

# Suffolk Coastal District Council Statement of Accounts 2012-13



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# Explanatory Foreword by Head of Financial Services

## 1. Introduction

This foreword is not formally part of the Statement of Accounts but has been written to provide a better understanding of the significant matters reported in these accounts. The Council's accounts for the year ended 31 March 2013 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes a "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Accounts are set out in pages following the Explanatory Foreword.

The Council's Statement of Accounts consists of:

### Core Statements:

- **Movement in Reserves Statement** – this statement (with corresponding balances shown for 2011/12) 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 and Council Tax, and illustrates the way in which these have been distributed to major precepting bodies (Suffolk County Council and Suffolk Police Authority (replaced by the Suffolk Police and Crime Commissioner from 22 November 2012) and to the General Fund.
- **Statement of Responsibilities for the Statement of Accounts** – This outlines the responsibilities of the Council and the Council's Chief Financial Officer (Head of Financial Services), with respect to the Statement of Accounts.
- **Group Accounts** – The Group Accounts incorporate the financial statements of its Associate relationship with Suffolk Coastal Services Ltd (SCS). Details are set out in Note 44 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.

## 2. Changes to the Statement of Accounts

There have been no major accounting changes to the Statement of Accounts for 2012/13. However, there have been some changes and these can be summarised as:

- Management Commentary - additional support for authorities that wish to prepare their Explanatory Foreword taking into consideration the provisions of the Government's *Financial Reporting Manual (FRM)*;

# Explanatory Foreword by Head of Financial Services

- Financial Instruments: Disclosures (transfer of financial assets) - guidance regarding the new disclosures required for transfers of financial assets has been added (this does not affect the Council);
- **Impact of the Economic Climate** - This Explanatory Foreword provides information and explanation relevant to the Accounts. The Code 2012 requires Councils to comment on the impact of the current economic climate on the Council and the services it provides, as this will assist users in assessing, for example, the adequacy of reserves. Details of some of the main service areas affected are set out in Paragraph 11 later in this Explanatory Foreword.
- **Accounts and Audit (England) Regulations 2011** - There have been no further regulations issued since the changes that came into force on 31 March 2011 for last years Statement of Accounts. Therefore the requirements introduced last year remain unchanged. The signing and approval process and dates are:
  - the Head of Financial Services 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 Head of Financial Services 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.
- **Other Issues and Amendments** - Further guidance has been issued on a number of technical areas through LAAP Bulletins.
  - Most of the issues were not directly relevant, or did not apply to the Council in the year, but consideration was given to their potential impact on the accounts.
  - LAAP Bulletin 96 gave further advice on some minor accounting and disclosures required and these have been incorporated within the notes to the Financial Statements.

# Explanatory Foreword by Head of Financial Services

## 3. Accounting Policies

The Council's Accounting Policies are set out following the Core Financial Statements. There have been no major changes to the Council's Accounting Policies since the Statement of Accounts was produced for 2011/12.

## 4. General Fund Outturn

The following table shows how the Council's General Fund net expenditure, including precepts by parish councils and levies by other bodies, compares with the approved budget. The General Fund is the main revenue fund of the Council, financed through service income, government grants and the Council Tax.

	Original Budget	Revised Budget	Outturn	Variance to Revised Budget
	£'000	£'000	£'000	£'000
Net Expenditure	13,007	13,398	12,649	(749)
Income from Government and local Taxpayers	(13,007)	(13,007)	(13,007)	(0)
<b>Met from/ (Added to) General Fund Balances</b>	<b>0</b>	<b>391</b>	<b>(358)</b>	<b>(749)</b>

### Analysed as:

Provision for Between year Virements	358
Transfer to Earmarked Benefits Reserve	0
Addition to General Fund	391
	<b>749</b>

Income from Government and Local Taxpayers

The table below details the income included within the General Fund outturn:

	<b>£000</b>
Formula Grant	5,554
Transfer from Collection Fund regarding previous year's (deficit) / surplus	30
Amount met by Local Council Taxpayers	7,423
<b>Total income from Government &amp; Local Taxpayers</b>	<b>13,007</b>

# Explanatory Foreword by Head of Financial Services

The decrease in expenditure of £749k between the revised budget for 2012/13 and the outturn is analysed in the table below:

	<b>£'000</b>
Planning (Development Control) - additional fee income	-275
SCS – better than anticipated outturn and shared benefits	-167
Provision for contingency	-150
Housing Benefit - improved administration & subsidy position	-82
Decreased Bad Debt Provision	-68
ICT	-56
Finance/Corporate Management - Audit Fee saving	-37
Outdoor Leisure - increased income and reduced repairs expenditure	-34
Additional Investment Income	-17
Other minor variances	-22
Offset by:	
Countryside Management - identified savings not achieved & overspend	62
Planning Development and Policy	49
Waste Management - less recycling credits than expected	48
Change in General Fund Balance (Revised Budget to Outturn)	<b>-749</b>
Provision for between year virements	358
Decrease in Net Expenditure	<b>-391</b>

Further detailed analysis of the gross expenditure and income on services together with interest payable and receivable is set out in the Comprehensive Income and Expenditure Account. In addition, Note 23 to the Core Financial Statements provides an analysis of Government Grants received.

A sum of £358k has been identified for a small number of projects which could not be completed in 2012/13 and are to be carried forward to 2013/14. The Council has achieved a reduction of £391k in its net expenditure due to its careful control of in year expenditure and early delivery of some efficiency savings. It is therefore recommended that any final reduction in net expenditure is added to capital reserve to fund future capital projects and reduce the Council's potential requirements for external borrowing. The General Fund Balance at the year end will therefore increase to £3.795m in 2012/13.

## Redundancy/ill-health payments

During the year there were payments relating to voluntary and compulsory redundancies for 17 members of staff (£140k for 12 staff in 2011/12) amounting to £192k. There were no ill-health retirements of staff in 2012/13 (2 ill-health retirements at no cost to the Council in 2011/12). The cost of the redundancies has been charged to the General Fund Comprehensive Income and Expenditure Statement and the relevant service area where staff were employed.

## General Fund - Future Budget Plans

Set out below is the Budget approved in February 2013 for 2013/14, together with the Original and Revised budgets for 2012/13.

## Budget Requirement

Overall the Council's budget requirement, the net cost of services to be met from Government formula grant and council taxes will be £12,709k in 2013/14. This represents a headline decrease of £298k or 2.3% over the budget for 2012/13 of £13,007k. The budget by priority theme that the Council approved from 1 April 2013 together with the Revised Estimate and also the 2014/15 forecast is set out below:

# Explanatory Foreword by Head of Financial Services

Priority Theme	2012/13 Revised Budget £'000	2013/14 Original Budget £'000	2014/15 Forecast Budget £'000
Leader	41	40	35
Green Environment and Operational Partnerships	4,379	4,116	4,314
Planning	2,484	2,135	2,170
Community Health	304	265	354
Housing	1,661	1,486	1,871
Leisure, Tourism and Economic Development Resources	3,483	3,372	3,046
Customers & Communities	1,140	648	830
Revenue Contribution to Capital Reserve	305	316	317
Budget Contingency	314	330	330
Budget Provisions & Financial Transactions	150	195	205
Interest from Investments	153	10	150
Council Tax Freeze Grant	-169	-150	-150
Transfer to/from Earmarked Reserves	-373	-261	-261
Use of General Fund Reserve:			
- Between Year Virement	-474	208	827
- In Year Use	-238	0	0
	-153	0	0
<b>Budget Requirement</b>	<b>13,007</b>	<b>12,709</b>	<b>14,039</b>
<b>Financed by:</b>			
Formula Grant	-5,554	-5,213	-5,240
Collection Fund Surplus	-30	0	0
Council Tax	-7,423	-6,869	-6,869
Council Tax Support Funding	0	-627	0
<b>Total funding</b>	<b>-13,007</b>	<b>-12,709</b>	<b>-12,109</b>
<b>Total savings required</b>	<b>0</b>	<b>0</b>	<b>1,930</b>

The reasons for the decrease in the 2013/14 Budget compared to the Budget for 2012/13 set a year ago are summarised as follow:

	£000
Budget Requirement 2012/13	13,007
Pay and Price Increases	426
Statutory requirements	7
Service developments	176
Efficiencies Savings	-827
Additional Income	-221
Movement in Reserves and other transactions	141
<b>Budget Requirement 2013/14</b>	<b>12,709</b>



# Explanatory Foreword by Head of Financial Services

For the third year in succession the Government proposed a Council Tax freeze for 2013/14 with the offer of a “Council Tax Freeze” grant in lieu of a 2.5% increase in Council Tax. Therefore the Council’s budget for 2013/14 reflected no increase in Council Tax. The Council’s grant settlement was reduced by £341k for 2013/14.

Since setting the budget in February 2013 the Council continues to monitor its Medium Term Financial Strategy (MTFS) and financial plans. The MTFS will be updated in October 2013 to incorporate any financial implications resulting from potential changes in the 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.

## 5. Collection Fund

The Collection Fund records the income from Council Tax and National Non Domestic Rates and its distribution. National Non-Domestic Rates are collected on behalf of Central Government and are paid over, net of an allowance for costs of collection. Council Tax income finances the expenditure of Suffolk County Council, Suffolk Police Authority (replaced by Suffolk Police and Crime Commissioner from 22 November 2012), Suffolk Coastal District Council and its Parish and Town Councils.

As at 31 March 2013, the Collection Fund had a surplus of £125k, (2011/12 deficit £140k), reflecting an in-year surplus of £265k. The in-year surplus is due to additional Council tax income and reduced provision for bad debt, including the bad debts written off. The £125k surplus is apportioned between Suffolk Coastal District Council, Suffolk County Council and Suffolk Police Authority (Police and Crime Commissioner from 22 November 2012) in proportion to their respective Council Tax precept demands in the year.

After taking into account the break-even position already calculated for 2012/13, Suffolk Coastal’s share of the surplus will be £17k (£19k deficit in 2011/12) based on an apportionment formula, and will be taken into account when setting 2014/15 Council Tax levels.

## 6. Capital

Capital expenditure relates to the acquisition of non current assets or expenditure that adds to (and not merely maintains) the value of an existing non current asset. The following table shows the capital outturn results for 2012/13 against the approved budgeted programme (see Note 36 to the Core Financial Statements for further information):

<b>Portfolio</b>	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Outturn £000</b>	<b>Variance to Orig. £000</b>
Economic Development, Tourism and Leisure	130	216	21	-109
Housing	732	792	535	-197
Planning & Coastal	2,587	2,069	2,113	-474
Customer & Communications				
- ICT and E government	455	750	267	-188
Resources- Corporate activities	271	192	0	-271
<b>Total Capital Expenditure</b>	<b>4,175</b>	<b>4,019</b>	<b>2,936</b>	<b>-1,239</b>

The overall expenditure out-turn was £1.239m below the Original Budget for 2012/13

# Explanatory Foreword by Head of Financial Services

The £1.239m reduction in spend can be summarised as follows:

	<b>£000</b>
New Planning IT System (slippage to 2013/14)	244
Ufford Depot Improvements (scheme funded by Suffolk Coastal Services)	236
Central Felixstowe Coast Protection – scheme accelerated in previous year due to favourable weather conditions	477
Brackenbury Leisure Centre Heating	47
Housing Grants - demand led	197
Other minor variations	38
<b>Reduction between Original Budget and Outturn <u>2012/13</u></b>	<b><u>1,239</u></b>

The Capital Programme was financed as follows.

	<b>Original Budget £000</b>	<b>Outturn £000</b>
Capital Receipts	128	26
Government Grants and Third Party Contributions	3,456	2,910
Revenue / Revenue Reserves	591	0
Borrowing	<b><u>0</u></b>	<b><u>0</u></b>
	<b><u>4,175</u></b>	<b><u>2,936</u></b>

The Council did not enter into any borrowing in 2012/13 to finance its capital expenditure and consequently remains free of external debt.

Capital expenditure plans for the next four years are as follow:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Capital Expenditure	<b>1,061</b>	<b>1,404</b>	<b>3,387</b>	<b>3,336</b>
Financed by				
Grants and Contributions	526	606	2,406	2,666
Capital Receipts	535	106	0	0
Capital Reserves	0	692	450	0
Potential Borrowing Requirements	0	0	531	670
	<b><u>1,061</u></b>	<b><u>1,404</u></b>	<b><u>3,387</u></b>	<b><u>3,336</u></b>

## 7. 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.

# Explanatory Foreword by Head of Financial Services

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 £27.697m in 2012/13 (2011/12 £23.855m), 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 40 to the Core Financial Statements.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31 March 2010 and the next review will be carried out during 2013/14 with an effective date of 31 March 2013.

## 8. Reserves

Details of the movements in all reserves are shown in Notes 7, 8, 24 and 25 to the Core Financial Statements. Reviewing the Council's reserves will continue to be carried out as part of the consideration of the Medium Term Financial Strategy (MTFS) during 2013/14. The main reserves held at 31 March are set out below, (with further information in Notes 8, 24 and 25 to the Core Financial Statements):

	<b>31 March 2013</b>	<b>31 March 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Usable Reserves</b>		
<b>Held for revenue purposes</b>		
General Fund	3,795	3,437
Earmarked Reserves	6,522	6,013
<b>Held for capital purposes</b>		
Capital Receipts Reserve	744	579
Earmarked Reserves	2,308	1,668
Capital Grants unapplied	2,118	1,508
	<u>15,487</u>	<u>13,205</u>
<b>Unusable Reserves</b>	<u>26,373</u>	<u>28,346</u>
<b>Total Council Reserves</b>	<b><u>41,860</u></b>	<b><u>41,551</u></b>

## 9. 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) has been established to enable a shared services programme to be jointly developed, evaluated and implemented. The inaugural meeting of the Board took place in February 2010.

