-	(60)	(28,590)
<b>Total Income</b>	<b>(4,625)</b>	<b>(1,399)</b>	<b>(3,696)</b>	<b>(30,095)</b>	<b>-</b>	<b>(398)</b>	<b>(1,381)</b>	<b>(1,224)</b>	<b>(42,818)</b>
Employee expenses	2,771	662	514	1,318	272	654	1,280	735	8,206
Other service expenses	1,069	2,314	6,881	29,491	33	936	208	1,283	42,215
Support services recharges	633	185	152	512	(51)	315	590	1,548	3,884
<b>Total Expenditure</b>	<b>4,473</b>	<b>3,161</b>	<b>7,547</b>	<b>31,321</b>	<b>254</b>	<b>1,905</b>	<b>2,078</b>	<b>3,566</b>	<b>54,305</b>
<b>Net Expenditure</b>	<b>(152)</b>	<b>1,762</b>	<b>3,851</b>	<b>1,226</b>	<b>254</b>	<b>1,507</b>	<b>697</b>	<b>2,342</b>	<b>11,487</b>

Between year variances are broadly due to;

- Planning - reduced building control income.
- Green Environment & Operational Partnerships - increased recycling credits income.
- Housing - variation at total income and expenditure level around benefits subsidy payments.



## NOTES TO THE CORE FINANCIAL STATEMENTS

Service Income and Expenditure	2013/14 Comparative Figures (Re-stated)								
	Community Health	Customers, Communities and Leisure	Green Environment	Housing	Leader	Economic Development	Planning	Resources	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(4,446)	(1,230)	(3,433)	(1,365)	-	(433)	(1,506)	(1,072)	<b>(13,485)</b>
Government grants	(85)	-	(7)	(28,651)	1	(55)	-	(153)	<b>(28,950)</b>
<b>Total Income</b>	<b>(4,531)</b>	<b>(1,230)</b>	<b>(3,440)</b>	<b>(30,016)</b>	<b>1</b>	<b>(488)</b>	<b>(1,506)</b>	<b>(1,225)</b>	<b>(42,435)</b>
Employee expenses	2,769	689	589	1,315	87	799	1,300	701	<b>8,249</b>
Other service expenses	1,079	2,278	6,828	29,234	26	1,106	226	1,107	<b>41,884</b>
Support services recharges	609	152	241	704	(74)	374	790	1,844	<b>4,640</b>
<b>Total Expenditure</b>	<b>4,457</b>	<b>3,119</b>	<b>7,658</b>	<b>31,253</b>	<b>39</b>	<b>2,279</b>	<b>2,316</b>	<b>3,652</b>	<b>54,773</b>
<b>Net Expenditure</b>	<b>(74)</b>	<b>1,889</b>	<b>4,218</b>	<b>1,237</b>	<b>40</b>	<b>1,791</b>	<b>810</b>	<b>2,427</b>	<b>12,338</b>

### Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £'000	2013/14 £'000
Net expenditure in the Service Analysis	11,487	12,338
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	1,358	2,963
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	-	-
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>12,845</b>	<b>15,301</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15								
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt	Allocation of Recharges	Cost of Services	Corporate Amounts	Authority Total	Group Accounting Items	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(14,228)	-	-	-	(14,228)	-	(14,228)	-	(14,228)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(68)	(68)
Interest and investment income	-	-	-	-	-	(326)	(326)	-	(326)
Income from council tax	-	-	-	-	-	(9,762)	(9,762)	-	(9,762)
Income from business rates	-	-	-	-	-	(29,307)	(29,307)	-	(29,307)
Government grants and contributions	(28,590)	-	-	-	(28,590)	(6,346)	(34,936)	-	(34,936)
<b>Total Income</b>	<b>(42,818)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,818)</b>	<b>(45,741)</b>	<b>(88,559)</b>	<b>(68)</b>	<b>(88,627)</b>
Employee expenses	8,206	-	-	-	8,206	-	8,206	-	8,206
Other services expenses	42,215	-	-	-	42,215	-	42,215	-	42,215
Support Service recharges	3,884	-	-	-	3,884	-	3,884	-	3,884
Depreciation, amortisation and impairment	-	-	1,358	-	1,358	-	1,358	-	1,358
Interest Payments	-	-	-	-	-	1,395	1,395	-	1,395
Precepts & Levies	-	-	-	-	-	2,597	2,597	-	2,597
Council tax Support Grant to Parish Councils	-	-	-	-	-	156	156	-	156
Business rates tariff payment and levy	-	-	-	-	-	21,644	21,644	-	21,644
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2	-	2
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	294	294	-	294
<b>Total Expenditure</b>	<b>54,305</b>	<b>-</b>	<b>1,358</b>	<b>-</b>	<b>55,663</b>	<b>26,088</b>	<b>81,751</b>	<b>-</b>	<b>81,751</b>
<b>Surplus or deficit on the provision of services</b>	<b>11,487</b>	<b>-</b>	<b>1,358</b>	<b>-</b>	<b>12,845</b>	<b>(19,653)</b>	<b>(6,808)</b>	<b>(68)</b>	<b>(6,876)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2013/14 Comparative Figures								
	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to mgmt	Allocation of Recharges	Cost of Services	Corporate Amounts	Total	Group Accounting Items	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(13,485)	-	-	-	(13,485)	-	(13,485)	-	(13,485)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(55)	(55)
Interest and investment income	-	-	-	-	-	(211)	(211)	-	(211)
Income from council tax	-	-	-	-	-	(9,499)	(9,499)	-	(9,499)
Income from business rates	-	-	-	-	-	(19,560)	(19,560)	-	(19,560)
Government grants and contributions	(28,950)	-	-	-	(28,950)	(6,038)	(34,988)	-	(34,988)
<b>Total Income</b>	<b>(42,435)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(42,435)</b>	<b>(35,308)</b>	<b>(77,743)</b>	<b>(55)</b>	<b>(77,798)</b>
Employee expenses	8,249	-	-	-	8,249	-	8,249	-	8,249
Other services expenses	41,884	-	-	-	41,884	-	41,884	-	41,884
Support Service recharges	4,640	-	-	-	4,640	-	4,640	-	4,640
Depreciation, amortisation and impairment	-	-	2,963	-	2,963	-	2,963	-	2,963
Interest Payments	-	-	-	-	-	1,321	1,321	-	1,321
Precepts & Levies	-	-	-	-	-	2,545	2,545	-	2,545
Council tax Support Grant to Parish Councils	-	-	-	-	-	195	195	-	195
Business rates tariff payment and levy	-	-	-	-	-	17,011	17,011	-	17,011
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2	-	2
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	1,485	1,485	-	1,485
<b>Total Expenditure</b>	<b>54,773</b>	<b>-</b>	<b>2,963</b>	<b>-</b>	<b>57,736</b>	<b>22,559</b>	<b>80,295</b>	<b>-</b>	<b>80,295</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,338</b>	<b>-</b>	<b>2,963</b>	<b>-</b>	<b>15,301</b>	<b>(12,749)</b>	<b>2,552</b>	<b>(55)</b>	<b>2,497</b>

## 23. Members' allowances

There are 55 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2014/15 £'000	2013/14 £'000
Basic, Attendance and Special Responsibility Allowances	326	318
Subsistence and Expenses	13	19
<b>Total</b>	<b>339</b>	<b>337</b>

## 24. 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.

	2014/15 £'000	2013/14 £'000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	68	65
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	24	19
<b>Total</b>	<b>92</b>	<b>84</b>

## 25. 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 effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax Demands, Housing Benefits, etc.). Grants received from Government departments are set out in Note 20 along with details of any amounts received but not yet recognised in the CIES due to outstanding conditions at the Balance Sheet date.

### 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 1<sup>st</sup> 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 Note 26 to the Core Financial Statements.

### Suffolk County Council

Transactions included income relating to Waste recycling credits of £1.686m (£1.856m in 2013/14).

### 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 2014/15 is shown in note 23. During 2014/15, the Council made payments totalling £108k (£214k in 2013/14) 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 £67k (£67k in 2013/14)