# Explanatory Foreword by Head of Financial Services

With effect from 1 October 2010 the shared joint management structure was implemented with new Directors and Heads of Service appointed to run services for both councils. Further information is disclosed in Note 33 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 2012/13 financial year. These are listed in the table that follows:

<b>Strategic Partner</b>	<b>Service Delivery</b>
<b>Third Parties:</b>	
Suffolk Coastal Services Limited (SCS).	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. SCS 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
DC Leisure	Provision of Leisure services
<b>Joint Arrangements:</b>	
Suffolk Coastal and Waveney District Councils.	Senior Management (Chief Executive, 2 Directors, an Assistant Chief Executive and 9 Heads of Service manage services jointly for both Councils with effect from 1 October 2010).
Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Waveney and Suffolk Coastal District Councils.	Emergency Services - Joint Emergency Planning Unit.
Suffolk County Council, St Edmundsbury and Ipswich Borough Councils, Babergh, Forest Heath, Mid-Suffolk and Suffolk Coastal and Waveney District Councils.	Legal Services.
Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council Audit Partnership.	Internal Audit service.
Breckland District Council, Forest Heath District Council, East Cambridgeshire District Council, St. Edmundsbury, and Suffolk Coastal and Waveney District Councils.	Anglia Revenues Partnership shared ICT infrastructure with Academy for the provision of revenues IT systems. Estimated that SCDC database transfers to Thetford later in 2013.

## Future Partnership Plans

Discussions have commenced for the Council's Revenues and Benefits Services to join the Anglia Revenues Partnership, together with Waveney District Council. This is a partnership with the revenues and benefits services of Breckland District Council, Forest Heath District Council, East Cambridgeshire District Council and St Edmundsbury Borough Council.

# Explanatory Foreword by Head of Financial Services

Discussions have commenced concerning further join up arrangements and potentially a full partnership structure.

## 10. Overall Financial Position

The General Fund outturn for 2012/13 was a surplus of £749k. This included between year Virements of £358k for work which will be completed in 2013/14. The overall General Fund Balance at 31 March 2013 was £3.795m (31 March 2012 £3.437m). The Council continues to remain debt free.

The Budget report to Council in February 2013 highlighted significant Budget issues which have a bearing on shaping the budgets from 2013/14 onwards. The Medium Term Financial Plan (MTFS) currently forecasts a balanced position in respect of 2013/14. Future years beyond 2013/14 still show significant deficits, largely as a result of further losses in Central Government Grant Funding, and a reduction in Council Tax income due to a reduced Tax Base. These deficits will be addressed as part of the next Budget round over the next few months in 2013.

Major influences on the Council's financial position include;

- a) Government's approach in setting the parameters for the next spending review;
- b) Uncertainty surrounding future taxation, inflation and pay constraint assumptions in the years following 2013/14;
- c) The performance and contributions to savings and efficiency targets of the Council's strategic partners, essential for the successful delivery of many of its key services;
- d) Judgements around the performance of business rates following the introduction of the Business Rate Retention Scheme from 1 April 2013;
- e) impacts on the council taxbase and income arising from the introduction of Localised Council Tax Reduction Scheme from 1 April 2013, the performance of the wider economy and levels of unemployment.
- f) Welfare reductions from 1 April and the introduction of a benefit cap of £500 per week/£26,000 per annum from October 2013.
- g) Delivery of Universal Credit. Most new claims, and claims arising from a change in circumstances will be handled by Department of Work and Pensions but local authorities will continue to deliver housing benefit on a reducing basis for existing customers until 2017.
- h) During the year, in relation to completing the delivery of the Local Development Framework, the Council spent some £60k with the Planning Inspectorate and a further £20k in legal fees.

## 11. The impact of the National Economy.

Nationally the economy has been severely affected by the worldwide credit crunch. The Bank of England's base rate fell from a peak of 5.25% in April 2008, finishing at 0.5% in March 2009, which is where it has since remained, unchanged, throughout the financial year 2012/13. Reduced income returns from investments, the reduction in growth in the economy and the slump in the housing market has had an affect on this Council's services.

Pressures on the economy, with the new local government funding becoming more and more dependent on the economic performance, the Council's finances are exposed to a greater volatility than ever before. Any adverse impact on the economy could see further reductions to the grant funding levels, business rate and council taxbase, fee income, as well as greater demand on services

Note 40 to the Core Financial Statements on Pensions sets out in detail the assets and liabilities attributed to this Council by the Actuary to the Suffolk County Council Pension

# Explanatory Foreword by Head of Financial Services

Scheme. This Council's share of the Fund deficit has, at 31 March 2013 increased to £27.697m compared to £23.855m a year earlier. This increase in the deficit can be attributed to financial assumptions at 31 March 2013 being less favourable than they were at 31 March 2012, (leading to a higher value being placed on Liabilities) On the assets side the previous 12 months have been better than expected, resulting in a positive impact on the IAS19 position. Unfortunately, this positive impact is outweighed by the negative impact on the liability side of the Balance Sheet, which has led to an increased deficit.

There are on-going discussions on a range of proposed reforms to public sector pensions, including the Local Government Pension Scheme. Proposals on a revised scheme will need to be agreed by the end of 2013 in order that they can also tie in with the next triennial review and be implemented by 2014.

A detailed review of the book valuations of the Council's Assets is undertaken annually at the end of the financial year to assess the impact of price changes on property values. Where the Council's internal qualified valuers have determined that the book value of any of the Council's assets has risen, this has been reflected in the Council's Accounts and the impact is shown under Revaluation increases/decreases. (See Note 12 to the Core Financial Statements for further details). Overall, the value of the Councils property, plant and equipment has increased in value from £52.893m to £53.528m. The financial impact of all movements on property, plant and equipment in 2012/13 was £635k.

## 12. Further Information

Further information on the Council's finances is available from the Head of Financial Services at Suffolk Coastal District Council, Melton Hill, Woodbridge, Suffolk, IP12 1AU (Telephone 01394 383789).

## 13. Translation Services

An electronic version of the latest Annual Report is currently available for translation from Suffolk Coastal.gov.uk.

Information on the Suffolk Coastal District Council website [www.suffolkcoastal.gov.uk](http://www.suffolkcoastal.gov.uk) 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@suffolkcoastal.gov.uk](mailto:accountancy@suffolkcoastal.gov.uk)

## STATEMENT OF RESPONSIBILITIES

### **The Authority's Responsibilities**

The Authority 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. This role is known as the Chief Financial Officer. In this authority, that officer is the Head of Financial Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Councillor P Bellfield, Chairman, Suffolk Coastal District Council - 26 September 2013

### **The Chief Financial Officer's Responsibilities**

The Head of Financial Services is responsible for the preparation of the authority'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 2012/13* ("the Code").

In preparing this Statement of Accounts, the Head of Financial Services has:

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

The Head of Financial Services 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 Financial 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 March 2013 and its income and expenditure for the year ending on that date.

Homira Javadi, Head of Financial Services - 26 September 2013

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are 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 lines 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	<b>Total Usable Reserves £'000</b>	Unusable Reserves £'000	<b>Total Authority Reserves £'000</b>
<b>Balance at 31 March 2011</b>	<b>(3,342)</b>	<b>(7,568)</b>	<b>(921)</b>	<b>(1,387)</b>	<b>(13,218)</b>	<b>(25,657)</b>	<b>(38,875)</b>
<b><u>Movement in reserves during 2011/12</u></b>							
(Surplus) or deficit on provision of services	(6,611)	-	-	-	<b>(6,611)</b>	-	<b>(6,611)</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	3,937	<b>3,937</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,611)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,611)</b>	<b>3,937</b>	<b>(2,674)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	6,403	-	342	(121)	<b>6,624</b>	(6,624)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(208)</b>	<b>-</b>	<b>342</b>	<b>(121)</b>	<b>13</b>	<b>(2,687)</b>	<b>(2,674)</b>
Transfer to/from Earmarked Reserves (note 8)	113	(113)	-	-	-	-	-
<b>(Increase)/Decrease in 2011/12</b>	<b>(95)</b>	<b>(113)</b>	<b>342</b>	<b>(121)</b>	<b>13</b>	<b>(2,687)</b>	<b>(2,674)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(3,437)</b>	<b>(7,681)</b>	<b>(579)</b>	<b>(1,508)</b>	<b>(13,205)</b>	<b>(28,344)</b>	<b>(41,549)</b>
<b><u>Movement in reserves during 2012/13</u></b>							
(Surplus) or deficit on provision of services	(2,754)	-	-	-	<b>(2,754)</b>	-	<b>(2,754)</b>
Other Comprehensive Expenditure and Income	-	-	-	-	-	2,443	<b>2,443</b>
<b>Total Comprehensive Expenditure and Income</b>	<b>(2,754)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,754)</b>	<b>2,443</b>	<b>(311)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	1,247	-	(165)	(610)	<b>472</b>	(472)	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,507)</b>	<b>-</b>	<b>(165)</b>	<b>(610)</b>	<b>(2,282)</b>	<b>1,971</b>	<b>(311)</b>
Transfer to/from Earmarked Reserves (note 8)	1,149	(1,149)	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>(358)</b>	<b>(1,149)</b>	<b>(165)</b>	<b>(610)</b>	<b>(2,282)</b>	<b>1,971</b>	<b>(311)</b>
<b>Balance at 31 March 2013 carried forward</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>



## 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.

	<b>Gross Expenditure £'000</b>	<b>2012/13 Gross Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Gross Expenditure £'000</b>	<b>2011/12 Gross Income £'000</b>	<b>Net Expenditure £'000</b>
Central Services to the Public	9,344	(7,899)	<b>1,445</b>	9,472	(7,885)	<b>1,587</b>
Cultural and Related Services	4,665	(1,485)	<b>3,180</b>	4,516	(1,459)	<b>3,057</b>
Environmental and Regulatory Services	12,594	(6,506)	<b>6,088</b>	12,794	(6,454)	<b>6,340</b>
Planning Services	3,521	(2,048)	<b>1,473</b>	3,045	(1,528)	<b>1,517</b>
Highways and Transport Services	1,059	(1,525)	<b>(466)</b>	1,218	(1,512)	<b>(294)</b>
Other Housing Services	31,016	(30,340)	<b>676</b>	29,427	(28,808)	<b>619</b>
Corporate and Democratic Core	1,758	(14)	<b>1,744</b>	2,057	(7)	<b>2,050</b>
Non-Distributed Costs	460	(140)	<b>320</b>	564	-	<b>564</b>
Exceptional Item (note 5)	-	-	-	-	-	-
<b>Cost of Services</b>	<b>64,417</b>	<b>(49,957)</b>	<b>14,460</b>	<b>63,093</b>	<b>(47,653)</b>	<b>15,440</b>
Other Operating Expenditure (note 9)			2,512			2,453
Financing and Investment Income and Expenditure (note 10)			473			56
Taxation and Non-Specific Grant Income (note 11)			(20,199)			(24,560)
<b>(Surplus) or Deficit on Provision of Services (note 29)</b>			<b>(2,754)</b>			<b>(6,611)</b>
Surplus or deficit on revaluation of non-current assets (note 25)			(2,000)			(2,703)
Actuarial gains/losses on pension assets/liabilities (note 40)			4,443			6,640
<b>Other Comprehensive Income and Expenditure</b>			<b>2,443</b>			<b>3,937</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(311)</b>			<b>(2,674)</b>

## BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council at the Balance Sheet date. The net assets (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council is not able to use to provide services. This category of reserves includes those 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'.

	Note	31st March 2013 £'000	31st March 2012 £'000
Property, Plant and Equipment	12	53,528	52,893
Heritage Assets	13	15	15
Intangible Assets	15	138	103
Long Term Investments	47	8	8
Long Term Debtors	48	41	41
<b>Long Term Assets</b>		<b>53,730</b>	<b>53,060</b>
Short Term Investments		7,006	21,020
Inventories	17	69	60
Short Term Debtors	18	3,295	2,689
Cash and Cash Equivalents	19	12,824	3,942
Current Assets Held for Sale	20	1,111	52
<b>Current Assets</b>		<b>24,305</b>	<b>27,763</b>
Short Term Creditors	21	(7,249)	(14,369)
Capital Grants Receipts in Advance	23	(122)	(124)
<b>Current Liabilities</b>		<b>(7,371)</b>	<b>(14,493)</b>
Provisions	22	(20)	-
Other Long Term Liabilities (Including Pension Liability)	40	(27,697)	(23,855)
Capital Grants Receipts in Advance	23	(1,087)	(924)
<b>Long Term Liabilities</b>		<b>(28,804)</b>	<b>(24,779)</b>
<b>Net Assets</b>		<b>41,860</b>	<b>41,551</b>
Usable reserves	24	(15,487)	(13,205)
Unusable reserves	25	(26,373)	(28,346)
<b>Total Reserves</b>		<b>(41,860)</b>	<b>(41,551)</b>

## CASH FLOW STATEMENT

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

	<b>2012/13</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
Net (surplus) or deficit on the provision of services	(2,754)	(6,611)
Adjust for non cash movements (note 26)	1,624	(4,428)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,955	9,448
Net cash flows from Operating Activities	<b>2,825</b>	<b>(1,591)</b>
Investing Activities (note 27)	(15,325)	13,267
Financing Activities (note 28)	3,618	(14,715)
Net (increase) or decrease in cash and cash equivalents	<b>(8,882)</b>	<b>(3,039)</b>
Cash and cash equivalents at the beginning of the reporting period	(3,942)	(903)
<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>(12,824)</b>	<b>(3,942)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1 Accounting Policies

### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 Council Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, 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 authority 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 authority.
- Revenue from the provision of services is recognised when the authority 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 authority.
- 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 in the Income and Expenditure Statement on the basis of the effective interest rate for the relevant financial instrument, which may differ from the actual cash flows fixed or determined by the contract. Accrued interest is accounted for in the Balance Sheet as part of the carrying value of the financial instrument.
- 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- 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 and Council Tax Benefit Subsidy, the sums receivable have been estimated using the latest information available from the Housing Benefit and Council Tax Benefit systems.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Where the Council is acting as an agent for another party (e.g., in the collection of NNDR 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 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**

Service revenue accounts, 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
- amortisation of intangible fixed assets attributable to the service.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution (calculated in accordance with regulations and statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by a Minimum Revenue Provision (MRP) contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement on the General Fund Balance reverses out the amounts charged so there is no impact on the level of Council Tax.

### **F Employee Benefits**

#### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave, paid sick leave and any non-monetary benefits for current employees, are recognised as an expense for services in the year in which employees render service to the Council. An accrual is only made in the Surplus or Deficit on the Provision of Services where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. Where any accrual has been made, Statutory arrangements require the accrual to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. Any 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.

#### 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. Such costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 termination benefits related to pensions enhancements 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Post Employment Benefits

Employees are members of, and the Council contributes to the Local Government Pension Scheme, administered by Suffolk County Council, to provide defined benefits to members in the form of pensions and retirement lump sums for its employees. These pension contributions and further costs that arise in respect of certain pensions paid to retired employees on an unfunded basis are charged to the service revenue accounts.

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.
- 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
  - property - market value.
- The change in the net pensions liability is analysed into seven components:
  - 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 arising from current year decisions 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
  - Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Expected Return on Assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Gains/Losses on Settlements and Curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - 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
  - Contributions paid to the Suffolk County Council Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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 appropriations 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 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 Balance Sheet Date**

Events after the Balance Sheet date 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 authorisation for issue date are not reflected in the Statement of Accounts.

## **H Exceptional Items**

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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### I 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.

### J 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 and carried 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

### **K 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 any conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future use of the asset being funded must be as stated, or the economic benefit or service potential of the asset 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/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced 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.

### **L Heritage Assets**

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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.

### *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 U 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 U in this summary of significant accounting policies).

## **M 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 (eg software licences) is capitalised when the original cost exceeds £3,000 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 Accounts. For the purpose of disclosure, the materiality threshold for intangible assets has been set at a carrying value of £100,000.

### **N Interests in Companies and Other Entities**

On 1st April 2009 the Council entered into a service contract with Suffolk Coastal Services Limited (SCS) for the provision of a range of services including waste management, grounds and buildings maintenance and integrated asset management. At the same time the Council acquired 20% of the shares of SCS which is a subsidiary of the Norse Group of companies which is itself a wholly owned subsidiary of Norfolk County Council. SCS sub-contracted the work on integrated asset management to NPS Property Consultants Limited, which is another part of the Norse Group. Profits and Losses are shared 50%/50% with SCS.

Following a review of the Group Accounting requirements of the 2012/13 Code of Practice on Local Authority Accounting (The Code), the Council's accounting relationship with SCS for 2012/13 has been determined as an Associate. In the Council's own single-entity accounts, the interest in SCS is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for SCS is based on their financial results at their accounting date of 27 January 2013, with adjustments for items between that date and 31 March 2013 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).

### **O Inventories**

Inventories are carried 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.

### **P Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Investment properties are measured initially at cost and subsequently carried at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

### **Q Investments**

Investments are included in the Balance Sheet at cost together with accrued interest at the Balance Sheet date. A differentiation is made between long-term and short-term investments. Any short-term investments that mature in seven days or less from the date of acquisition are treated as Cash Equivalents and are consolidated with cash balances in the Balance Sheet.

### **R Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. For any such arrangements, the Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

### **S 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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, revaluation and impairment losses arising on leased assets. An adjusting transaction to the Capital Adjustment Account in the Movement in Reserves Statement on the General Fund Balance reverses out the amounts charged so there is no impact on the level of council tax.

#### *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 (for example where 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 asset in the Balance Sheet.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the asset - applied to write down the lease liability (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 will be 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 an 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 (for example where 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.

## **T 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 2012/13 (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 any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### **U 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 £3,000, is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

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 (ie 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)
- 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2012/13 is 1 April 2012. 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 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

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).

## NOTES TO THE CORE FINANCIAL STATEMENTS

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over 40 years
- Vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer
- 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 3 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 £3,000 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the 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.

### **V 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 (eg 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council makes specific provision in the Collection Fund for doubtful debts in relation to receipt of Council Tax, 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.

## **W 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 within the Accounting Policies.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **X 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, 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.

### **Y Collection Fund and Non-Domestic Rates**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). The key features relevant to accounting for Council Tax and NNDR in the core financial statements are identified below.

In its capacity as a Billing Authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself. Whilst the Council Tax income for the year credited to the Collection Fund is calculated on an accruals basis, Regulations determine when it should be released from the Collection Fund and transferred to the General Fund or paid out to major preceptors. Accordingly the Council only shows its share of the Council Tax debtor and creditor balances on its Balance Sheet together with the net creditor or debtor balance between itself and the major precepting bodies. This balance represents the difference between the amounts paid over to the major preceptors and their share of the net cash collected from tax payers.

Council Tax income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the amount included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be transferred from the Collection Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Council's Cash Flow Statement includes in "Operating Activities" only the cash flows for its own share of Council Tax net cash collected from taxpayers in the year. The difference between the major preceptors' share of the net cash collected from taxpayers and the net cash paid to major preceptors as precepts and settlement of the previous years' surplus or deficit on the Collection Fund is included within the Financing Activities section of the Cash Flow Statement.

Cash collected from NNDR taxpayers by Billing Authorities (net of the Cost of Collection Allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor; or if the cash paid to the Government exceeds the cash collected it is shown as a debtor.

NNDR cash receipts are not included in the Council's Cash Flow Statement except for the cash retained in respect of the Cost of Collection Allowance. Similarly the Council's payment into the NNDR national pool is not included in the Council's Cash Flow Statement as a cash outflow. The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is included in the Financing Activities section of the Cash Flow Statement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Z 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 Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required.
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – there are currently no schemes that this could potentially affect.
- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts as the Council has no investment properties.
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 19 provides a breakdown of this item.

There have been several significant changes in relation IAS 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13, it is expected that this will result in an expense increase in the Comprehensive Income and Expenditure Statement.

### 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
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</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 March 2013, the Council had a balance of sundry debtors of £2.792m. A review of significant balances suggested that an allowance for doubtful debts of £1.169m 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>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Housing Benefit Subsidy	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 and Council Tax Benefit paid in the year to the value of £34.7 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.	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.

### **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 2012/13.

### 6 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Financial Services on 26 September 2013. 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 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusted Post Balance Sheet Events for the 2012/13 Accounts.

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

There is one non-adjusted Post Balance Sheet Events to disclose in relation to Business Rate Retention. New arrangements for the retention of business rates come into effect on 1 April 2013 and the Council will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council, but would have been transferred to DCLG. When the Council assumed these liabilities on 1 April 2013, a provision will need to be recognised for the Council's share of the liability. Appeals are estimated at £7.587m of which the Council's share is 40% (£3.035m). From the Council's 40% share, a tariff payment of 69% is made to Suffolk County Council, which will transfer £2.094m of the liability, leaving the Council with a provision of £0.941m.

### 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**

2011/12	General Fund Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Usable Reserves Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'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	(2,251)				(2,251)	2,251	-
Revaluation losses on Property, Plant and Equipment	(162)				(162)	162	-
Amortisation of intangible assets	(44)				(44)	44	-
Capital grants and contributions that have been applied to capital financing	<b>8,547</b>				<b>8,547</b>	(8,547)	-
Revenue expenditure funded from capital under statute	(486)				(486)	486	-
Revenue expenditure funded from section 106 receipts	<b>(249)</b>				<b>(249)</b>	249	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,144)				<b>(1,144)</b>	1,144	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Capital expenditure charged against the General Fund balance	91				<b>91</b>	(91)	-
<b>Adjustment involving the Capital Grants Unapplied Account</b>							
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	241			(241)	-	-	-
Application of grants to capital financing	(120)			120	-	-	-
<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	915		(913)		<b>2</b>	(2)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			1,255		<b>1,255</b>	(1,255)	-
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)		<b>(2)</b>	2	-
<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 40)	(1,544)				<b>(1,544)</b>	1,544	-
Employer's pensions contributions and direct payments to pensioners payable in the year	2,692				<b>2,692</b>	(2,692)	-
<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	(81)				<b>(81)</b>	81	-
<b>Total Adjustments</b>	<b>6,403</b>	-	<b>342</b>	<b>(121)</b>	<b>6,624</b>	<b>(6,624)</b>	-

**NOTES TO THE CORE FINANCIAL STATEMENTS**

**2012/13**

	<b>General Fund Balance £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Usable Reserves Capital Grants Unapplied Account £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Movement in Unusable Reserves £'000</b>	<b>Total £'000</b>
<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	(2,206)				<b>(2,206)</b>	2,206	-
Revaluation losses on Property, Plant and Equipment	(107)				<b>(107)</b>	107	-
Amortisation of intangible assets	(58)				<b>(58)</b>	58	-
Capital grants and contributions that have been applied to capital financing	<b>3,061</b>				<b>3,061</b>	(3,061)	-
Revenue expenditure funded from capital under statute	(536)				<b>(536)</b>	536	-
Revenue expenditure funded from section 106 receipts	<b>(50)</b>				<b>(50)</b>	50	-
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	(298)				<b>(298)</b>	298	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
Capital expenditure charged against the General Fund balance	-				-	-	-
<b>Adjustment involving the Capital Grants Unapplied Account</b>							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	840			(840)	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(230)			230	-	-	-
<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	196		(80)		<b>116</b>	(116)	-
Use of the Capital Receipts Reserve to finance new capital expenditure			27		<b>27</b>	(27)	-
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			(114)		<b>(114)</b>	114	-
<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 40)	(2,097)				<b>(2,097)</b>	2,097	-
Employer's pensions contributions and direct payments to pensioners payable in the year	2,698				<b>2,698</b>	(2,698)	-
<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	36				<b>36</b>	(36)	-
<b>Total Adjustments</b>	<b>1,247</b>	<b>-</b>	<b>(165)</b>	<b>(610)</b>	<b>472</b>	<b>(472)</b>	<b>-</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8 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 2011/12 and 2012/13.

	<b>Balance 1 April 2011 £'000</b>	<b>Transfers Out 2011/12 £'000</b>	<b>Transfers In 2011/12 £'000</b>	<b>Balance 31 March 2012 £'000</b>	<b>Transfers Out 2012/13 £'000</b>	<b>Transfers in 2012/13 £'000</b>	<b>Balance 31 March 2013 £'000</b>	<b>Purpose of the Earmarked Reserve</b>
<b>General Fund:</b>								
Actuarial Contributions	921	(207)		714	(189)		525	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Benefit Verification	100		147	247		181	428	To provide a source of finance to implement Government legislative changes.
Business Incentive	1,293	(242)		1,051	(87)		964	To support economic development throughout the district.
Capital	1,375		148	1,523		640	2,163	To provide an additional source of finance for unspecified capital investment plans.
Climate Change	58	(7)		51	(24)		27	To provide an additional source of finance for initiatives to reduce climate change.
Coast Protection	218	(83)	10	145			145	To provide a source of finance to fund capital expenditure on coastal defences in the district.
County Sports Partnership	50	(50)		-			-	Money held for core funding and active participation projects.
Transformation	470			470	(241)		229	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.
Elections	60	(67)	18	11		18	29	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Grants	249	(61)	40	228	(24)	40	244	To provide grant aid towards local voluntary and charitable organisations.
Highfield Rd, Properties	32	(32)		-			-	To meet the cost of the repair of properties at Highfield Rd, Felixstowe following the termination of a lease.
Housing and Planning Delivery	798	(87)		711	(273)		438	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	112		20	132		20	152	To meet the cost of the periodic survey of private sector housing within the district.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Balance 1 April 2011 £'000</b>	<b>Transfers Out 2011/12 £'000</b>	<b>Transfers In 2011/12 £'000</b>	<b>Balance 31 March 2012 £'000</b>	<b>Transfers Out 2012/13 £'000</b>	<b>Transfers in 2012/13 £'000</b>	<b>Balance 31 March 2013 £'000</b>	
Insurance	-			-	-	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	151	(23)		128	(12)	51	167	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
New Homes Bonus	-	-	251	251	(110)	488	629	To provide a source of finance to fund initiatives arising from the Big Society agenda.
Planning Delivery	42	(60)	18	-				- Represents sums set aside for improvements to the planning process in line with the Council's Best Value Improvement Plan.
Port Health	1,400	(360)	775	1,815	(193)	839	2,461	To provide a source of finance to support the future investment and development of the Council's infrastructure at the Port of Felixstowe.
Positive Planning	42	(42)		-				- To provide a source of finance to enhance communities within the district.
Recycling and Waste Management	150			150	(89)		61	To provide a source of finance to fund the one-off costs associated with waste reduction.
Suffolk Energy Action Link	-		7	7	(1)	5	11	Monies held to promote energy efficiency across the district.
<b>Total</b>	<b>7,568</b>	<b>(1,321)</b>	<b>1,434</b>	<b>7,681</b>	<b>(1,243)</b>	<b>2,392</b>	<b>8,830</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 9 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2012/13 £'000	2011/12 £'000
Parish council precepts	2,408	2,222
Payments to the Government Housing Capital Receipts Pool	2	2
Gains/losses on the disposal of non current assets	102	229
<b>Total</b>	<b>2,512</b>	<b>2,453</b>

### 10 Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

	2012/13 £'000	2011/12 £'000
Interest payable and similar charges	16	7
Pensions interest cost and expected return on pensions assets	643	259
Interest receivable and similar income (note 46)	(186)	(210)
<b>Total</b>	<b>473</b>	<b>56</b>