### Suffolk Coastal Norse Ltd

As part of the contract with Suffolk Coastal Norse Ltd, one Council employee, Arthur Charvonia (Strategic Director), is named as a Director of Suffolk Coastal Norse Ltd due to his representation of the Council's interests through the Partnership Board.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2014/15 or 2013/14.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensatio n for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total Including Pension Contributions £	Additional Council Pension Contributions £
Chief Executive	2014/15	128,061	-	-	128,061	15,944	144,005	-
	2013/14	128,061	-	-	128,061	19,487	147,548	-
Strategic Director	2014/15	82,647	-	-	82,647	10,238	92,885	-
	2013/14	82,236	-	-	82,236	12,514	94,750	-
Chief Finance Officer	2014/15	59,422	-	-	59,422	7,361	66,783	-
	2013/14	59,126	-	-	59,126	8,997	68,123	-
Head of Internal Audit	2014/15	59,033	-	-	59,033	7,160	66,193	-
	2013/14	57,506	-	-	57,506	8,751	66,257	-
Head of Planning Services & Coastal Management	2014/15	69,239	-	-	69,239	8,577	77,816	-
	2013/14	68,895	-	-	68,895	10,484	79,379	-
Head of Legal and Democratic Services	2014/15	59,422	-	-	59,422	7,361	66,783	-
	2013/14	59,126	-	-	59,126	8,997	68,123	-
Head of Environmental Services and Port Health	2014/15	57,794	-	-	57,794	7,160	64,954	-
	2013/14	57,506	-	-	57,506	8,751	66,257	-
Head of Community and Economic Services	2014/15	56,329	-	-	56,329	6,978	63,307	-
	2013/14	53,508	-	-	53,508	8,129	61,637	-

No employees were paid in excess of £150,000 in the year, therefore no additional disclosure of employee names is required. Following the retirement of the Director of Resources in May 2014 a restructuring of the Corporate Management Team was undertaken which included a review of all senior officer posts and pay. This review was completed in May 2015 and backdated to May 2014. Also included in this review was the removal of essential car user allowance (£963 per officer) as a separate item of pay. Due to the timing of this review, the table above does not include these changes. The following pay information has been provided in this disclosure note to aid transparency and completeness:

Strategic Director (retired 1 <sup>st</sup> May 2015)	£984	shown above
Strategic Director (started 23 <sup>rd</sup> March 2015)	£83	not shown above as £1,989 March pay went through April 2015 due to payroll cut-off date
Chief Finance Officer	£4,772	
Head of Internal Audit	£1,657	
Head of Planning Services & Coastal Management	£376	
Head of Legal and Democratic Services	£2,468	
Head of Environmental Services and Port Health	£3,961	
Head of Community and Economic Services	£695	

## NOTES TO THE CORE FINANCIAL STATEMENTS

The total number of employees (which includes the senior employees on the previous page) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as follows:

Remuneration band	2014/15		2013/14	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	3	-	4	-
£55,000 - £59,999	7	-	6	-
£60,000 - £64,999	-	-	-	-
£65,000 - £69,999	1	-	2	1
£70,000 - £74,999	-	-	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	1	-	1	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	1	1	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	1	-	1	-
	<b>14</b>	<b>1</b>	<b>14</b>	<b>1</b>

The above numbers include officers who were made redundant voluntarily during the 2014/15 and 2013/14 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 below shows leavers.

With effect from 1<sup>st</sup> 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. Details of the total costs of the integrated management team, reflecting total contributions (inclusive of salary and expense payments made, as well as National Insurance and Pension Fund contributions) are set out in a separate analysis below. Five of the Senior Management Team referred to above 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

The notes above set out the Council's Senior Management Team and explains that a number are employees of Waveney District Council (WDC), (so are included in WDC's Statement of Accounts, under the appropriate salary bandings). The note below sets out how this Council reimburses WDC for its 50% share of the relevant employment costs, and the corresponding 50% reimbursement from WDC to this Council's employment costs. In addition other transactions are disclosed in Note 25, Related Parties.

	2014/15	2014/15	2013/14	2013/14
Shared Senior Management costs	Expenditure by SCDC	Expenditure by WDC	Expenditure by SCDC	Expenditure by WDC
	£	£	£	£
Chief Executive	172,987	-	174,736	-
Strategic Director	110,766	-	109,981	-
Assistant Chief Executive	-	108,857	-	109,704
Director of Resources	-	9,487	-	113,669
Head of Environmental Services and Port Health	78,625	-	78,245	-
Head of Strategic Commissioning and Commercial Partnerships	-	78,348	-	79,240
Head of Planning Services	92,443	-	93,611	47
Head of Legal and Democratic Services	78,476	-	78,376	-
Head of Strategic Housing and Tenant Services	-	76,903	-	76,277
Head of ICT	-	62,573	179	100,094
Head of Customer Services	-	9,456	-	-
Head of Revenues and Benefits (Part Year)	-	-	-	37,686
Head of Financial Services	79,778	-	77,863	2,048
Head of Community and Economic Services	76,063	-	71,839	367
Senior Management direct support costs	53,462	92,560	53,232	87,888
<b>Total spend</b>	<b>742,600</b>	<b>438,184</b>	<b>738,062</b>	<b>607,020</b>
Net adjustment between councils	(152,208)	152,208	(65,521)	65,521
	<b>590,392</b>	<b>590,392</b>	<b>672,541</b>	<b>672,541</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15 £	2013/14 £
£0 - £20,000	6	3	3	5	9	8	59,469	99,320
£20,001 - £40,000	1	0	1	1	2	1	42,802	22,886
£60,001 - £70,000	0	0	1	0	1	0	63,052	0
<b>TOTAL</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>12</b>	<b>9</b>	<b>165,323</b>	<b>122,206</b>