### 11 Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grants Income

	2012/13 £'000	2011/12 £'000
Council tax income	(9,898)	(9,648)
Non domestic rates	(5,631)	(4,799)
Non-ring fenced government grants	(868)	(1,991)
Capital grant and contributions	(3,802)	(8,122)
<b>Total</b>	<b>(20,199)</b>	<b>(24,560)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12 Property, Plant and Equipment

#### Movements on Balances

<b>Movements in 2012/13:</b>								
	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>								
At 1 April 2012	208	33,582	7,962	23,916	95	593	39	<b>66,395</b>
Additions	-	21	52	2,113	-	-	136	<b>2,322</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,274	-	-	-	-	-	<b>1,274</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27)	(301)	-	-	-	(4)	-	<b>(332)</b>
Derecognition - Disposals	-	(236)	(1,020)	-	(8)	(25)	-	<b>(1,289)</b>
Assets reclassified (to)/from Held for Sale	-	(1,102)	-	-	-	2	-	<b>(1,100)</b>
Other movements in Cost or Valuation	-	158	(499)	-	26	(174)	(39)	<b>(528)</b>
<b>At 31 March 2013</b>	<b>181</b>	<b>33,396</b>	<b>6,495</b>	<b>26,029</b>	<b>113</b>	<b>392</b>	<b>136</b>	<b>66,742</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	12	938	6,380	6,170	2	-	-	<b>13,502</b>
Depreciation charge	4	743	575	884	-	-	-	<b>2,206</b>
Depreciation written out to the Revaluation Reserve	-	(726)	-	-	-	-	-	<b>(726)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(16)	(209)	-	-	-	-	-	<b>(225)</b>
Derecognition - Disposals	-	(41)	(993)	-	-	-	-	<b>(1,034)</b>
Other movements in Depreciation and Impairment	-	-	(519)	-	(2)	12	-	<b>(509)</b>
<b>At 31 March 2013</b>	<b>-</b>	<b>705</b>	<b>5,443</b>	<b>7,054</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>13,214</b>
<b>Net Book Value</b>								
<b>At 31 March 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>53,528</b>
<b>At 31 March 2012</b>	<b>196</b>	<b>32,644</b>	<b>1,582</b>	<b>17,746</b>	<b>93</b>	<b>593</b>	<b>39</b>	<b>52,893</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comparative Movements in 2011/12:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2011	208	32,429	7,980	15,408	95	585	232	<b>56,937</b>
Restatement*	-	(131)	(220)	-	(6)	-	-	<b>(357)</b>
Additions	-	571	202	8,276	-	-	39	<b>9,088</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	2,267	-	-	-	4	-	<b>2,271</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(572)	-	-	6	20	-	<b>(546)</b>
Derecognition - Disposals	-	(176)	-	-	-	(5)	-	<b>(181)</b>
Assets reclassified (to)/from Held for Sale	-	(806)	-	-	-	(11)	-	<b>(817)</b>
Other movements in Cost or Valuation	-	-	-	232	-	-	(232)	-
<b>At 31 March 2012</b>	<b>208</b>	<b>33,582</b>	<b>7,962</b>	<b>23,916</b>	<b>95</b>	<b>593</b>	<b>39</b>	<b>66,395</b>

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	8	908	5,921	5,418	2	-	-	<b>12,257</b>
Restatement	-	(6)	(220)	-	-	-	-	<b>(226)</b>
Depreciation charge	4	801	679	752	-	-	-	<b>2,236</b>
Depreciation written out to the Revaluation Reserve	-	(380)	-	-	-	-	-	<b>(380)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(384)	-	-	-	-	-	<b>(384)</b>
Derecognition - Disposals	-	(1)	-	-	-	-	-	<b>(1)</b>
<b>At 31 March 2012</b>	<b>12</b>	<b>938</b>	<b>6,380</b>	<b>6,170</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>13,502</b>

### Net Book Value

<b>At 31 March 2012</b>	<b>196</b>	<b>32,644</b>	<b>1,582</b>	<b>17,746</b>	<b>93</b>	<b>593</b>	<b>39</b>	<b>52,893</b>
<b>At 1 April 2011</b>	<b>200</b>	<b>31,521</b>	<b>2,059</b>	<b>9,990</b>	<b>93</b>	<b>585</b>	<b>232</b>	<b>44,680</b>

\* £137k (£6k Accumulated Depreciation) restatement as a result of asset register reconciliation to the Councils Graphic Information System and £220k (£220k Accumulated Depreciation) being assets fully depreciated that the Council no longer holds or have no operational value

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Depreciation

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

	<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 March 2013, the Council has capital commitments of £234,000 (£716,000 in previous year)

### 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. 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 2012/13 is 1 April 2012.

	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Total £'000</b>
Carried at historical cost	-	57	6,495	26,029	66	12	136	32,795
Value at fair value as at:								
31 March 2013	181	16,129	-	-	-	216	-	16,526
31 March 2012	-	11,048	-	-	-	33	-	11,081
31 March 2011	-	325	-	-	-	-	-	325
31 March 2010	-	1,874	-	-	21	131	-	2,026
31 March 2009	-	3,964	-	-	25	-	-	3,989
<b>Total Cost or Valuation</b>	<b>181</b>	<b>33,397</b>	<b>6,495</b>	<b>26,029</b>	<b>112</b>	<b>392</b>	<b>136</b>	<b>66,742</b>

**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 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:**

<b>Tangible Heritage Assets (all reported at Valuation)</b>	<b>Walton Old Hall £'000</b>	<b>Martello Tower £'000</b>	<b>Civic Regalia £'000</b>	<b>Roman Coins £'000</b>	<b>Total Assets £'000</b>
1 April 2011	-	-	11	4	<b>15</b>
<b>31 March 2012</b>	-	-	11	4	15
Transfer In	2	-	-	-	<b>2</b>
Revaluations	(2)	-	-	-	<b>(2)</b>
<b>31 March 2013</b>	-	-	<b>11</b>	<b>4</b>	<b>15</b>

**Summary of Heritage Asset transactions**

The Council was in possession of all of its Heritage Assets prior to 1 April 2007. There have been no transactions during this time.

*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 coordinates the raising of funds. This asset is not being held on the Council's balance sheet as it gives no 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 Councils internal qualified valuers.

### **14 Investment Properties**

The Council does not have any Investment Properties.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15 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.

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 5 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:

	<b>Internally Generated Assets £'000</b>	<b>2012/13 Other Assets £'000</b>	<b>Total £'000</b>	<b>Internally Generated Assets £'000</b>	<b>2011/12 Other Assets £'000</b>	<b>Total £'000</b>
Balance at start of year:						
• Gross carrying amount	-	677	<b>677</b>	-	607	<b>607</b>
• Accumulated amortisation	-	(574)	<b>(574)</b>	-	(530)	<b>(530)</b>
Net carrying amount at start of year	-	<b>103</b>	<b>103</b>	-	<b>77</b>	<b>77</b>
Additions:						
• Purchases	-	78	<b>78</b>	-	70	<b>70</b>
Transfers In						
• Gross carrying amount	-	526	<b>526</b>	-	-	-
• Accumulated amortisation	-	(507)	<b>(507)</b>	-	-	-
Other disposals						
• Gross carrying amount	-	(96)	<b>(96)</b>	-	-	-
• Accumulated amortisation	-	93	<b>93</b>	-	-	-
Amortisation for the period	-	(59)	<b>(59)</b>	-	(44)	<b>(44)</b>
Net carrying amount at end of year	-	<b>138</b>	<b>138</b>	-	<b>103</b>	<b>103</b>
Comprising						
• Gross carrying amount	-	1,185	<b>1,185</b>	-	677	<b>677</b>
• Accumulated amortisation	-	(1,047)	<b>(1,047)</b>	-	(574)	<b>(574)</b>
	-	<b>138</b>	<b>138</b>	-	<b>103</b>	<b>103</b>

The Council does not have any items of capitalised software that are individually material to the financial statements.

### **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 March 2013, the Council has no capital commitments in relation to Intangible Assets (31 March 2012 nil).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 Financial Instruments

#### *Categories of Financial Instruments*

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

	Long-term			Current		
	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000	31 March 2013 £'000	31 March 2012 £'000	1 April 2011 £'000
<b>Investments</b>						
Loans and receivables	8	8	8	20,383	21,020	7,049
Available-for-sale financial assets	-	-	-	-	-	-
Unquoted equity investment at cost	-	-	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-
<b>Total investments</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>20,383</b>	<b>21,020</b>	<b>7,049</b>
<b>Debtors</b>						
Loans and receivables	41	41	41	1,830	6,096	4,089
Financial assets carried at contract amounts	-	-	-	-	-	-
<b>Total debtors</b>	<b>41</b>	<b>41</b>	<b>41</b>	<b>1,830</b>	<b>6,096</b>	<b>4,089</b>
<b>Creditors</b>						
Financial liabilities at amortised cost	-	-	-	(2,118)	(2,732)	(3,354)
Financial liabilities carried at contract amount	-	-	-	-	-	-
<b>Total creditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,118)</b>	<b>(2,732)</b>	<b>(3,354)</b>
<b>Total Financial Instruments</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>20,095</b>	<b>24,384</b>	<b>7,784</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### *Income, Expense, Gains and Losses*

	2012/13					2011/12				
	Financial Liabilities	Financial Assets			Total	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss		Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Assets and Liabilities at Fair Value through Profit and Loss	
2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000	2012/13 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000	2011/12 £'000	
Interest expense	16	-	-	-	16	6	-	-	-	6
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>
Interest income	-	(186)	-	-	(186)	-	(210)	-	-	(210)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(186)</b>	<b>-</b>	<b>-</b>	<b>(186)</b>	<b>-</b>	<b>(210)</b>	<b>-</b>	<b>-</b>	<b>(210)</b>
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (gain) / loss for the year</b>	<b>16</b>	<b>(186)</b>	<b>-</b>	<b>-</b>	<b>(170)</b>	<b>6</b>	<b>(210)</b>	<b>-</b>	<b>-</b>	<b>(204)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The fair values calculated are as follows:

	<b>31 March 2013</b>		<b>31 March 2012</b>		<b>1 April 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities	2,118	2,118	2,732	2,732	3,354	3,354

	<b>31 March 2013</b>		<b>31 March 2012</b>		<b>1 April 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loans and receivables	22,262	22,262	27,165	27,165	11,187	11,187

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17 Inventories

	Other Minor Stocks		Works in Progress		Total	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	30	42	30	49	<b>60</b>	<b>91</b>
Purchases	32	51	15	6	<b>47</b>	<b>57</b>
Recognised as an expense in the year	(38)	(63)	-	(25)	<b>(38)</b>	<b>(88)</b>
<b>Balance outstanding at year-end</b>	<b>24</b>	<b>30</b>	<b>45</b>	<b>30</b>	<b>69</b>	<b>60</b>

### 18 Debtors

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Central Government bodies	325	145
Other Local Authorities	908	661
NHS	-	36
Public Corporations and trading funds	29	26
Council Taxpayers	459	472
Other entities and individuals	2,792	2,389
Prepayments	95	139
<b>Total</b>	<b>4,608</b>	<b>3,868</b>
<b>less Bad Debt Impairment Provisions</b>		
Council Taxpayers	(144)	(122)
Other service debtors	(1,169)	(1,057)
<b>Total</b>	<b>3,295</b>	<b>2,689</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19 Cash Flow Statement - Cash and Cash Equivalents

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Cash held by officers	2	2
Bank current accounts	701	3,940
Bank overdraft	-	-
Short-term deposits with building societies	12,121	-
<b>Total</b>	<b><u>12,824</u></b>	<b><u>3,942</u></b>

In addition to the cash and cash equivalents shown on the balance sheet at 31 March 2013, the Council also holds a total of £1.209m in relation to Partnerships which it hosts (31 March 2011 £1.212m)

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
County Sports Partnership	717	831
East Suffolk Partnership	376	-
Local Strategic Partnership	116	381
<b>Total</b>	<b><u>1,209</u></b>	<b><u>1,212</u></b>

### 20 Assets Held for Sale

	<b>Current</b>		<b>Non Current</b>	
	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
<b>Balance outstanding at start of year</b>	<b>52</b>	<b>16</b>	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	1,111	833	-	-
Impairment losses	-	(15)	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	(11)	(16)	-	-
Assets sold	(41)	(766)	-	-
<b>Balance outstanding at year-end</b>	<b><u>1,111</u></b>	<b><u>52</u></b>	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 21 Creditors

	31 March 2013 £'000	31 March 2012 £'000
Central Government bodies	4,435	10,471
Other Local Authorities	622	1,544
NHS bodies	-	1
Public corporations and trading funds	39	70
Other entities and individuals	1,027	1,520
Receipts in Advance	1,126	763
<b>Total</b>	<b>7,249</b>	<b>14,369</b>

### 22 Provisions

	31 March 2013 £'000	31 March 2012 £'000
<u>Long Term Provisions</u>		
<b>Balance at 1 April 2012</b>	-	-
Additional provisions made in 2012/13	20	-
<b>Balance at 31 March 2013</b>	<b>20</b>	-

#### *Outstanding Legal Cases*

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

#### *Provisions*

The provision in relation to 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 currently has a creditor for a Levy equivalent to 15% of the claims and therefore established a provision to cover the possibility of a further Levy equivalent to 13% of claims.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23 Grant Income

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

	2012/13 £'000	2011/12 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Non domestic rates	(5,631)	(4,799)
Non-ring fenced government grants	(868)	(1,991)
Capital grant and contributions	(3,802)	(8,122)
<b>Total</b>	<b>(10,301)</b>	<b>(14,912)</b>
<b>Credited to Services</b>		
Council Tax Benefits Subsidy	(7,009)	(7,051)
Housing Benefits Subsidy	(27,278)	(26,107)
Benefits Administration Grant	(670)	(711)
Disabled Facilities Grants	(510)	(486)
Other Grants	(174)	(324)
<b>Total</b>	<b>(35,641)</b>	<b>(34,679)</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:

	31 March 2013 £'000	31 March 2012 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	122	107
Coast Protection	-	17
<b>Total</b>	<b>122</b>	<b>124</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
s106 Contributions	1,087	924
<b>Total</b>	<b>1,087</b>	<b>924</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 24 Balance Sheet - Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement note 7. Note 8 specifies the purpose of each Earmarked Reserve. The purpose of the remaining Usable Reserves is detailed below;

	<b>31st March 2013</b> <b>£'000</b>	<b>31st March 2012</b> <b>£'000</b>
<u>Held for Capital Purposes</u>		
Capital Receipts Reserve	(744)	(579)
Capital Grants Unapplied Reserve	(2,118)	(1,508)
Earmarked Reserves	(2,308)	(1,668)
	<b>(5,170)</b>	<b>(3,755)</b>
<u>Held for Revenue Purposes</u>		
General Fund	(3,795)	(3,437)
Earmarked Reserves	(6,522)	(6,013)
	<b>(10,317)</b>	<b>(9,450)</b>
<b>Total Usable Reserves</b>	<b>(15,487)</b>	<b>(13,205)</b>

#### **Capital Receipts Reserve**

This reserve is funded from Capital Receipts (through the disposal of assets) and is used to finance capital expenditure.

#### **Capital Grants Unapplied**

This reserve represents capital grants and contributions, free from conditions, that are available to finance capital expenditure.

#### **General Fund**

The General Fund is the main revenue fund of the Council, financed through service income, government grants and the Council Tax.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25 Balance Sheet - Unusable Reserves

	31st March 2013 £'000	31st March 2012 £'000
Revaluation Reserve	(11,384)	(9,698)
Capital Adjustment Account	(42,580)	(42,434)
Deferred Capital Receipts Reserve	(90)	(88)
Pensions Reserve	27,697	23,855
Collection Fund Adjustment Account	(16)	20
<b>Total Unusable Reserves</b>	<b>(26,373)</b>	<b>(28,345)</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 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.

	2012/13 £'000	2011/12 £'000
<b>Balance at 1 April</b>	<b>(9,698)</b>	<b>(7,612)</b>
Upward revaluation of assets	(2,157)	(3,537)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	157	834
<b>Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement</b>	<b>(2,000)</b>	<b>(2,703)</b>
Difference between fair value depreciation and historical cost depreciation	165	151
Accumulated gains on assets sold or scrapped	149	466
<b>Amount written off to the Capital Adjustment Account</b>	314	<b>617</b>
<b>Balance at 31 March</b>	<b>(11,384)</b>	<b>(9,698)</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(42,434)</b>	<b>(36,257)</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	2,206	2,236
• Revaluation losses on Property, Plant and Equipment	107	162
• Amortisation of intangible assets	58	44
• Revenue expenditure funded from capital under statute	536	486
• Revenue expenditure funded from section 106 receipts	50	249
• 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	298	1,144
• Other	-	12
Adjusting amounts written out of the Revaluation Reserve		
• Amortisation of Revaluation Reserve	(165)	(151)
• Amounts written out on disposal of assets	(149)	(466)
Net written out amount of the cost of non current assets consumed in the year		
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	(26)	(1,255)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>(3,061)</b>	<b>(8,547)</b>
• Application of grants to capital financing from the Capital Grants Unapplied Account		
• Capital expenditure charged against the General Fund balance	-	(91)
<b>Balance at 31 March</b>	<b>(42,580)</b>	<b>(42,434)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<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	(116)	-
Transfer to the Capital Receipts Reserve upon receipt of cash	114	2
<b>Balance at 31 March</b>	<b>(90)</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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>23,855</b>	<b>18,363</b>
Actuarial gains or losses on pensions assets and liabilities	4,443	6,640
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	2,097	1,544
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,698)	(2,692)
<b>Balance at 31 March</b>	<b>27,697</b>	<b>23,855</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Collection Fund Adjustment Account

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

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>20</b>	<b>(61)</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	(36)	81
<b>Balance at 31 March</b>	<b>(16)</b>	<b>20</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26 Cash Flow Statement - Non-Cash Adjustments and Operating Activities

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
The following non-cash items have been adjusted in the Cash Flow Statement:		
Depreciation and Amortisation of Tangible Assets	(2,264)	(2,295)
Impairment and Downward valuations	(107)	(162)
Change in Creditors	3,115	(1,326)
Change in Debtors	588	(594)
Change in Inventory	9	(31)
Pension Liability	601	1,148
Carrying value of Non-Current Assets disposed	(298)	(1,144)
Other non-cash items charged to Surplus / Deficit on Provision of Services	(20)	(24)
	<b>1,624</b>	<b>(4,428)</b>
Interest received	(184)	(234)
Interest paid	16	7
<b>Total</b>	<b>(168)</b>	<b>(227)</b>

### 27 Cash Flow Statement - Investing Activities

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	2,756	8,885
Purchase of short-term and long-term investments	135,005	228,570
Other payments for investing activities	-	3
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(194)	(915)
Proceeds from short-term and long-term investments	(149,005)	(214,570)
Other receipts from investing activities	(3,887)	(8,706)
<b>Net cash flows from investing activities</b>	<b>(15,325)</b>	<b>13,267</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 Cash Flow Statement - Financing Activities

	2012/13 £'000	2011/12 £'000
Other receipts from financing activities	3,618	-
Other payments for financing activities	-	(14,715)
<b>Net cash flows from financing activities</b>	<b>3,618</b>	<b>(14,715)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29 Amounts Reported for Resource Allocation Decisions

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	2012/13								
	Community Health £'000	Customers & Communities £'000	Green Environment and Operational Partnerships £'000	Housing £'000	Leader £'000	Leisure, Tourism and Economic Development £'000	Planning £'000	Resources £'000	Total £'000
Fees, charges & other service income	(4,725)	(7)	(3,281)	(1,836)	-	(1,640)	(1,632)	(1,131)	<b>(14,252)</b>
Government grants	(49)	(27)	(11)	(35,515)	-	(43)	(52)	(8)	<b>(35,705)</b>
<b>Total Income</b>	<b>(4,774)</b>	<b>(34)</b>	<b>(3,292)</b>	<b>(37,351)</b>	<b>-</b>	<b>(1,683)</b>	<b>(1,684)</b>	<b>(1,139)</b>	<b>(49,957)</b>
Employee expenses	2,684	52	629	1,209	69	1,049	1,431	640	<b>7,763</b>
Other service expenses	1,235	233	6,653	36,616	22	2,866	811	1,486	<b>49,922</b>
Support services recharges	462	43	160	731	(62)	580	911	1,838	<b>4,663</b>
<b>Total Expenditure</b>	<b>4,381</b>	<b>328</b>	<b>7,442</b>	<b>38,556</b>	<b>29</b>	<b>4,495</b>	<b>3,153</b>	<b>3,964</b>	<b>62,348</b>
<b>Net Expenditure</b>	<b>(393)</b>	<b>294</b>	<b>4,150</b>	<b>1,205</b>	<b>29</b>	<b>2,812</b>	<b>1,469</b>	<b>2,825</b>	<b>12,391</b>

Between year variances are broadly due to;  
 Community Health - mainly due to increased income within Port Health  
 Green Environment & Operational Partnerships - reduction in other service expenses primarily arising from savings within the SCS partnership. Reduced 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**

	2011/12 Comparative Figures								
	Community Health £'000	Customers & Communities £'000	Green Environment and Operational £'000	Housing £'000	Leader £'000	Leisure, Tourism and Economic Development £'000	Planning £'000	Resources £'000	Total £'000
Fees, charges & other service income	(4,522)	(18)	(3,502)	(1,416)	-	(1,326)	(1,362)	(438)	<b>(12,584)</b>
Government grants	(30)	(30)	(9)	(34,514)	-	(45)	(17)	(495)	<b>(35,140)</b>
<b>Total Income</b>	<b>(4,552)</b>	<b>(48)</b>	<b>(3,511)</b>	<b>(35,930)</b>	<b>-</b>	<b>(1,371)</b>	<b>(1,379)</b>	<b>(933)</b>	<b>(47,724)</b>
Employee expenses	2,698	64	716	1,327	79	1,034	1,166	801	<b>7,885</b>
Other service expenses	1,350	244	7,331	35,042	25	2,734	414	1,350	<b>48,490</b>
Support services recharges	359	69	169	674	(62)	509	834	2,029	<b>4,581</b>
<b>Total Expenditure</b>	<b>4,407</b>	<b>377</b>	<b>8,216</b>	<b>37,043</b>	<b>42</b>	<b>4,277</b>	<b>2,414</b>	<b>4,180</b>	<b>60,956</b>
<b>Net Expenditure</b>	<b>(145)</b>	<b>329</b>	<b>4,705</b>	<b>1,113</b>	<b>42</b>	<b>2,906</b>	<b>1,035</b>	<b>3,247</b>	<b>13,232</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.

	2012/13 £'000	2011/12 £'000
Net expenditure in the Service Analysis	12,391	13,232
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,069	2,137
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>14,460</b>	<b>15,369</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

2012/13

	Service Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Authority Total £'000	Group Accounting Items £'000	Group Total £'000
Fees, charges & other service income	(14,252)	-	-	-	(14,252)	-	(14,252)	-	(14,252)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(51)	(51)
Interest and investment income	-	-	-	-	-	(186)	(186)	-	(186)
Income from council tax	-	-	-	-	-	(9,898)	(9,898)	-	(9,898)
Government grants and contributions	(35,705)	-	-	-	(35,705)	(10,301)	(46,006)	-	(46,006)
<b>Total Income</b>	<b>(49,957)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49,957)</b>	<b>(20,385)</b>	<b>(70,342)</b>	<b>(51)</b>	<b>(70,393)</b>
Employee expenses	7,763	-	-	-	7,763	-	7,763	-	7,763
Other services expenses	49,922	-	-	-	49,922	-	49,922	-	49,922
Support Service recharges	4,663	-	-	-	4,663	-	4,663	-	4,663
Depreciation, amortisation and impairment	-	-	2,069	-	2,069	-	2,069	-	2,069
Interest Payments	-	-	-	-	-	659	659	-	659
Precepts & Levies	-	-	-	-	-	2,408	2,408	-	2,408
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2	-	2
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	102	102	-	102
<b>Total Expenditure</b>	<b>62,348</b>	<b>-</b>	<b>2,069</b>	<b>-</b>	<b>64,417</b>	<b>3,171</b>	<b>67,588</b>	<b>-</b>	<b>67,588</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,391</b>	<b>-</b>	<b>2,069</b>	<b>-</b>	<b>14,460</b>	<b>(17,214)</b>	<b>(2,754)</b>	<b>(51)</b>	<b>(2,805)</b>



**NOTES TO THE CORE FINANCIAL STATEMENTS**

	2011/12 comparative figures								
	Service Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000	Group Accounting Items £'000	Group Total £'000
Fees, charges & other service income	(12,584)	-	-	-	(12,584)	-	(12,584)	-	(12,584)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(42)	(42)
Interest and investment income	-	-	-	-	-	(203)	(203)	-	(203)
Income from council tax	-	-	-	-	-	(9,648)	(9,648)	-	(9,648)
Government grants and contributions	(35,140)	-	-	-	(35,140)	(14,841)	(49,981)	-	(49,981)
<b>Total Income</b>	<b>(47,724)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(47,724)</b>	<b>(24,692)</b>	<b>(72,416)</b>	<b>(42)</b>	<b>(72,458)</b>
Employee expenses	7,885	-	-	-	7,885	-	7,885	-	7,885
Other services expenses	48,490	-	-	-	48,490	-	48,490	-	48,490
Support Service recharges	4,581	-	-	-	4,581	-	4,581	-	4,581
Depreciation, amortisation and impairment	-	-	2,137	-	2,137	-	2,137	-	2,137
Interest Payments	-	-	-	-	-	259	259	-	259
Precepts & Levies	-	-	-	-	-	2,222	2,222	-	2,222
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2	-	2
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	229	229	-	229
<b>Total Expenditure</b>	<b>60,956</b>	<b>-</b>	<b>2,137</b>	<b>-</b>	<b>63,093</b>	<b>2,712</b>	<b>65,805</b>	<b>-</b>	<b>65,805</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,232</b>	<b>-</b>	<b>2,137</b>	<b>-</b>	<b>15,369</b>	<b>(21,980)</b>	<b>(6,611)</b>	<b>(42)</b>	<b>(6,653)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 30 Agency Services

The Council operates an agency agreement whereby it maintains some highway verges on behalf of Suffolk County Council. An analysis of the income and expenditure is shown below.

	2012/13 £'000	2011/12 £'000
Grass Cutting		
Expenditure	146	148
Income	(61)	(59)
<b>Net (surplus)/deficit</b>	<b>85</b>	<b>89</b>
Tree Maintenance		
Expenditure	18	18
Income	(20)	(19)
<b>Net (surplus)/deficit</b>	<b>(2)</b>	<b>(1)</b>
Total Agency Services		
Expenditure	164	166
Income	(81)	(78)
<b>Net (surplus)/deficit</b>	<b>83</b>	<b>88</b>

Suffolk County Council specify the minimum works to be carried out in respect of the above agency services but the Council has chosen to provide an increased level of service at greater cost, resulting in the net deficit.

### 31 Trading Operations

The Council does not operate any trading operations.