The total cost in the above table covers exit packages (also known as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial years. The figures exclude payments made for ill-health retirements, (of which there was one member of staff amounting to 213k (one member of staff in 2013/14)), as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

**27. Capital expenditure and capital financing**

The total amount of capital expenditure incurred in the year is shown in the table below along with how it has been financed. The Council remains debt-free and has no Capital Financing Requirement.

	2014/15 £'000	2013/14 £'000
<b>Opening Capital Financing Requirement</b>	-	-
<i>Capital investment</i>		
Property, Plant and Equipment*	2,742	327
Heritage Assets*	181	13
Intangible Assets*	146	241
Cost of Assets Disposals	139	-
Revenue Expenditure Funded from Capital under Statute	637	649
<b>Total Capital Investment</b>	<b>3,845</b>	<b>1,230</b>
<i>Sources of finance</i>		
Capital receipts	(1,754)	(672)
Government grants and other contributions	(906)	(448)
Sums set aside from revenue:	-	-
Direct revenue contributions	(1,185)	(110)
	<b>(3,845)</b>	<b>(1,230)</b>
<b>Closing Capital Financing Requirement</b>	<b>-</b>	<b>-</b>

\* These figures match to the Additions lines in Notes 12, 13 and 14 detailing movements on the non-current assets.

**Revenue Expenditure Funded from Capital under Statute**

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

**28. Leases**

Disclosures as Lessee

*Finance Leases*

The Council has acquired a number of assets under a finance lease. The assets acquired under the lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2014/15 £'000	2013/14 £'000
Vehicle, Plant, Furniture and Equipment	179	-
	<b>179</b>	<b>-</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2013/14 £'000		
Finance lease liabilities (net present value of minimum lease payments):				
- current	36	-		
- non current	107	-		
- Finance costs payable in future years	-	-		
Minimum lease payments	143	-		
The minimum lease payments will be payable over the following periods:				
	Minimum Lease Payments		Finance Lease Liabilities	
	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000
Not later than one year	36	-	36	-
Later than one year and not later than five years	107	-	107	-
Later than five years	-	-	-	-
	143	-	143	-

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no material contingent rents payable by the Council under finance leases for 2015/14 and 2013/14.

### *Operating Leases*

The Council has acquired a number of assets by entering into operating leases. The future minimum lease payments due under operating leases in future years are:

	Other Land and Buildings	
	2014/15 £'000	2013/14 £'000
Not later than one year	62	61
Later than one year and not later than five years	228	220
Later than five years	269	259
	559	540

### Disclosures as Lessor

#### *Finance Leases*

The Council leases out property under finance leases primarily for the provision of cultural services.

The Council's gross investment in finance leases is made up of the minimum lease payments expected to be received over the remaining lease term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in assets acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2015 £'000	31 March 2014 £'000
Finance lease debtor (net present value of minimum lease payments):		
- non current	4	4
- unearned finance income	9	9
Gross investment in the lease	13	13

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Not later than one year	-	-	-	-
Later than one year and not later than five years	1	1	1	1
Later than five years	12	12	12	12
	13	13	13	13

### Operating Leases

The Council leases out property under operating leases primarily 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.

Movements included within Property, Plant and Equipment (Note 12) relating to assets provided under operating leases are:

	Dwellings £'000	Other Land & Buildings £'000	Total Property, Plant and Equipment £'000	Held for Sale £'000
<b>Movements in 2014/15:</b>				
<b>Cost or Valuation</b>				
At 1 April 2014	170	14,196	14,366	255
Additions	-	44	44	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	2	2	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	169	169	-
Assets reclassified (to)/from Held for Sale	-	(50)	(50)	50
At 31 March 2015	170	14,361	14,531	305
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2014	4	122	126	-
Depreciation charge	4	433	437	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(24)	(24)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(50)	(50)	-
At 31 March 2015	8	481	489	-
<b>Net Book Value</b>				
At 31 March 2015	162	13,880	14,042	305
At 31 March 2014	166	14,074	14,240	255

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

	2014/15 £'000	2013/14 £'000
Not later than one year	208	200
Later than one year and not later than five years	705	700
Later than five years	2,168	2,326
	3,081	3,226

## 29. Impairment losses

During 2014/15, the Council has not been required to recognised any impairment losses or impairment reversals in relation to its Property, Plant and Equipment and Intangible Asset balances in the Comprehensive Income and Expenditure Statement. This was also the case in 2013/14.

## 30. 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 £38.270m in 2014/15 (2013/14 was £31.978m). 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 31<sup>st</sup> March 2013 and the next review will be carried out during 2016/17 with an effective date of 31<sup>st</sup> March 2016.

### 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 and this needs to be disclosed 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 final salary 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	
	2014/15 £'000	2013/14 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current service cost	1,687	1,727
Past Service cost	24	6
<i>Financing and investment income</i>		
Net interest expense	1,348	1,222
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,059	2,955
<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)	(7,551)	1,256
Actuarial gains and losses arising on changes in demographic assumptions	-	1,910
Actuarial gains and losses arising on changes in financial assumptions	14,718	2,484
Other	(956)	(1,536)
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	6,211	4,114
<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	(3,059)	(2,955)
<i>Actual amount charged against the General Fund Balance for pensions in the Employers' contributions payable to scheme</i>	2,978	2,788

	Local Government Pension Scheme	
	2014/15 £'000	2013/14 £'000
<b>Pension Assets and Liabilities recognised in the Balance Sheet</b>		
Present value of the defined benefit obligation	(117,498)	(100,998)
Fair value of plan assets	79,228	69,020
	(38,270)	(31,978)
Other movements in the liability (asset)	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(38,270)</b>	<b>(31,978)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme	
	2014/15 £'000	2013/14 £'000
Opening balance 1 April	69,020	67,453
Interest Income	2,959	3,029
Effect of Settlements	-	-
Remeasurement gain/(loss):	-	-
The return on plan assets, excluding the amount included in net interest expense	7,551	(1,256)
Other	-	-
Employer contributions	2,978	2,788
Contributions by scheme participants	498	474
Benefits paid	(3,778)	(3,468)
Closing balance at 31 March	<b>79,228</b>	<b>69,020</b>

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

	Local Government Pension Scheme	
	2014/15 £'000	2013/14 £'000
Opening balance 1 April	100,998	95,150
Current service cost	1,687	1,727
Interest cost	4,307	4,251
Contributions by scheme participants	498	474
Remeasurement of the net defined benefit comprising:		
Actuarial gains and losses arising on changes in demographic assumptions	-	1,910
Actuarial gains and losses arising on changes in financial assumptions	14,718	2,484
Other	(956)	(1,536)
Past service costs	24	6
Benefits paid	(3,778)	(3,468)
Closing balance at 31 March	<b>117,498</b>	<b>100,998</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets	
	2014/15 £'000	2013/14 £'000
Equity Instruments		
Consumer	5,934	5,992
Manufacturing	2,730	3,649
Energy and Utilities	1,330	2,713
Financial Institutions	3,429	4,081
Health and Care	2,481	2,580
Information Technology	1,424	1,397
Other	802	1,416
	18,130	21,828
Debt Securities		
Corporate (Investment Grade)	11,483	9,468
UK Government	1,688	1,367
Other	3,454	2,746
	16,625	13,581
Private Equity (Non-active Market)	2,413	2,382
Property		
UK (Non-active Market)	7,613	6,933
	7,613	6,933
Investment Funds & Unit Trusts:		
Equities	22,105	14,682
Hedge Funds	3,056	2,517
Infrastructure (Non-active Market)	1,782	1,107
Other (Non-active Market 1,787 (2013/14 1,192))	6,574	5,520
	33,517	23,826
Derivatives:		
Foreign exchange	2	0
	2	0
Cash and Cash Equivalents	928	470
<b>Total Assets</b>	<b>79,228</b>	<b>69,020</b>