### 32 Members' Allowances

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

	2012/13 £'000	2011/12 £'000
Basic, Attendance and Special Responsibility Allowances	314	314
Subsistence and Expenses	20	21
<b>Total</b>	<b>334</b>	<b>335</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33 Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

		<b>Salary, Fees and Allowances</b>	<b>Benefits in Kind (e.g. Car Allowances)</b>	<b>Compensation for Loss of Office</b>	<b>Total Excluding Pension Contributions</b>	<b>Employer's Pension Contribution</b>	<b>Total Including Pension Contributions</b>	<b>Additional Council Pension Contributions</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	<b>2012/13</b>	<b>128,061</b>			<b>128,061</b>	<b>26,989</b>	<b>155,050</b>	-
	2011/12	128,061	-	-	128,061	21,255	149,316	-
Strategic Director	<b>2012/13</b>	<b>82,236</b>			<b>82,236</b>	<b>17,331</b>	<b>99,567</b>	-
	2011/12	82,236	-	-	82,236	13,649	95,885	-
Head of Financial Services	<b>2012/13</b>	<b>59,126</b>			<b>59,126</b>	<b>12,461</b>	<b>71,587</b>	-
	2011/12	59,195	-	-	59,195	9,821	69,016	-
Audit Partnership Manager (see Note)	<b>2012/13</b>				-		-	-
	2011/12	34,707	-	58,907	93,614	5,759	99,373	-
Audit Partnership Manager (see Note)	<b>2012/13</b>	<b>57,506</b>			<b>57,506</b>	<b>12,119</b>	<b>69,625</b>	-
	2011/12	56,049	-	-	56,049	9,130	65,179	-
Head of Planning Services & Coastal Management	<b>2012/13</b>	<b>68,895</b>			<b>68,895</b>	<b>14,520</b>	<b>83,415</b>	-
	2011/12	68,895	-	-	68,895	11,435	80,330	-
Head of Legal and Democratic Services	<b>2012/13</b>	<b>59,126</b>			<b>59,126</b>	<b>12,461</b>	<b>71,587</b>	-
	2011/12	59,195	-	-	59,195	9,821	69,016	-
Head of Environmental Services and Port Health	<b>2012/13</b>	<b>57,506</b>			<b>57,506</b>	<b>12,119</b>	<b>69,625</b>	-
	2011/12	57,575	-	-	57,575	9,552	67,127	-
Head of Community and Economic Services	<b>2012/13</b>	<b>57,232</b>			<b>57,232</b>	<b>12,331</b>	<b>69,563</b>	-
	2011/12	60,929	-	-	60,929	10,109	71,038	-
Head of Strategic Services	<b>2012/13</b>				-		-	-
	2011/12	58,411	-	27,721	86,132	9,639	95,771	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### NOTE

With effect from 1 October 2010 the Council, in conjunction with its Preferred Partner, Waveney District Council, a new shared senior management team was formed. The team structure was revised towards the end of 2011/12 and now consists of a Chief Executive, an Assistant Chief Executive, two Directors and nine Heads of Service. 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.

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 35, Related Parties.

Shared Senior Management costs	<b>2012/13</b>	<b>2012/13</b>	<b>2011/12</b>	<b>2011/12</b>
	<b>Expenditure by</b>	<b>Expenditure by</b>	<b>Expenditure by</b>	<b>Expenditure by</b>
	<b>SCDC</b>	<b>WDC</b>	<b>SCDC</b>	<b>WDC</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	173,170	-	173,121	-
Strategic Director	110,415	-	108,192	-
Strategic Director	-	-	-	41,257
Assistant Chief Executive	-	109,900	-	106,042
Director of Resources	-	113,753	-	115,179
Head of Environmental Services and Port Health	77,974	-	77,708	-
Head of Customer Services and Commercial Partnerships	-	77,388	-	77,347
Head of Planning Services	91,346	-	92,719	-
Head of Legal and Democratic Services	78,143	-	78,264	-
Head of Strategic Housing and Tenant Services	-	76,693	-	76,809
Head of ICT and Corporate Services	-	78,600	93,144	-
Head of Revenues and Benefits	-	77,516	-	77,551
Head of Financial Services	79,792	3,085	80,026	-
Head of Community and Economic Services	82,317	-	81,329	-
Senior Management direct support costs	51,834	86,494	48,794	85,197
Audit Partnership Manager	-	-	19,865	-
<b>Total spend</b>	<b>744,991</b>	<b>623,429</b>	<b>853,162</b>	<b>579,382</b>
Net adjustment between councils	(60,781)	60,781	(136,890)	136,890
	<b>684,210</b>	<b>684,210</b>	<b>716,272</b>	<b>716,272</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The names of individual officers are not required to be disclosed, as this is only a requirement if their salary exceeds £150,000 per annum.

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

<b>Remuneration band</b>	<b>2012/13</b>		<b>2011/12</b>	
	<b>Number of employees Total</b>	<b>Left in Year</b>	<b>Number of employees Total</b>	<b>Left in Year</b>
£50,000 - £54,999	3	-	2	1
£55,000 - £59,999	9	1	7	-
£60,000 - £64,999	-	-	1	-
£65,000 - £69,999	1	-	1	-
£70,000 - £74,999	1	1	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	1	-	1	-
£85,000 - £89,999	-	-	1	1
£90,000 - £94,999	-	-	1	1
£95,000 - £99,999	-	-	-	-
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	1	-	1	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
	<b>16</b>	<b>2</b>	<b>15</b>	<b>3</b>

The above numbers include officers who were made redundant during the 2012/13 and 2011/12 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.

## 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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
							£	£
£0 - £20,000	3	2	9	7	12	9	61,945	66,103
£20,001 - £40,000	1	1	4	2	5	3	130,373	73,896
£40,001 - £60,000		-		-		-		-
£60,001 - £80,000		-		-		-		-
£80,001 - £100,000		-		-		-		-
£100,001 - £150,000		-		-		-		-
<b>TOTAL</b>	<b>4</b>	<b>3</b>	<b>13</b>	<b>9</b>	<b>17</b>	<b>12</b>	<b>192,318</b>	<b>139,999</b>

The total cost in the above table covers exit packages 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 as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice. See also Note 39 for further information.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34 External Audit Costs

The Council has planned to incur 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

	<b>2012/13</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	66	111
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	29	46
<b>Total</b>	<b>95</b>	<b>157</b>

**35 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 23 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 October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Waveney DC is disclosed in the Explanatory Foreword and Note 33 to the Core Financial Statements.

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 2012/13 is shown in note 32. During 2012/13, the Council made payments totalling £97k (£217k in 2011/12) 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.

Other Public Bodies

Other public bodies are subject to common control by Central Government, and the transactions and balances with these bodies are listed below where they are not disclosed elsewhere in the Statement of Accounts:

	<b>2012/13</b>		<b>2011/12</b>	
	<b>Transactions £'000</b>	<b>Balance £'000</b>	<b>Transactions £'000</b>	<b>Balance £'000</b>
Precepts and levies paid to other Authorities:				
Rivers and Drainage Authorities	66	-	55	-
Contributions received from other Authorities and Public Bodies:				
Waveney District Council - Audit Services	75	48	28	17
Waveney District Council - Print Services	7	-	12	3
Ipswich Borough Council	156	62	108	43
Suffolk County Council - Recycling Credits	1,505	555	1,624	366
Suffolk County Council - Other	620	58	463	136
Other Local Authorities	70	3	131	12

Other Entities Controlled or Influenced by the Council

Details of the latest available turnover and gross profit figures for Suffolk Coastal Services Limited up to 29 January 2013, together with amounts outstanding between the Council and the Company at the end of March 2013, are set out in Note 44 to the Core Financial Statements.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 36 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.

	2012/13 £'000	2011/12 £'000
<b><i>Opening Capital Financing Requirement</i></b>	-	-
<i>Capital investment</i>		
Property, Plant and Equipment*	2,322	9,088
Intangible Assets*	78	70
Revenue Expenditure Funded from Capital under Statute	536	486
	2,936	9,644
<b>Total Capital Investment</b>	<b>2,936</b>	<b>9,644</b>
<i>Sources of finance</i>		
Capital receipts	(26)	(1,255)
Government grants and other contributions	(2,910)	(8,298)
Sums set aside from revenue:		
Direct revenue contributions	-	(91)
<b><i>Closing Capital Financing Requirement</i></b>	-	-
* These figures match to the Additions lines in Notes 12 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 house renovation 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 37 Leases

#### Disclosures as Lessee

##### *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:

	<b>Other Land and Buildings</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	55	66
Later than one year and not later than five years	3	4
Later than five years	2	3
	<b>60</b>	<b>73</b>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>Other Land and Buildings</b>	
	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments ;		
Cultural, Environmental, Regulatory and Planning Services -		
Lease of land at Sweffling	1	1
Offices of the Port Health Authority.	52	59
Woodbridge Tourist Information Centre	4	4
Other minor leases	1	1
	<b>58</b>	<b>65</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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:

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>		
Finance lease debtor (net present value of minimum lease payments):				
non current	4	-		
Unearned finance income	9	-		
Gross investment in the lease	<b>13</b>	-		
The gross investment in the lease and the minimum lease payments will be received over the following periods:				
	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments</b>	
	<b>31 March 2012 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Later than one year and not later than five years	1	-	1	-
Later than five years	12	-	12	-
	<b>13</b>	-	<b>13</b>	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *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:

<b>Movements in 2012/13:</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Surplus £'000</b>	<b>Total Property, Plant and Equipment £'000</b>	<b>Held for Sale £'000</b>
<b>Cost or Valuation</b>					
At 1 April 2012	208	16,538	92	<b>16,838</b>	41
Additions	-	17	-	<b>17</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	213	-	<b>213</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(27)	(39)	-	<b>(66)</b>	-
Derecognition - Disposals	-	(12)	(25)	<b>(37)</b>	(41)
Assets reclassified (to)/from Held for Sale	-	53	(53)	-	-
At 31 March 2013	<u>181</u>	<u>16,770</u>	<u>14</u>	<b><u>16,965</u></b>	<u>-</u>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2012	12	470	-	<b>482</b>	-
Depreciation charge	4	508	-	<b>512</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(682)	-	<b>(682)</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16)	(66)	-	<b>(82)</b>	-
<b>At 31 March 2013</b>	<u>-</u>	<u>230</u>	<u>-</u>	<b><u>230</u></b>	<u>-</u>
<b>Net Book Value</b>					
<b>At 31 March 2013</b>	181	16,540	14	<b>16,735</b>	-
<b>At 31 March 2012</b>	196	16,068	92	<b>16,356</b>	41

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Not later than one year	176	165
Later than one year and not later than five years	736	695
Later than five years	2,088	2,088
	<b>3,000</b>	<b>2,948</b>

### **38 Impairment Losses**

During 2012/13, the Council has not been required to recognise 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. Last year, the Council did recognise an impairment loss of £15k in relation to land at Slaughden Quay, Aldeburgh, an Asset held for Sale due to works required to the quay wall.

### **39 Termination Benefits**

The Council terminated the contracts (via redundancy) of 17 employees in 2012/13, incurring liabilities of 192k (12 employees totalling £140k in 2011/12). See Note 33 for further information.

There were no employees leaving due to ill health in 2012/13 (two employees, at no cost in 2011/12).

### 40 Pensions

#### 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

	2012/13 £'000	2011/12 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current service cost	1,412	1,425
Past Service cost	-	(304)
Settlements and Curtailments	42	164
 <i>Financing and Investment Income and Expenditure</i>		
Interest cost	3,949	4,190
Expected return on scheme assets	(3,306)	(3,931)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<b>2,097</b>	<b>1,544</b>
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial (gains) and losses	4,443	6,640
	<b>4,443</b>	<b>6,640</b>
 <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	(2,097)	(1,544)
 <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	2,698	2,692
<b><i>Pensions Reserve appropriation</i></b>	<b>601</b>	<b>1,148</b>
<p>The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure Statement in the actuarial gains or losses on pensions assets and liabilities line at 31 March 2013 is a loss of £28.964m (£24.521m loss at 31 March 2012)</p>		



## NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of present value of the scheme liabilities (defined benefit obligation):		
	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	82,860	77,231
Current service cost	1,412	1,425
Interest cost	3,949	4,190
Contributions by scheme participants	482	501
Actuarial gains and losses	9,530	3,254
Benefits paid	(3,125)	(3,601)
Settlements and curtailments	42	164
Past service costs	-	(304)
Closing balance at 31 March	<b><u>95,150</u></b>	<b><u>82,860</u></b>
Reconciliation of fair value of the scheme (plan) assets:		
	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	59,005	58,868
Expected rate of return	3,306	3,931
Actuarial gains and losses	5,087	(3,401)
Employer contributions	2,698	2,707
Contributions by scheme participants	482	501
Benefits paid	(3,125)	(3,601)
Closing balance at 31 March	<b><u>67,453</u></b>	<b><u>59,005</u></b>

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

The actual return on scheme assets in the year was a loss of £8.393m (2011/12: loss of £0.546m).

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Scheme history - Local Government Pension Scheme</b>	<b>Year to 31 Mar '13 £'000</b>	<b>Year to 31 Mar '12 £'000</b>	<b>Year to 31 Mar '11 £'000</b>	<b>Year to 31 Mar '10 £'000</b>	<b>Year to 31 Mar '09 £'000</b>
<b>Present value of liabilities</b>	(95,150)	(82,860)	(77,231)	(94,416)	(60,054)
<b>Fair value of assets</b>	67,453	59,005	58,868	54,093	41,232
<b>Surplus/(deficit) in the scheme</b>	<u><b>(27,697)</b></u>	<u><b>(23,855)</b></u>	<u><b>(18,363)</b></u>	<u><b>(40,323)</b></u>	<u><b>(18,822)</b></u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £95.15m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is not significantly affected. The deficit on the scheme is being reduced by increased contributions over a 15 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Pension Scheme by the Council in the year to 31 March 2014 is £2.583m.