### 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 31 March 2013.

The significant assumptions used by the actuary have been:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Local Government Pension Scheme</b>	
	<b>2014/15</b>	<b>2013/14</b>
Mortality assumptions:		
Longevity for current pensioners:		
Men	<b>22.4</b>	22.4
Women	<b>24.4</b>	24.4
Longevity for future pensioners:		
Men	<b>24.3</b>	24.3
Women	<b>26.9</b>	26.9
Rate of inflation	<b>1.9%</b>	2.8%
Rate of increase in salaries	<b>4.3%</b>	4.6%
Rate of increase in pensions	<b>2.4%</b>	2.8%
Rate for discounting scheme liabilities	<b>3.2%</b>	4.3%

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:

<b>Change in assumptions at 31 March 2015</b>	<b>Approximate increase in Employers Liability</b>	<b>Approximate amount £'000</b>
0.5% decrease in Real Discount Rate	10%	11,601
1 year increase in member life expectancy	3%	3,525
0.5% increase in the Salary Increase Rate	3%	3,579
0.5% increase in the Pension Increase Rate	7%	7,767

### 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 on 31<sup>st</sup> March 2016.

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 31<sup>st</sup> March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £2.895million in contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 17.8 years in 2014/15 (17.8 years 2013/14).

## 31. Contingent liabilities

At 31<sup>st</sup> March 2015, the Council had the following material contingent liabilities:

- a) In September 1992, Municipal Mutual Insurance (MMI), the Council's insurers at the time, stopped accepting new business and with its policy holders set up a Scheme of Arrangement for the orderly run down of its affairs. MMI's future liabilities under its policies could not be fully quantified until all the claims (current and yet to be made) were settled. It was therefore agreed that MMI should settle claims as they were received, and if at some future date it should become insolvent, it could reclaim from its major policy holders in proportion to the value of claims settled on their behalf. Under this arrangement, at 31<sup>st</sup> March 2015 claims settled for this Council remained at £203k (£203k in 2013/14) together with no estimated outstanding claims. The Council's maximum liability will be the value of claims settled/outstanding less £50,000.

Following an appeal to the Supreme Court by MMI against a Court of Appeal judgement dated 8<sup>th</sup> October 2010 relating to Employer's Liability policy wording, judgement was handed down on 28<sup>th</sup> March 2012, with the Supreme Court finding against MMI. The judges ruled that the insurer who was on risk at the time of an employee's exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

The Board of Directors of MMI made the decision to trigger the Scheme of Arrangement on 13<sup>th</sup> November 2012, and control of the Company has passed to the Scheme Administrator (Ernst and Young LLP), who wrote to the Council on 2<sup>nd</sup> April 2013 proposing an initial Levy of 15% of Established Scheme Liabilities. During 2013/14, the Council paid the Levy Notice for £22,949 (based on 15% of Claims Payments of £202,995 less £50,000).

In addition the Scheme Administrator has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims may be required to achieve a projected solvent run-off. The Council has set up a Provision for the balance up to 28% (£20k) in the 2012/13 General Fund Accounts. In addition the Council has set up a Reserve of £110k, (the Balance up to the full commitment) in order to provide additional funds if further claims are submitted in the future.

## 32. 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 the Financial Services team, 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 Treasury Management Policy Statement, 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 Treasury Management Policy Statement also imposes a maximum sum to be invested with a financial institution located within each category.

A copy of the statement can be found on the Council's website at:

<http://www.suffolkcoastal.gov.uk/yourcouncil/policies>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 31<sup>st</sup> March 2015 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.

	Amount at 31 March 2015	Historical experience of default	Adjustment for market conditions at 31 March 2015	Estimated maximum exposure to default and uncollectability at 31 March 2015	Estimated maximum exposure at 31 March 2015
	£'000	%	%	£'000	£'000
Deposits with banks and other financial institutions	53,384	-	-	-	-
Customers	4,980	10	20	1,494	1,127
				1,494	1,127

No credit limits were exceeded during the reporting period and the authority 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. From the £4,980,200 classified as receivable from customers £1,995,193 relates to Housing Benefit overpayments of which £1,749,346 has been outstanding for more than three months.

The past due amounts can be analysed by age as follows:

	2014/15	2013/14
	£'000	£'000
Less than three months	3,041	2,036
Three to Six Months	283	104
Six months to one year	203	201
More than one year	1,453	1,415
	<b>4,980</b>	<b>3,756</b>

### Liquidity risk

The Council ensures it has adequate, but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to have the level of funds available to it which are necessary to meet its business objectives.

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 borrowings and 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 treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

If the average rates in 2014/15 had been 1% higher with all other variables held constant, the financial effect would have been an increase in the variable investment income of £181k.

#### 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.

### 33. 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 1<sup>st</sup> 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. 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 prepares its accounts for the period to the week ending closest to the end of January each year, closing its accounts two months before those of the Council. This 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 a separate column 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;
- 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 £7.666m in 2014/15 (£7.521m in 2013/14) and included as follows:



## NOTES TO THE CORE FINANCIAL STATEMENTS

	2014/15 £'000	2013/14 £'000
Car Parks	396	390
Central Support Services	230	226
Environmental Protection	93	163
Highway Services	183	171
Outdoor Leisure	944	882
Public Conveniences	311	288
Resort Activities	152	136
Street Furniture	151	193
Waste Management	5,005	4,874
Other Services	201	198
	<b>7,666</b>	<b>7,521</b>

i) Details of the Company's annual financial results to 1<sup>st</sup> February 2015 are set out below:

	2015 Suffolk Coastal Norse Ltd £'000	2015 Council Investment (20%) £'000	2014 Suffolk Coastal Norse Ltd £'000	2014 Council Investment (20%) £'000
Property, Plant & Equipment	-	-	-	-
<b>Current Assets</b>				
Stock	189	38	68	14
Debtors	3,982	796	3,064	613
Cash at Bank	6	1	3	1
	<b>4,177</b>	<b>835</b>	3,135	628
Creditors falling due within one year	(2,754)	(551)	(1,936)	(387)
Provision for Deferred Taxation	-	-	(26)	(5)
Defined Benefit Pension Scheme Liability	(3,219)	(644)	(1,666)	(333)
Net Assets / Shareholder's funds	<b>(1,796)</b>	<b>(360)</b>	(493)	(97)
Share of Actuarial Gains/(Losses)	(1,983)	(397)	(558)	(112)
Turnover	12,135	2,427	11,926	2,385
Profit on ordinary activity before taxation	425	85	281	56
Tax on profit on ordinary activity	(87)	(17)	(4)	(1)
Profit for the Financial Period	338	68	277	55
<u>Tax components included in the above figures are as follows:</u>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Debtors				
- Deferred Tax asset	19	4	20	4
Creditors falling due within one year				
- Corporation Tax	(81)	(16)	(78)	(16)
Tax on profit on ordinary activity				
- Current Tax	(73)	(15)	(4)	(1)
- Deferred Tax	(14)	(3)	-	-
	(87)	(18)	(4)	(1)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34. Interest and investment income

This figure relates to interest earnings from the short-term external investment of surplus cash balances and the interest on any loans made to other local authorities. The income is analysed over the different financial institutions borrowing from the Council, as follows:

	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Banks & Building Societies	262	170
Other Local Authorities	46	15
Interest on other loans/leases	18	26
	<u>326</u>	<u>211</u>
Less credited to external deposits received, i.e. Section 106 agreements	(47)	(99)
	<u><b>279</b></u>	<u><b>112</b></u>

### 35. Long term debtors

These are debtors due to the Council over a period in excess of one year:

	<b>31 March</b>	<b>31 March</b>
	<b>£'000</b>	<b>£'000</b>
Mortgagors:		
Sale of Council Houses	3	4
Reimbursement Arrangements	30	30
Finance Leases	4	4
	<u>37</u>	<u>38</u>

### 36. Long term creditors

These are creditors of the Council over a period in excess of one year:

	<b>31 March</b>	<b>31 March</b>
	<b>£'000</b>	<b>£'000</b>
Finance Leases	107	-
	<u>107</u>	<u>-</u>