### **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 2010.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

	<b>2012/13</b>	<b>2011/12</b>
Long-term expected rate of return on assets in the scheme:		
Equity investments	4.5%	6.3%
Bonds	4.5%	3.3%
Property	4.5%	4.4%
Cash	4.5%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.4	21.4
Women	23.3	23.3
Longevity at 65 for future pensioners:		
Men	23.7	23.7
Women	25.7	25.7
Rate of inflation-CPI for 12/13	2.8%	3.1%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	4.5%	4.8%
Take-up of option to convert annual pension into retirement lump sum		
Pre April 2008 service	25%	25%
Post April 2008 service	63%	63%

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Pension Scheme assets consist of the following categories, by proportion of the total assets held.

	<b>31 March 2013</b>	<b>31 March 2012</b>
	%	%
Equity investments	65	72
Bonds	23	15
Property	9	10
Cash	3	3
	<b>100</b>	<b>100</b>

### History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the Balance Sheet date:

	<b>Year to 31 Mar '13</b>	<b>Year to 31 Mar '12</b>	<b>Year to 31 Mar '11</b>	<b>Year to 31 Mar '10</b>	<b>Year to 31 Mar '09</b>
	%	%	%	%	%
Differences between the expected and actual return on assets	7.5	(5.8)	2.4	20.2	(39.3)
Experience gains/(losses) on liabilities	10.0	3.9	(17.2)	33.7	(8.3)

### 41 Contingent Liabilities

At 31 March 2013, the Council had the following material contingent liabilities:

a) **Martello Park Development**

As part of the Martello Park development in Felixstowe, the Council has a contingent liability in the event that the redevelopment does not proceed, as due to the current economic climate the development work has only just commenced. This is in respect of land and property acquired by the Council and financed by the development partner with a value of £550,000. Interest, up to the date of repayment could be added to this figure with a maximum liability of £585,000.

b) **Municipal Mutual Insurance**

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 March 2013 claims settled for this Council amounting to £153k (£203k in 2011/12) 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 October 2010 relating to Employer's Liability policy wording, judgement was handed down on 28 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' exposure to asbestos was liable to pay compensation for the employee's mesothelioma.

The latest position is that the Board of Directors of MMI made the decision to trigger the Scheme of Arrangement on 13 November 2012, and control of the Company has passed to the Scheme Administrator (Ernst and Young LLP), who wrote to the Council on 2 April 2013 proposing an initial Levy of 15% of Established Scheme Liabilities. The Scheme Administrator has since notified the Council that the Levy Notice for £23,000 (based on 15% of Claims Payments of £202,995 less £50,000) will be issued later in 2013. The Council has provided for the Levy Notice (£23k) in the 2012/13 Accounts as a Creditor.

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 is 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 agreed to 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.

### **42 Contingent Assets**

At 31 March 2013, the Council does not have any contingent assets. The contingent asset disclosed in 2011/12 Statement of Accounts was received during the 2012/13 financial year.

### 43 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
- 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 Head of Financial Services, under policies approved by the Council in the Treasury Management Policy Statement.

#### ***Credit risk***

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

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 and Moody'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 £5million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 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. In response to the effects of the recession the Council has increased the percentage of debt that might be irrecoverable for which a bad debt provision has been included within these accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Amount at 31 March 2013</b>	<b>Historical experience of default</b>	<b>Adjustment for market conditions at 31 March 2013</b>	<b>Estimated maximum exposure to default and uncollectability at 31 March 2013</b>	<b>Estimated maximum exposure at 31 March 2012</b>
	<b>£'000</b>	<b>%</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>
Deposits with banks and other financial institutions	15,386	-	-	-	-
Customers	3,687	10	20	1,106	941
				1,106	941

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 £3,687,433 classified as receivable from customers £1,585,633 relates to Housing Benefit overpayments of which £1,477,964 has been outstanding for more than three months.

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

	<b>£'000</b>
Less than three months	2,014
Three to Six Months	103
Six months to one year	291
More than one year	1,279
	<b>3,687</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 investments. Movements in interest rates have a complex impact on the authority. 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
- 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.

The impact of a 1% movement in interest rates has an approximate £200,000 impact on the Council based on the closing cash balances of £20 million.

#### Price 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.

#### Foreign exchange risk

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.

### 44 Interests in Companies and Other Entities

Local Authorities must consider all their interests in entities and to 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 using the equity method. These incorporate only the results of **Suffolk Coastal Services Limited**, an Associate of which the Council owns a 20% share.

#### **Suffolk Coastal Services Limited**

Suffolk Coastal District Council has held a 20% share of Suffolk Coastal Services Limited (SCS) since 1 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 Services Ltd and the Council are material. Group Accounts incorporate the Council's share of the net assets and surplus of Suffolk Coastal Services 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 separate 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 Services Ltd (SCS),
- b) Nature of the business-The principal activity of the Company is that of refuse, cleansing and maintenance,
- 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 capital of Norse Group Limited,
- f) The Council holds Ordinary Share capital of £2, with no special rights or constraints. It has a 20% share of the Company and also receives a 50-50 profit / loss share at year-end,

## NOTES TO THE CORE FINANCIAL STATEMENTS

g) Payments made to SCS Ltd 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 SCS Ltd were £7,419k in 2012/13 (£7,636k in 2011/12) and included as follows:

	<b>2012/13</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
Car Parks	421	420
Central Support Services	266	154
Coast protection	-	-
Environmental Protection	165	199
Highway Services	176	175
Outdoor Leisure	830	807
Public Conveniences	294	199
Resort Activities	136	103
Street Furniture	189	171
Waste Management	4,726	5,254
Other Services	217	154
	<b><u>7,420</u></b>	<b><u>7,636</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

h) Details of the Company's financial results to 30 January are set out below:

	<b>2013</b> <b>Suffolk</b> <b>Coastal</b> <b>Services Ltd</b> <b>£'000</b>	<b>2013</b> <b>Council</b> <b>Investment</b> <b>(20%)</b> <b>£'000</b>	<b>2012</b> Suffolk Coastal Services Ltd <b>£'000</b>	<b>2012</b> Council Investment (20%) <b>£'000</b>
Property, Plant & Equipment	2	-	3	1
<b>Current Assets</b>				
Stock	57	11	55	11
Debtors	2,712	542	2,887	577
Cash at Bank	105	21	1	-
	2,874	574	2,943	588
Creditors falling due within one year	(1,978)	(396)	(2,026)	(405)
Defined Benefit Pension Scheme Liability	(1,110)	(222)	(517)	(103)
	(212)	(44)	403	81
Share of Actuarial Gains/(Losses)	(613)	(123)	(391)	(78)
Turnover	11,617	2,323	11,318	2,264
Profit on ordinary activity before taxation	332	66	287	57
Tax on profit on ordinary activity	(77)	(15)	(77)	(15)
Profit for the Financial Period	255	51	210	42
<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	26	5	32	6
Creditors falling due within one year				
- Corporation Tax	45	9	63	13
Tax on profit on ordinary activity				
- Current Tax	(65)	(13)	(63)	(13)
- Deferred Tax	(12)	(2)	(14)	(2)
	(77)	(15)	(77)	(15)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **NPS Property Consultants Ltd**

Since 2007 NPS Property Consultants Ltd (NPS) provides the asset management services to the Council. It is a subsidiary of the Norse Group which is itself 100% owned by Norfolk County Council.

The Council owns no shares in NPS and has no influence over its management and no rights with regard to distribution of profits. This is only a simple supply of services agreement.

However, because it is part of the same group as SCS Ltd it has been decided to show an analysis of the Council's expenditure with NPS, where material, in the same detail as that shown for SCS.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Central Support Services	-	113
Outdoor Leisure	-	26
Public Conveniences	-	123
Other Services	-	217
	<hr/>	<hr/>
	-	<b>479</b>

### **45 Prior Period Adjustments**

The Council has not identified any prior period adjustments that need to be made.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 46 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>2012/13 £'000</b>	<b>2011/12 £'000</b>
Banks & Building Societies	145	210
Other Local Authorities	4	-
Interest on other loans/leases	37	-
	<u>186</u>	<u>210</u>
Less credited to external deposits received, ie Section 106 agreements	(16)	(7)
	<u><b>170</b></u>	<u><b>203</b></u>

### 47 Long Term Investments

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Other Public Authorities	8	8
	<u><b>8</b></u>	<u><b>8</b></u>

### 48 Long Term Debtors

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

	<b>31 March 2013 £'000</b>	<b>31 March 2012 £'000</b>
Mortgagors:		
Sale of Council Houses	6	8
Reimbursement Arrangements	31	33
Finance Leases	4	-
	<u><b>41</b></u>	<u><b>41</b></u>

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund Statement 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 distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates (NNDR).

	<b>Coll Fund Notes</b>	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
<b>Income</b>			
Income from Council Tax	1	67,804	67,024
Transfer from General Fund - Council Tax Benefits	2	6,939	7,000
Transitional Relief		-	(1)
Income collectable from Business Ratepayers	3	45,598	29,508
		<b>120,341</b>	<b>103,531</b>
<b>Expenditure</b>			
Precepts and Demands:			
- Suffolk County Council		55,974	56,069
- Suffolk Police Authority		8,286	8,000
- Suffolk Coastal District Council		9,832	9,658
Business rates:			
- Payment to National Pool	3	45,322	29,230
- Cost of Collection Allowance	3	276	278
Bad and Doubtful Debts:			
- Write Offs	5	(103)	(28)
- Change in Bad Debt Provision	5	259	395
Share of previous years' Collection Fund Surplus / (Deficit)			
- Suffolk County Council		175	411
- Suffolk Police Authority		25	59
- Suffolk Coastal District Council		30	70
		<b>120,076</b>	<b>104,142</b>
<b>(Surplus) / Deficit for Year</b>		<b>(265)</b>	<b>611</b>
<b>Balance brought forward - (Surplus) / Deficit</b>		140	(471)
<b>Balance carried forward - (Surplus) / Deficit</b>		<b>(125)</b>	<b>140</b>

## NOTES TO THE COLLECTION FUND

### 1 Income from Council Tax

This figure shows the amount receivable from Council Taxpayers after allowing for Council Tax Benefits. The Council Tax is set to meet the demands of Suffolk County Council, Suffolk Police Authority, 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.

	<b>2012/13</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
The average Band D Council Tax set was:	1,491.17	1,481.32
The balance on the Collection Fund will be taken into account in setting future Council Tax levels from 2013/14. The Council Tax element will be shared by all the authorities which precept on the Collection Fund, in proportion to their precept.		
The Council estimated its Tax Base for 2012/13 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,323	4,213
B	12,494	9,718
C	10,069	8,950
D	9,857	9,857
E	7,006	8,563
F	3,624	5,235
G	1,980	3,299
H	148	296
	<u>51,501</u>	<u>50,131</u>
Less:		
Provision for bad and doubtful debts (1.25%)		(627)
<b>Tax Base 2012/13 (Band D equivalents)</b>		<b>49,504</b>



## NOTES TO THE COLLECTION FUND

The income from Council Tax can be analysed as follows:	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Gross amounts charged	84,250	83,299
Less: exemptions, discounts and reliefs	(9,507)	(9,275)
Council Tax Benefits	(6,939)	(7,000)
	<b>67,804</b>	<b>67,024</b>

### 2 Transfer from General Fund

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

### 3 Business Rates

The Council collects the business rates (Non-Domestic Rates) in the district. The amount collected less an allowance for the cost of collection is paid into a national pool administered by the Government. The pool is then redistributed to all Local Authorities as a standard amount per head of population. The Council's share of this redistribution is shown in the Comprehensive Income and Expenditure Statement. The valuation list was revised in April 2005, and the latest revaluation of all business properties was completed on 1st April 2010.

Business Rates income has increased from £29.2 m in 2011/12 to £45.3 m in 2012/13. Although this increase in income was paid to the Government as an additional contribution to the National Pool, the variation of £16.1 m is mainly due to:

- A refund in 2011/12 of £10.2 m to Felixstowe Dock reducing 11/12 income; and
- In 2012/13 increased Rateable Values adding £2.2 m income plus an increase in the rate poundage multiplier giving a further £1.7 m income.

	<b>2012/13</b>	<b>2011/12</b>
The rateable value at 31 March was	<b>£158.7m</b>	£154.6m
The multiplier was	<b>45.8p</b>	43.3p

## NOTES TO THE COLLECTION FUND

### 4 Share of previous year's Collection Fund (Surplus) / Deficit

When setting the Council Tax each year, the Council is required to estimate the (Surplus) / Deficit on the Collection Fund for the year, which is subsequently shared across the District Council and the two Major Precepting bodies pro-rata to their demands on the Council Tax.

### 5 Movement in Bad Debt Provision

	<b>Balance 1 April 2012 £'000</b>	<b>Applied in Year £'000</b>	<b>Change in provision £'000</b>	<b>Balance 1 April 2013 £'000</b>
The following changes were made to the provisions for bad debts:				
- Council Tax	929	(103)	259	1,085
- Business Rates	489	(364)	179	304
	<b>1,418</b>	<b>(467)</b>	<b>438</b>	<b>1,389</b>

### 6 Collection Fund Balance

	<b>2012/13 £'000</b>	<b>2011/12 £'000</b>
The Collection Fund (surplus)/deficit at the year end comprises the following:		
(Surplus) / Deficit relating to:	(125)	140
<u>Council Tax:</u>		
Suffolk County Council	(94)	105
Suffolk Police Authority	(14)	16
Suffolk Coastal District Council	(17)	19
Total Council Tax	<b>(125)</b>	<b>140</b>
Community Charges:	-	-
	<b>(125)</b>	<b>140</b>

The balance on the Collection Fund will be taken into account in setting future Council Tax levels from 2014/15. The Council Tax element will be shared by all the authorities which precept on the Collection Fund, in proportion to their precept.