## 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	2014/15		2013/14	
		Business rates	Council tax	Business rates	Council tax
		£'000	£'000	£'000	£'000
<b>Income</b>					
Income from council tax	1	-	(71,572)	-	(70,479)
Transfer from General Fund - council tax benefits		-	79	-	107
Income from business rates	2	(50,800)	-	(48,756)	-
Transitional protection payments from Central Government		(14,697)	-	(18,702)	-
		<b>(65,497)</b>	<b>(71,493)</b>	<b>(67,458)</b>	<b>(70,372)</b>
<b>Expenditure</b>					
Precepts, demands and shares:					
- Central Government		30,745	-	29,594	-
- Suffolk County Council		6,149	51,911	5,919	51,796
- Police and Crime Commissioner for Suffolk		-	7,685	-	7,668
- Suffolk Coastal District Council		24,644	9,481	23,676	9,414
Transitional protection payments to Central Government		10,571	-	-	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		(155)	2	54	73
- Increase / (decrease) in bad debt provision		115	363	44	803
- Increase / (decrease) in provision for appeals		(15,997)	-	18,261	-
- Cost of collection allowance		279	-	278	-
Apportionment of previous years surplus / (deficit)					
- Central Government		(5,613)	-	-	-
- Suffolk County Council		(1,123)	151	-	-
- Police and Crime Commissioner for Suffolk		-	22	-	-
- Suffolk Coastal District Council		(4,490)	27	-	-
		<b>45,125</b>	<b>69,642</b>	<b>77,826</b>	<b>69,754</b>
<b>(Surplus) / deficit for year</b>		<b>(20,372)</b>	<b>(1,851)</b>	<b>10,368</b>	<b>(618)</b>
<b>Balance brought forward - (surplus) / deficit</b>		10,368	(743)	-	(125)
<b>Balance carry forward - (surplus) / deficit</b>	3	<b>(10,004)</b>	<b>(2,594)</b>	<b>10,368</b>	<b>(743)</b>

## 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.

	2014/15	2013/14
	£	£
The average Band D Council Tax set was:	1,499.06	1,498.06
The Council estimated its Tax Base for 2014/15 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,492	4,328
B	12,790	9,948
C	10,376	9,223
D	10,012	10,012
E	7,184	8,780
F	3,736	5,397
G	2,035	3,391
H	153	305
	52,778	51,384
Less: local council tax reduction scheme		(4,445)
provision for bad and doubtful debts (2.25%)		(1,056)
Add: Ministry of Defence properties		197
<b>Tax Base 2014/15 (Band D equivalents)</b>		<b>46,080</b>

## 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 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 11). The valuation list was revised in April 2005, and the latest revaluation of all business properties was completed on 1<sup>st</sup> April 2010.

	2014/15	2013/14
The rateable value at 31 March was	<b>£159.8m</b>	£159.3m
The multiplier was	<b>48.0p</b>	47.1p

3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2014/15 £,000	2013/14 £,000
<u>Council Tax</u>		
Suffolk County Council	(1,391)	(465)
Police and Crime Commissioner for Suffolk	(206)	(69)
Suffolk Coastal District Council	(254)	(84)
Total Council Tax	<u>(1,851)</u>	<u>(618)</u>
<u>Business Rates</u>		
Central Government	(5,002)	5,184
Suffolk County Council	(1,000)	1,037
Suffolk Coastal District Council	(4,002)	4,147
Total Business Rates	<u>(10,004)</u>	<u>10,368</u>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COASTAL DISTRICT COUNCIL****Opinion on the Authority's financial statements**

We have audited the financial statements of Suffolk Coastal District Council for the year ended 31 March 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the related notes 1 to 36 to the main financial statements, the Collection Fund and the related notes 1 to 3 to the Collection Fund.

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 2014/15.

This report is made solely to the members of Suffolk Coastal District Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 the Chief Finance Officer's Responsibilities set out on page 16, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, 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 2014/15 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 as at 31 March 2015 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial position of the Group as at 31 March 2015 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 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2014/15 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 does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

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

#### ***Respective responsibilities of the Authority and auditor***

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.



The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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, the Authority 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 on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Suffolk Coastal District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

### **Certificate**

We certify that we have completed the audit of the accounts of Suffolk Coastal District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

24 September 2015

## **Accounting Period**

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

## **Accruals**

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

## **Business 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.

## **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 1<sup>st</sup> 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.

## **Council Tax**

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

## **Council Tax Benefit**

See 'Housing Benefits'

## **Creditors**

An amount of money owed by the District Council at 31<sup>st</sup> 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 31<sup>st</sup> 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.

## **Non-Current Assets**

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

## **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 1<sup>st</sup> 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.

## **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 Domestic Rates (NDR)**

See Business Rates

## **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).

## **Rateable Value**

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

## **Rent Allowances / Rebates**

See 'Housing Benefits'

## **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 1<sup>st</sup> 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.

## **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