## NOTES TO THE COLLECTION FUND

### 7 Parish / Town Precepts

Precepts by Parish and Town Councils are charged to the Council's General Fund and included in the Council's demand on the Collection Fund. The amount of those precepts was as follows:

	<b>2012/13</b>	<b>2011/12</b>
	<b>£'000</b>	<b>£'000</b>
Parish and Town Precepts	2,408	2,222

### 8 Collection Fund Adjustment Account

The Collection Fund is still maintained as a memorandum account, however the balance relating to Suffolk Coastal's own share of the surplus / deficit, together with any differences between the Council Tax income for the year and the Statutory precept calculated as part of the budget-setting process is maintained in the Collection Fund Adjustment Account, an unusable reserve in the Council's Balance Sheet. Details of the movement on this fund are included in Note 25 to the Core Financial Statements.

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e. including Suffolk Coastal Services 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 Group Comprehensive Income and Expenditure Statement. Additional information on the structure of this Statement is contained within the Authority Movement in Reserves Statement, presented earlier in the Statement of Accounts.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>	<b>(3,342)</b>	<b>(7,568)</b>	<b>(921)</b>	<b>(1,387)</b>	<b>(13,218)</b>	<b>(25,657)</b>	<b>(38,875)</b>	<b>(66)</b>	<b>(38,941)</b>
<b><u>Movement in reserves during 2010/11</u></b>									
(Surplus) or deficit on provision of services	(6,611)	-	-	-	(6,611)	-	(6,611)		(6,611)
Other Comprehensive Expenditure and Income	-	-	-	-	-	3,937	3,937		3,937
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,611)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,611)</b>	<b>3,937</b>	<b>(2,674)</b>	<b>-</b>	<b>(2,674)</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	(42)	(42)
- Share of Actuarial Gains/Losses								78	78
<b>Net (Increase) / Decrease before Transfers</b>	<b>(6,611)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,611)</b>	<b>3,937</b>	<b>(2,674)</b>	<b>36</b>	<b>(2,638)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	6,403	-	342	(121)	6,624	(6,624)	-		-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(208)</b>	<b>-</b>	<b>342</b>	<b>(121)</b>	<b>13</b>	<b>(2,687)</b>	<b>(2,674)</b>	<b>36</b>	<b>(2,638)</b>
Transfer to/from Earmarked Reserves (note 8)	113	(113)	-	-	-	-	-		
<b>(Increase)/Decrease in 2011/12</b>	<b>(95)</b>	<b>(113)</b>	<b>342</b>	<b>(121)</b>	<b>13</b>	<b>(2,687)</b>	<b>(2,674)</b>	<b>36</b>	<b>(2,638)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(3,437)</b>	<b>(7,681)</b>	<b>(579)</b>	<b>(1,508)</b>	<b>(13,205)</b>	<b>(28,344)</b>	<b>(41,549)</b>	<b>(30)</b>	<b>(41,579)</b>
<b><u>Movement in reserves during 2012/13</u></b>									
(Surplus) or deficit on provision of services	(2,754)	-	-	-	(2,754)	-	(2,754)		(2,754)
Other Comprehensive Expenditure and Income	-	-	-	-	-	2,443	2,443		2,443
<b>Total Comprehensive Expenditure and Income</b>	<b>(2,754)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,754)</b>	<b>2,443</b>	<b>(311)</b>	<b>-</b>	<b>(311)</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	(51)	(51)
- Share of Actuarial Gains/Losses								123	123
<b>Net (Increase) / Decrease before Transfers</b>	<b>(2,754)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,754)</b>	<b>2,443</b>	<b>(311)</b>	<b>72</b>	<b>(239)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	1,247		(165)	(610)	472	(472)	-		-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,507)</b>	<b>-</b>	<b>(165)</b>	<b>(610)</b>	<b>(2,282)</b>	<b>1,971</b>	<b>(311)</b>	<b>72</b>	<b>(239)</b>
Transfer to/from Earmarked Reserves (note 8)	1,149	(1,149)	-	-	-	-	-		-
<b>(Increase)/Decrease in Year</b>	<b>(358)</b>	<b>(1,149)</b>	<b>(165)</b>	<b>(610)</b>	<b>(2,282)</b>	<b>1,971</b>	<b>(311)</b>	<b>72</b>	<b>(239)</b>
<b>Balance at 31 March 2013 carried forward</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>

## GROUP 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 Statement includes the Council's share of Suffolk Coastal Services Ltd's profits and tax expenses.

	<b>2012/13</b>			<b>2011/12</b>		
	<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>
Central Services to the Public	9,344	(7,899)	<b>1,445</b>	9,472	(7,885)	<b>1,587</b>
Cultural and Related Services	4,665	(1,485)	<b>3,180</b>	4,516	(1,459)	<b>3,057</b>
Environmental and Regulatory Services	12,594	(6,506)	<b>6,088</b>	12,794	(6,454)	<b>6,340</b>
Planning Services	3,521	(2,048)	<b>1,473</b>	3,045	(1,528)	<b>1,517</b>
Highways and Transport Services	1,059	(1,525)	<b>(466)</b>	1,218	(1,512)	<b>(294)</b>
Other Housing Services	31,016	(30,340)	<b>676</b>	29,427	(28,808)	<b>619</b>
Corporate and Democratic Core	1,758	(14)	<b>1,744</b>	2,057	(7)	<b>2,050</b>
Non-Distributed Costs	460	(140)	<b>320</b>	564	-	<b>564</b>
Exceptional Item (note 5)	-	-	-	-	-	-
<b>Cost of Services</b>	<b>64,417</b>	<b>(49,957)</b>	<b>14,460</b>	<b>63,093</b>	<b>(47,653)</b>	<b>15,440</b>
Other Operating Expenditure (note 9)			<b>2,512</b>			<b>2,453</b>
Financing and Investment Income and Expenditure (note 10)			<b>473</b>			<b>56</b>
Surplus or Deficit of Discontinued Operations			-			-
Taxation and Non-Specific Grant Income (note 11)			<b>(20,199)</b>			<b>(24,560)</b>
<b>(Surplus) or Deficit on Provision of Services (note 29)</b>			<b>(2,754)</b>			<b>(6,611)</b>
Share of (Surplus)/Deficit on the Provision of services by Associate			<b>(66)</b>			<b>(57)</b>
Tax Expenses of Associate			<b>15</b>			<b>15</b>
<b>Group (Surplus)/Deficit</b>			<b>(2,805)</b>			<b>(6,653)</b>
Surplus or deficit on revaluation of non-current assets (note 25)			<b>(2,000)</b>			<b>(2,703)</b>
Surplus or deficit on revaluation of available for sale financial assets			-			-
Actuarial gains/losses on pension assets/liabilities (note 40)			<b>4,443</b>			<b>6,640</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>2,443</b>			<b>3,937</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(362)</b>			<b>(2,716)</b>

## GROUP 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. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable and Unusable Reserves held by the Group are contained within Notes 24 and 25 to the Council's Core Financial Statements and Note 3 to the Group Accounts.

	Note	31st March 2013 £'000	31st March 2012 £'000
Property, Plant and Equipment	12	53,528	52,893
Heritage Assets	13	15	15
Intangible Assets	15	138	103
Long Term Investments	47	8	8
Investment in Associate	Group Note 3	(42)	30
Long Term Debtors	48	41	41
<b>Long Term Assets</b>		<b>53,688</b>	<b>53,090</b>
Short Term Investments	0	7,006	21,020
Inventories	17	69	60
Short Term Debtors	18	3,295	2,689
Cash and Cash Equivalents	19	12,824	3,942
Current Assets Held for Sale	20	1,111	52
<b>Current Assets</b>		<b>24,305</b>	<b>27,763</b>
Short Term Creditors	21	(7,249)	(14,369)
Capital Grants Receipts in Advance	23	(122)	(124)
<b>Current Liabilities</b>		<b>(7,371)</b>	<b>(14,493)</b>
Provisions	22	(20)	-
Other Long Term Liabilities (Including Pension Liability)	40	(27,697)	(23,855)
Capital Grants Receipts in Advance	23	(1,087)	(924)
<b>Long Term Liabilities</b>		<b>(28,804)</b>	<b>(24,779)</b>
<b>Net Assets</b>		<b>41,818</b>	<b>41,581</b>
Usable reserves	Group Note 3	(15,445)	(13,235)
Unusable reserves	25	(26,373)	(28,346)
<b>Total Reserves</b>		<b>(41,818)</b>	<b>(41,581)</b>

## GROUP CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Group during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Additional information on the structure of this Statement is contained within the Authority Cash Flow Statement and in Notes 25 to 27 to the Core Financial Statements.

	<b>2012/13</b> <b>£'000</b>	<b>2011/12</b> <b>£'000</b>
Net (surplus) or deficit on the provision of services	(2,754)	(6,611)
Adjust for non cash movements (note 26)	1,624	(4,428)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,955	9,448
Net cash flows from Operating Activities	2,825	(1,591)
Investing Activities (note 27)	(15,325)	13,267
Financing Activities (note 28)	3,618	(14,715)
Net (increase) or decrease in cash and cash equivalents	(8,882)	(3,039)
Cash and cash equivalents at the beginning of the reporting period	(3,942)	(903)
<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>(12,824)</b>	<b>(3,942)</b>

## NOTES TO GROUP ACCOUNTING STATEMENTS

### Note 1 Statement of Accounting Policies

Suffolk Coastal Services Ltd prepares its accounts under UK GAAP, whilst the Council has moved to preparing its financial statements on an IFRS basis. As far as can be ascertained this gives rise to no material difference between the accounting principles of the company and the Council.

### Note 2 Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement has been prepared incorporating the Council's share of Suffolk Coastal Services Ltd's surplus on provision of services and tax liability. Additional information in respect of SCS's trading results for the year are contained within Note 44 to the Core Financial Statements.

### Note 3 Group Balance Sheet

The Group Balance Sheet has been prepared incorporating the Council's share of Suffolk Coastal Services Ltd's net assets under the heading of Investment in Associates, which have been consolidated with the single-entity financial statements and disclosure notes for the Council. The analysis of Usable Reserves is constituted as follows;

	<b>31st March 2013 £'000</b>	<b>31st March 2012 £'000</b>
Suffolk Coastal Services Ltd - Profit and Loss Reserve (SCDC Investment)	42	(30)
Suffolk Coastal District Council - Usable Reserves (see Note 24)	(15,487)	(13,205)
Total Group Usable Reserves	<u><b>(15,445)</b></u>	<u><b>(13,235)</b></u>

Additional information in respect of Suffolk Coastal Services Ltd's assets and liabilities at the Balance Sheet date are contained within Note 44 to the Core Financial Statements.

### Note 4 Cash Flow

No adjustment to the Council's Cash Flow Statement is required in respect of its holding in Suffolk Coastal Services Ltd.

### Note 5 Significant Influence

The Council is deemed to have significant influence in SCS due to the Council's representation on the SCS board, together with the fact that the majority of SCS's business is with the Council, which is usually regarded as strong evidence of participation.

### Note 6 Reporting Date

Suffolk Coastal Services Ltd's annual accounts are reported to the end of January each year, 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. No adjustment has been made to the SCS accounts to make it co-terminus with the Council.



## **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 2013 under the Audit Commission Act 1998. 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 and Collection Fund and the related notes 1 to 48. 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 2012/13.

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 Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 15, the Chief Financial 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 2012/13, 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 Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. 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 2013 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 2013 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 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2012-13 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 reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- 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 the 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.

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.

### **Basis of conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 the 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 2013.

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 November 2012, 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 2013.

### **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  
30 September 2013

# Glossary of Financial Terms

## Accounting Period

The period of time covered by the Accounts, normally 12 months commencing on 1 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.

## Area Based Grant

Area Based Grant (ABG) replaced Local Area Agreement (LAA) Grant from 2009/10. Unlike LAA Grant, ABG is a non-ring fenced general grant and no conditions on use are imposed.

## Business Rates

The system of local taxation on business properties also called National Non Domestic Rates (NNDR)

## 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 fixed 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 fixed asset such as land and buildings, or expenditure that adds to and not merely maintains the value of an existing fixed 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.

## Community Charge

The system of local taxation prior to Council Tax.

## Contingent Assets

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

## Contingent Liabilities

Potential liabilities 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 April 1993

## Council Tax Benefit

See 'Housing Benefits'

## Creditors

An amount of money owed by the District Council at 31 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 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 fixed 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 fixed assets and other capital expenditure.

# Glossary of Financial Terms

## **Earmarked Reserves**

These are amounts set aside for specific purposes out of the balances of the Council's funds.

## **Financial Reporting Standard (FRS)**

Accounting practice recommended by the Accounting Standards Board, a subsidiary of the Financial Reporting Council, for adoption in the preparation of accounts.

## **General Fund**

The main revenue fund of the District Council, to which the costs of the services are charged, (excluding the Housing Revenue Account - see below).

## **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).

## **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 fixed 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**

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

## **International Financial Reporting Standards**

The Code of Practice is, 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 fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation and impairment.

## **Non-Current Assets**

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

## **Non Domestic Rates (NDR)**

See Business Rates

## **Non-Domestic Rate Pool**

The net proceeds of the Non-Domestic Rate are pooled nationally and then redistributed to local authorities relative to their populations.

## **Out-turn**

Actual income and expenditure for the end of 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.

# Glossary of Financial Terms

## 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.

## Rateable Value

A value assessed by the Inland Revenue for all properties subject to non-domestic rates.

## Rent Allowances / Rebates

See 'Housing Benefits'

## 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 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 fixed 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.

## 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.

## Abbreviations used in the Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Principles
FRS	Financial Reporting Standard
IFRS	International Financial Reporting Standards
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SeRCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice