

# Suffolk Coastal District Council Statement of Accounts 2010-11



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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 2011 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (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 Explanatory Foreword.

The Council's Statement of Accounts consists of:

### Core Statements:

- **Movement in Reserves Statement** – this is a new statement for 2010/11 (with corresponding balances shown for 2009/10) and 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 International Financial Reporting Standards (IFRS) and the Best Value Accounting Code of Practice (BVACOP).
- **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 fixed 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) and to the General Fund.
- **Statement of Responsibilities for the Statement of Accounts** – This outlines the responsibilities of the Council and the Head of Financial Services, with respect to the Statement of Accounts.
- **Group Accounts** – Following a review of the new 2010 Code, it has been determined that, because of the implementation of IFRS, the Council must complete Group Accounts for the first time because its relationship with Suffolk Coastal Services Ltd (SCS) meets the definition of an Associate. Group Accounting Statements can be found towards the end of the Statement of Accounts and further details are set out in Note 43 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.

# Explanatory Foreword by Head of Financial Services

## 2. Changes to the Statement of Accounts

There have been major changes to the Statement of Accounts for 2010/11. These changes have been developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board.

The main changes, are summarised below

- The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis, and there are specific transitional arrangements that apply only in 2010/11. IFRS 1 *First-time Adoption of International Financial Reporting Standards* is the IFRS that sets out these specific transitional arrangements, and the Code requires authorities to follow this standard, except where interpretations or adaptations to fit the public sector are detailed in the Code.
- Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.
- Details of the main changes in the Statements in respect of the introduction of IFRS are shown in Note 44 to the Core Financial Statements (Prior Period Adjustments).
- The move to an IFRS-based Code from a UK GAAP-based SORP results in a number of significant changes in accounting practice. The key accounting changes include:
  - Grants and contributions for capital purposes will be recognised as income immediately rather than being deferred and released to revenue to match depreciation.
  - The main financial statements have changed, and there are additional requirements regarding segmental reporting,
  - There is a greater emphasis on component accounting, and a greater emphasis on derecognising parts of an asset that are replaced,
  - Property leases are classified and accounted for as separate leases of land and buildings. Local authorities have to assess whether other arrangements contain the substance of a lease,
  - Investment properties are measured at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve,
  - Impairment losses will be taken initially to the revaluation reserve to the extent that there is a balance on that reserve relating to the specific asset,
  - The Code introduces a new classification of non-current assets held for sale. Specific criteria apply to this classification,
  - All employee benefits are accounted for as they are earned by the employee. This will require accruals for items such as holiday pay,
  - The definition of associates is based on the ability to control rather than actual control, and may lead to a change in the group boundary.

# Explanatory Foreword by Head of Financial Services

- **Impact of the Economic Climate.** This Explanatory Foreword provides information and explanation relevant to the Accounts. The 2010 Code requires authorities 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.** The Accounts and Audit (England) Regulations 2011 came into force on 31 March 2011, and replaced the 2003 Regulations (as amended). The main changes to previous regulations are:
  - the Head of Financial Services now 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.

Previously the Statement of Accounts had to be signed and dated by the Head of Financial Services and approved by the Council or a committee no later than 30<sup>th</sup> June, prior to the audit of the accounts commencing, then further considered if there were material changes to the statement of accounts, by the end of September. The consideration by Council prior to audit is no longer required.

- **Other Issues and Amendments.** Further guidance has been issued on a number of technical areas through LAAP Bulletins, including LAAP Bulletin 88 dated April 2011.
  - Although the majority of the issues raised related to additional guidance and clarification of IFRS issues, most of the remaining 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.

# Explanatory Foreword by Head of Financial Services

- However, LAAP Bulletin 88 did give further advice on disclosures required for Heritage Assets. Appendix C to the 2011/12 Code confirms that the adoption of FRS 30 *Heritage Assets* in the 2011/12 Code will require disclosure in accordance with paragraph 3.3.4.3 of the Code in the 2010/11 financial statements of local authorities in the UK. Paragraph 3.3.4.3 of the 2010/11 Code states “*An authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e on or before 1 January 2011 for 2010/11)*”. Disclosure requirements are expected to be included in a subsequent edition of the Code”. Further information is set out in Note 2 to the Core Financial Statements.

### 3. Accounting Policies

The Council's Accounting Policies are set out at Note 1 to the Core Financial Statements. The major changes to the Council's Accounting Policies since the previous Statement of Accounts was produced for 2009/10 are in respect of The Code 2010, and the majority relate to IFRS, (referred to earlier in this Foreword), and any major changes have been added to Accounting Policies under the relevant headings.

These have been made following a review of the latest Code Guidance Notes for Practitioners for the 2010/11 Accounts issued by CIPFA.

### 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 Council Tax,

	Original Budget	Revised Budget	Outturn	Variance
	£'000	£'000	£'000	£'000
Net Expenditure	15,679	15,812	15,011	(668)
Income from Government and local Taxpayers	(15,679)	(15,679)	(15,737)	(58)
<b>Met from/ (Added to) General Fund Balances</b>	<b>0</b>	<b>133</b>	<b>(726)</b>	<b>(726)</b>
<b>Analysed as</b>				
Approved between year virements				154
<b>Transfers to earmarked reserves</b>				
Transfer to new Recycling & Waste Management reserve				150
Transfer to Benefits Verification reserve				100
Transfer to Actuarial reserve				322
				<b>726</b>

# Explanatory Foreword by Head of Financial Services

## *Income from Government and Local Taxpayers*

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

	<b>£000</b>
Formula Grant	8,261
Transfer from Collection Fund regarding previous year's surplus (actual surplus of £61k less £18k already received)	43
Amount met by Local Council Taxpayers (prior to SORP adjustments)	7,397
Area Based Grant	36
<b>Total income from Government &amp; Local Taxpayers</b>	<b>15,737</b>

The decrease in net expenditure of £572k between the original budget for 2010/11 and the outturn is analysed in the table below:

	<b>£'000</b>
Development Control - lower than expected income	101
Car Parks - net change to income	37
Members Expenses - reduced telephone expenditure	(10)
Admin Buildings - primarily in relation to asset management	(15)
Outdoor Leisure - additional income and reduced costs	(19)
Economic Development - minor variances on income and grant expenditure	(20)
Environmental Protection - minor variations	(28)
Revenue Grants - not fully allocated	(32)
ICT - underspend on software maintenance/additional income	(35)
Building Control - net change to income	(45)
SCS Discount/income changes	(80)
Waste Management - improved income from recycling credits	(86)
Concessionary Fares - lower than expected contractor invoices	(40)
Port Health - higher than anticipated High Risk fee income	(127)
Housing Benefits - subsidy position better than expected	(129)
Net other variances	(44)
<b>Overall change in General Fund Balance (Original Budget to Outturn)</b>	<b>(572)</b>
<b>Approved between year virements</b>	<b>(154)</b>
<b>Decrease in Net Expenditure</b>	<b>(726)</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 Statement. In addition, Note 22 to the Core Financial Statements provides an analysis of Government Grants received.

The outturn results show an increase in the amount taken to the General Fund Earmarked Reserves of £572k compared to the Original Budget set in February 2010.

In addition to this sum, £154k has been approved to be carried forward to be spent in 2011/12 to allow a small number of projects to be completed.

# Explanatory Foreword by Head of Financial Services

## *Redundancy/ill-health payments*

Included within the General Fund net expenditure above are payments to 26 staff (4 staff in 2009/10) who were made redundant during 2010/11 (funded from earmarked reserves), plus 3 ill-health retirements (1 during 2009/10). The costs of £402,941 in 2010/11 (£99,135 in 2009/10) have been charged to the General Fund Comprehensive Income and Expenditure Statement, and to the relevant service area where staff were employed. The payments are analysed below:

	£
Redundancy payments	402,941
Ill-health-contribution to Pension Fund	<u>303,884</u>
Total payments	<u>706,825</u>

## *Suffolk Coastal Services Ltd*

On 1st April 2009 the Council entered into an agreement 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, the company which had been providing those services on behalf of Norfolk County Council since 2004.

SCS prepares accounts for the year to 31st January each year. The audited SCS Accounts for the year ended 30 January 2011 were received by the Council in August 2011.

Payments made to Suffolk Coastal Services in respect of the package of services above are included in Net Expenditure, and under the appropriate heading within the Cost of Services in the Comprehensive Income and Expenditure Statement. Further information is set out in Note 43 to the Core Financial Statements (Interest in Companies) and in the Group Accounting Statements.

## *General Fund - Future Budget Plans*

Set out below is the Budget approved in February 2011 for 2011/12, together with the Original and Revised budgets for 2010/11.

## *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 £13,789k in 2011/12. This represents a headline decrease of £1,890k or 12% over the budget for 2010/11 of £15,679k. The budget by priority theme that the Council approved from 1 April 2011 is set out below:

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Priority Theme	2010/11 Original Budget £'000	2010/11 Revised Budget £'000	2011/12 Original Budget £'000
Community Well Being	5,060	4,940	4,009
Economy	392	340	222
Housing	1,926	1,529	1,682
Natural and Built Environment	7,488	7,468	6,377
Fiscal and Democratic Services	813	1,402	1,499
Budget Requirement	15,679	15,679	13,789
<b>Financed by:</b>			
Formula Grant	8,261	8,261	6,283
Collection Fund Surplus	19	19	70
Council Tax	7,399	7,399	7,436
<b>Total</b>	<b>15,679</b>	<b>15,679</b>	<b>13,789</b>

The reasons for the decrease in the 2011/12 Budget compared to 2010/11 are summarised as follow:

	£000
Budget Requirement 2010/11	15,679
Pay and Price Increases	447
Unavoidable Growth	163
Efficiencies and Savings and Additional Income	-2,114
Other Savings	-200
Council Tax Freeze Grant	-186
<b>Budget Requirement 2011/12</b>	<b>13,789</b>

Since setting the budget in February 2011, the Council continues to monitor its Medium Term Financial Strategy (MTFS) and financial plans. The MTFS will be updated in October 2011 to incorporate any financial implications resulting from potential changes in the Government policies and/ or changes in the future spending levels and grants allocation.

## 5. Collection Fund

The Collection Fund records the income from Council Tax and Non Domestic Rates and its distribution. Non-Domestic Rates are collected on behalf of the 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, Suffolk Coastal District Council and its Parish and Town Councils.

As at 31 March 2011, the Collection Fund had a surplus of £471k, (2009/10 surplus £286k), reflecting an in-year surplus of £185k. The in-year surplus is mainly due to a better than forecast

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Collection Fund balance at 31 March 2011 offset by an overall increase in the Provision for Bad Debts in 2010/11. The £185k surplus is apportioned between Suffolk Coastal District Council, Suffolk County Council and Suffolk Police Authority in proportion to their respective Council Tax precept demands in the year.

After taking into account the break-even position already calculated for 2010/11, Suffolk Coastal's share of the surplus will be £23,766 (12.95% of £185k), and will be taken into account when setting 2012/13 Council Tax levels.

## 6. Capital

Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The following table shows the capital outturn results for 2010/11 against the approved budgeted programme (see Note 35 to the Core Financial Statements for further information).

<b>Theme</b>	<b>Approved Budget £000</b>	<b>Outturn £000</b>	<b>Variance £000</b>
Community Well Being	661	279	(382)
Economy	0	0	0
Housing	853	685	(168)
Natural and Built Environment	538	577	39
Fiscal and Democratic services			
ICT and E government	499	112	(387)
Corporate activities	533	51	(482)
<b>Total Capital Expenditure</b>	<b>3,084</b>	<b>1,704</b>	<b>(1,380)</b>

The outturn was £1,380k below the approved budget for 2010/11, (£200k below in 2009/10) and the reasons for this are detailed in the table below:

	<b>£000</b>
Public Convenience, the Dip, Felixstowe – consultation in progress	(85)
Public Convenience & Landscaping, Crescent Rd, Felixstowe	(65)
Leiston Leisure Centre Air Handling – Investigating options	(92)
IT – Joint Working options under review	(384)
Property Efficiency Review – Joint Working options under review	(100)
Ufford Depot Heating – Biomass options under review	(234)
Housing grants – demand led	(168)
Other variations individually below £50,000	(252)
<b>Variation between Approved Budget and Outturn 2010/11</b>	<b>(1,380)</b>

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The Capital Programme was financed as follows.

	<b>Approved Budget £000</b>	<b>Outturn £000</b>
Capital Receipts	975	354
Government Grants and Third Party Contributions	1,504	1210
Revenue / Revenue Reserves	605	140
	3,084	1,704

The Council did not enter into any borrowing in 2010/11 to finance its capital expenditure and consequently remains free of external debt.

The most significant item of capital expenditure in the 2010/11 financial year related to Coast Protection works totalling £542k fully funded from external grants.

During the year the Council disposed of some assets. The total value of all capital receipts for 2010/11 was £518k.

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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Capital Expenditure	6,632	6,431	2,333	1,653
<i>Financed by</i>				
Grants and Contributions	6,149	5,270	980	730
Reserves	483	160	0	0
Potential Borrowing Requirements	0	1,001	1,353	923
	6,632	6,431	2,333	1,653

The most significant items in the Council's future capital programme as approved in February 2011, is in relation to the Central Felixstowe Coast protection scheme for which £5.2m is programmed in 2011/12, £4.8m in 2012/13 and £0.025m in 2013/14 and is fully funded by external grant.

## 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.

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 included in the Movement in Reserves Statement and shown in note 6 to the Core Financial Statements.

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 £18.363m in 2010/11 (2009/10 £40.323m), however statutory arrangements for funding the deficit mean the financial position of the Council is not adversely

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affected. Detailed information on the performance of the Pension Fund is set out in Note 39 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. A revised common rate of employer's contribution will commence on 1 April 2011, taking into account the net pension liability disclosed above.

## 8. Reserves

Details of the movements in all reserves are shown in Notes 6, 7, 23 and 24 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 2011/12. The main reserves held at 31 March are set out below, (with further information in Notes 7 and 23 to the Core Financial Statements):

	31 March 2011	31 March 2010
Usable Reserves	£000	£000
<i>Held for revenue purposes</i>		
General Fund	3,342	3,187
Earmarked Reserves	5,975	5,948
<i>Held for capital purposes</i>		
Capital Receipts reserve	921	759
Earmarked Reserves	1,593	1,588
Capital Grants unapplied	1,387	1,308
	<hr/>	<hr/>
	13,218	12,790
<b>Unusable Reserves</b>	<hr/>	<hr/>
	25,655	7,932
<b>Total Council Reserves</b>	<hr/>	<hr/>
	<b>38,873</b>	<b>20,722</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. 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 32 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.

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The Council had a number of strategic service delivery partnerships, either through third parties, or joint arrangements with local authorities, in operation during the 2010/11 financial year. These are listed in the table that follows:

<b>Strategic Partner</b>	<b>Service Delivery</b>
<i>Third Parties:</i>	
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 program, provision of car parking meters and tickets, cash collection and management of car park inspectors
Norfolk County Council-NPS Property Consultants Ltd.	Asset Management.
DC Leisure	Provision of Leisure services
<i>Joint Arrangements:</i>	
Suffolk Coastal and Waveney District Councils.	Senior Management (Chief Executive, 4 Directors and 9 Heads of Service were appointed to 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.

## 10. Overall Financial Position

The Council's gross revenue expenditure (excluding Housing Benefit payments) for 2010/11 was £37.9m. The General Fund outturn for 2010/11 was a surplus of £0.726m. This included £0.154m between year virements for work which will be completed in 2011/12. The balancing amount of £0.572m accounts for less than 2% of the gross budget. In line with the approved budget for 2011/12 a Recycling and Waste Management Reserve has been created in order to support any future reduction in recycling credit budgets. It was considered prudent to transfer £150k to this reserve. Also in supporting any future financial pressures impacting on the Housing Benefit Subsidy, £100k has been transferred to the Benefits Verification reserve to help fund any future legislative changes. The remaining in-year balance of £322k has been transferred to the Actuarial reserve to support any potential future restructuring or pension liability costs.

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The overall General Fund Balance at 31 March 2011 was £3.341m (31 March 2010 £3.187m). The Council continued to remain debt free.

As referred to in Paragraph 9 above the Council has formally agreed a partnership with Waveney District Council. Following the implementation of the new Senior Management Team from 1 October 2010, Heads of Service have now started to prepare for reviews of their areas of service with a view to integrating teams within the two councils going forward into 2011/12.

## **11. The impact of the National Economy.**

Nationally the economy has been severely affected by the worldwide credit crunch. The Bank of England's bank rate fell from a peak of 5.25% in April 2008, finishing at 0.5% in March 2009, which is where it has remained, unchanged, throughout the financial year 2010/11. Reduced income returns from investments, the reduction in growth in the economy and the slump in the housing market has had an effect on this Council's services. Service delivery pressures have increased on:

- Housing Benefits from additional claimants;
- Extra Homelessness applications; and
- Pressure on collecting Council Tax, Non Domestic Rate and Rents and recovery of outstanding debts.

The income from investment (surplus funds) has continued to be low due to the earlier reductions in interest rates, together with the investment market impact on rates, and more risk adverse investment decisions following the failure of the Icelandic Banks and the rescue of other banks during 2008/09.

Note 39 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 Scheme. This Council's share of the Fund deficit has, at 31 March 2011 reduced to £18.363m compared to £40.323m a year earlier. This reduction can be attributed in part to the Government's decision last summer to change the annual public sector pension's inflation increase indicator from the Retail Price Index (RPI) to the generally lower indicator of the Consumer Prices Index (CPI), the resulting gain being recognised as an Exceptional Item in the Consolidated Income and Expenditure Statement. In addition Assets invested (equities, bonds, property and cash) and Liabilities for fund members (employees, deferred pensioners and pensioners) have reverted back to levels in 2006/07 when the Council's share of the Fund deficit was £14.054m).

A detailed review of the book valuations of the Council's Assets has been undertaken at the end of the financial year to assess the impact of the credit crunch on property values. Where the Council's external qualified valuers, NPS Property Consultants Ltd, have determined that the book value of any of the Council's assets has fallen, this has been reflected in the Council's Accounts and the impact is shown under Revaluation Losses of Non-Current Assets. (See Note 12 to the Core Financial Statements for further details). The financial impact of revaluation losses of assets in 2010/11 was £4.167m (2009/10 £1.999m).

## **12. Local Government Reorganisation**

On 10 February 2010 the Minister for Local Government at the Department for Communities and Local Government announced her decision for the restructuring of local government in Devon, Norfolk and Suffolk. For Suffolk the Minister shared the Boundary Committee for England (BCE)'s assessment that the alternative proposals they had put forward for Suffolk met the 5 criteria - affordability, broad cross section of support, strategic leadership, neighbourhood empowerment and value for money and equity on services. However, it was equally clear to the

# Explanatory Foreword by Head of Financial Services

Minister that neither of the unitary proposals that she considered met the criteria, was supported by all the principal councils in the County.

Accordingly, the Minister concluded not to take a statutory decision on the Suffolk proposals, and to invite all the Suffolk councils, with their Members of Parliament, consulting other stakeholders and through a county constitutional convention, to reach a consensus on a unitary solution for the area.

**On 20 May 2010 the Coalition Government announced that all work on the restructuring of councils in Norfolk, Suffolk and Devon must cease with immediate effect.**

## **13. 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).

## **14. Translation Services**

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 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 J Sennington, Chairman, Suffolk Coastal District Council - 29 September 2011

### 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* ("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
- complied with the local authority Code

The Head of Financial Services has also:

- kept proper accounting records which were up to date
- 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 2011 and its income and expenditure for the year ending on that date.

Homira Javadi, Head of Financial Services - 29 September 2011

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and unusable 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	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2009</b>	<b>(3,213)</b>	<b>(8,053)</b>	<b>(603)</b>	<b>(1,702)</b>	<b>(13,571)</b>	<b>(30,446)</b>	<b>(44,017)</b>
<b><u>Movement in reserves during 2009/10</u></b>							
(Surplus) or deficit on provision of services	2,510	-	-	-	2,510		2,510
Other Comprehensive Expenditure and Income	-	-	-	-	-	20,785	20,785
<b>Total Comprehensive Expenditure and Income</b>	<b>2,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,510</b>	<b>20,785</b>	<b>23,295</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	(1,967)	-	(156)	394	(1,729)	1,729	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>543</b>	<b>-</b>	<b>(156)</b>	<b>394</b>	<b>781</b>	<b>22,514</b>	<b>23,295</b>
Transfer to/from Earmarked Reserves (note 7)	(517)	517	-	-	-	-	-
<b>Increase/Decrease in 2009/10</b>	<b>26</b>	<b>517</b>	<b>(156)</b>	<b>394</b>	<b>781</b>	<b>22,514</b>	<b>23,295</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(3,187)</b>	<b>(7,536)</b>	<b>(759)</b>	<b>(1,308)</b>	<b>(12,790)</b>	<b>(7,932)</b>	<b>(20,722)</b>
<b><u>Movement in reserves during 2010/11</u></b>							
(Surplus) or deficit on provision of services	(4,448)				(4,448)		(4,448)
Other Comprehensive Expenditure and Income					-	(13,703)	(13,703)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,448)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,448)</b>	<b>(13,703)</b>	<b>(18,151)</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	4,261		(162)	(79)	4,020	(4,020)	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(187)</b>	<b>-</b>	<b>(162)</b>	<b>(79)</b>	<b>(428)</b>	<b>(17,723)</b>	<b>(18,151)</b>
Transfer to/from Earmarked Reserves (note 7)	32	(32)			-		-
<b>Increase/Decrease in Year</b>	<b>(155)</b>	<b>(32)</b>	<b>(162)</b>	<b>(79)</b>	<b>(428)</b>	<b>(17,723)</b>	<b>(18,151)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(3,342)</b>	<b>(7,568)</b>	<b>(921)</b>	<b>(1,387)</b>	<b>(13,218)</b>	<b>(25,655)</b>	<b>(38,873)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with IFRS, 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>2010/11 Gross Income £'000</b>	<b>Net Expenditure £'000</b>	<b>Gross Expenditure £'000</b>	<b>2009/10 Gross Income £'000</b>	<b>Net Expenditure £'000</b>
Central Services to the Public	10,222	(8,494)	<b>1,728</b>	9,937	(7,770)	<b>2,167</b>
Cultural, Environmental, Regulatory and Planning Services	22,856	(9,431)	<b>13,425</b>	21,089	(7,519)	<b>13,570</b>
Highways and Transport Services	2,125	(1,646)	<b>479</b>	1,920	(1,789)	<b>131</b>
Other Housing Services	29,237	(27,913)	<b>1,324</b>	26,761	(25,708)	<b>1,053</b>
Corporate and Democratic Core	2,812	(7)	<b>2,805</b>	2,374	(8)	<b>2,366</b>
Non-Distributed Costs	369	-	<b>369</b>	25	-	<b>25</b>
Exceptional Item (note 8)	(8,376)	-	<b>(8,376)</b>	-	-	-
<b>Cost of Services</b>	<b>59,245</b>	<b>(47,491)</b>	<b>11,754</b>	<b>62,106</b>	<b>(42,794)</b>	<b>19,312</b>
Other Operating Expenditure (note 9)			1,881			2,142
Financing and Investment Income and Expenditure (note 10)			865			1,178
Taxation and Non-Specific Grant Income (note 11)			(18,948)			(20,122)
<b>(Surplus) or Deficit on Provision of Services (note 28)</b>			<b>(4,448)</b>			<b>2,510</b>
Surplus or deficit on revaluation of non-current assets			967			(111)
Actuarial gains/losses on pension assets/liabilities			(14,670)			20,896
<b>Other Comprehensive Income and Expenditure</b>			<b>(13,703)</b>			<b>20,785</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(18,151)</b>			<b>23,295</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, ie 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 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Property, Plant and Equipment	12	44,693	48,829	49,091
Intangible Assets	14	77	77	48
Long Term Investments	15 + 46	8	8	8
Long Term Debtors	15 + 47	41	49	54
<b>Long Term Assets</b>		<b>44,819</b>	<b>48,963</b>	<b>49,201</b>
Short Term Investments	15	7,049	8,037	11,204
Inventories	16	91	121	61
Short Term Debtors	17	10,771	6,899	3,079
Cash and Cash Equivalents	19	903	951	1,987
Current Assets Held for Sale	18	16	115	938
<b>Current Assets</b>		<b>18,830</b>	<b>16,123</b>	<b>17,269</b>
Short Term Creditors	20	(5,468)	(3,457)	(3,017)
Capital Grants Receipts in Advance	22	(79)	(176)	(125)
<b>Current Liabilities</b>		<b>(5,547)</b>	<b>(3,633)</b>	<b>(3,142)</b>
Other Long Term Liabilities (Including Pension Liability)	15 + 39	(18,363)	(40,323)	(18,822)
Capital Grants Receipts in Advance	22	(866)	(408)	(489)
<b>Long Term Liabilities</b>		<b>(19,229)</b>	<b>(40,731)</b>	<b>(19,311)</b>
<b>Net Assets</b>		<b>38,873</b>	<b>20,722</b>	<b>44,017</b>
Usable reserves	23	(13,218)	(12,790)	(13,571)
Unusable reserves	24	(25,655)	(7,932)	(30,446)
<b>Total Reserves</b>		<b>(38,873)</b>	<b>(20,722)</b>	<b>(44,017)</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 (ie borrowing) to the Council.

	2010/11 £'000	2009/10 £'000
Net (surplus) or deficit on the provision of services	(4,448)	2,510
Adjust for non cash movements (note 25)	2,138	(1,312)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26)	518	906
Net cash flows from Operating Activities	<b>(1,792)</b>	<b>2,104</b>
Investing Activities (note 26)	(2,113)	(3,664)
Financing Activities (note 27)	3,953	2,596
Net (increase) or decrease in cash and cash equivalents	<b>48</b>	<b>1,036</b>
Cash and cash equivalents at the beginning of the reporting period	(951)	(1,987)
<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>(903)</b>	<b>(951)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

The maximum level of rounding used within the Statement of Accounts is £1,000

#### 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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.
- 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.
- 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 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 fixed 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.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. 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

### **E 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 relevant service 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.

### Post Employment Benefits

The Council contributes to the Local Government Pension Scheme, administered by Suffolk County Council, to provide 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 - ie 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 valuation requires the input of an actuary, who will work to the principles contained in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.
- 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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/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/credited to the Surplus/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 - debited to the Pensions Reserve
  - Contributions paid to the Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

### *Pensions impact on Council Tax*

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **F Events After the Balance Sheet Date**

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

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

Events taking place after the Authorised for Issue date are not reflected in the Statement of Accounts.

### **G 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.

### **H 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.

### **I 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### J 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.

### K Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

### **L 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 2010/11 Code of Practice on Local Authority Accounting (The Code), the Council's accounting relationship with SCS for 2010/11 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.

SCS has an accounting date of 30 January, and the Accounts for the period to 30 January 2011 were received by the Council in August 2011. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

### **M Inventories**

Inventories are 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **N 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.

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 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.

### **O 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.

### **P 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.

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 asset. 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 an asset, the 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 (ie 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 fixed 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.

### *Operating Leases*

Where the Council grants an operating lease over an asset, 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Q 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

### **R 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, ie 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 Authority'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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### S 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 any assets acquired other than by purchase (for example exchange for non-monetary asset) is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, 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 the amount that would be paid for the asset in its existing use (existing use value - EUV)

## NOTES TO THE CORE FINANCIAL STATEMENTS

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2010/11 is 1 April 2010. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a

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 asset

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 should have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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 fixed 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Depreciation

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

Depreciation is calculated on the following bases:

- Council Dwellings - straight-line allocation over 40 years
- Other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant 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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### T 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 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.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

### **U 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/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 and retirement benefits and therefore do not represent usable resources for the Council - these Unusable Reserves are explained elsewhere within the Accounting Statements.

### **V 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **W 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 "Revenue Activities" only the cashflows 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 as a net increase / decrease in other liquid resources.

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 management of liquid resources as a net increase/decrease in other liquid resources.

### **X 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

Local Authorities are now required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (ie on or before 1 January 2011 for 2010/11).

For the 2011/12 Statement of Accounts, the CIPFA Code will include the adoption of FRS 30 for Heritage Assets. The requirements will be as follows:

An authority shall, where material, disclose the following items in the 2010/11 financial statements (to the extent that the information is known or reasonably estimable):

- a) narrative, related to the authority's specific circumstances, explaining that heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30;
- b) the carrying amount of assets expected to be reclassified as heritage assets, and their classification in the 2010/11 financial statements;
- c) the expected amount of any revaluation gains and losses to be recognised on reclassification; and
- d) the expected change in depreciation and impairment to be recognised in 2010/11.

The value of Heritage Assets currently held in the Balance Sheet as Community Assets within Property, Plant & Equipment at 31 March 2011 is £12,000. This valuation relates to the Martello Tower at Felixstowe and has been accounted for and valued as an operational asset. It is believed that reclassification of this asset will not have a material impact on the 31 March 2012 Balance sheet from either revaluation or depreciation.

The Council also holds information on the value of a collection of Roman coins and civic regalia (for insurance purposes) and the value of these assets not currently held on the balance sheet is £15,000. At 31 March 2011 the impact of including these as heritage assets on the 31 March 2012 Balance Sheet is unknown.

During 2011/12 further work will be undertaken to identify all heritage assets including those already shown on the Council's Balance Sheet. All operational assets shall be valued in the same way as other assets of that class. Where there are heritage assets that are not used operationally by the Council, work will be undertaken to obtain historic cost or current valuation for inclusion within the 2011/12 accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

## 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 2011 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	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.
Pensions Liability	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.	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 (for example the recent change in the government's preferred inflationary index is disclosed in Note 8). It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors for £3.728m. A review of significant balances suggested that an allowance for doubtful debts of £890k was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £214k to be set aside as an allowance. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 £32.5 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 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 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Head of Financial Services on 29 September 2011 and has been amended following the completion of the audit process. 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 2011, 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 2010/11 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 were no non-adjusted Post Balance Sheet Events to disclose.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 6 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.

2009/10	Usable Reserves					
	General Fund Balance £'000	Capital Receipts Reserve £'000	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	(2,170)	-	-	(2,170)	2,170	-
Revaluation losses on Property, Plant and Equipment	(602)	-	-	(602)	602	-
Amortisation of intangible assets	(38)	-	-	(38)	38	-
Capital grants and contributions that have been applied to capital financing	2,714	-	-	2,714	(2,714)	-
Revenue expenditure funded from capital under statute	(748)	-	-	(748)	748	-
Revenue expenditure funded from section 106 receipts	(302)	-	-	(302)	302	-
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	(1,109)	-	-	(1,109)	1,109	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Capital expenditure charged against the General Fund balance	335	-	-	335	(335)	-
<b>Adjustment involving the Capital Grants Unapplied Account</b>						
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	144	-	(144)	-	-	-
Application of grants to capital financing	(538)	-	538	-	-	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Adjustments involving the Capital Receipts Reserve:**

Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	906	(901)	-	<b>5</b>	(5)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	747	-	<b>747</b>	(747)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3)	3	-	-	-	-

### **Adjustments involving the Deferred Capital Receipts Reserve**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	(5)	-	<b>(5)</b>	5	-
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### **Adjustments involving the Pensions Reserve:**

Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 39)	(2,386)	-	-	<b>(2,386)</b>	2,386	-
Employer's pensions contributions and direct payments to pensioners payable in the year	1,781	-	-	<b>1,781</b>	(1,781)	-

### **Adjustments involving the Collection Fund Adjustment**

#### **Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	49	-	-	<b>49</b>	(49)	-
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### **Total Adjustments**

	<b>(1,967)</b>	<b>(156)</b>	<b>394</b>	<b>(1,729)</b>	<b>1,729</b>	<b>-</b>
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## NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11	Usable Reserves					Total
General Fund Balance £'000	Capital Receipts Reserve £'000	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	(1,933)	-	-	(1,933)	1,933	-
Revaluation losses on Property, Plant and Equipment	(2,049)	-	-	(2,049)	2,049	-
Amortisation of intangible assets	(33)	-	-	(33)	33	-
Capital grants and contributions that have been applied to capital financing	1,565	-	-	1,565	(1,565)	-
Revenue expenditure funded from capital under statute	(685)	-	-	(685)	685	-
Revenue expenditure funded from section 106 receipts	(355)	-	-	(355)	355	-
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	(304)	-	-	(304)	304	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Capital expenditure charged against the General Fund balance	140	-	-	140	(140)	-
<b>Adjustment involving the Capital Grants Unapplied Account</b>						
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	264	-	(264)	-	-	-
Application of grants to capital financing	(179)	-	185	6	(6)	-
<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	518	(510)	-	8	(8)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	354	-	354	(354)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2)	2	-	-	-	-
Housing Act Advances	-	(5)	-	(5)	5	-

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Adjustments involving the Deferred Capital Receipts Reserve

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

	-	(3)		(3)	3	-
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### Adjustments involving the Pensions Reserve:

Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 39)

	5,241	-	-	5,241	(5,241)	-
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Employer's pensions contributions and direct payments to pensioners payable in the year

	2,049	-	-	2,049	(2,049)	-
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### Adjustments involving the Collection Fund Adjustment Account:

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

	24	-	-	24	(24)	-
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### Total Adjustments

	4,261	(162)	(79)	4,020	(4,020)	-
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## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7 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 2009/10 and 2010/11.

	Balance 1 April 2009 £'000	Transfers Out 2009/10 £'000	Transfers In 2009/10 £'000	Balance 31 March 2010 £'000	Transfers Out 2010/11 £'000	Transfers in 2010/11 £'000	Balance 31 March 2011 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Actuarial Contributions	1,301	(301)		1,000	(401)	322	921	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Benefit Verification	6	(3)	50	53	(53)	100	100	To provide a source of finance to implement Government legislative changes.
Business Incentive	1,945	(399)	49	1,595	(302)	-	1,293	To support economic development throughout the district.
Capital	1,419	(171)	205	1,453	(140)	62	1,375	To provide an additional source of finance for unspecified capital investment plans.
Climate Change	22	-	12	34	(6)	30	58	To provide an additional source of finance for initiatives to reduce climate change.
Coast Protection	135	-	-	135	-	83	218	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Contracts Renewal	75	(75)	-	-	-	-	-	To provide a source of finance to fund the one-off costs associated with contract renewals.
County Sports Partnership	50	-	-	50	-	-	50	Money held for core funding and active participation projects.
Efficiency Measures	393	(130)	-	263	(13)	-	250	To meet the cost of one-off investments in order to achieve long-term and continuing reductions in revenue expenditure
Elections	24	-	18	42	-	18	60	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Grants	273	(72)	60	261	(72)	60	249	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	438	-	360	798	-	-	798	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	72	-	20	92	-	20	112	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 2009 £'000</b>	<b>Transfers Out 2009/10 £'000</b>	<b>Transfers In 2009/10 £'000</b>	<b>Balance 31 March 2010 £'000</b>	<b>Transfers Out 2010/11 £'000</b>	<b>Transfers in 2010/11 £'000</b>	<b>Balance 31 March 2011 £'000</b>	<b>Purpose of the Earmarked Reserve</b>
Land Charges	-	-	-	-	-	47	47	To provide a source of finance to implement service enhancements.
Landguard Nature Reserve	6	(6)	-	-	-	-	-	To provide a source of finance for maintaining the Landguard Nature Reserve at Felixstowe.
Local Development Framework	284	(51)	-	233	(82)	-	151	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
Local Government Review & Shared Services	300	(36)	-	264	(44)	-	220	To meet potential one-off costs arising from Shared Services.
Planning Delivery	383	(184)	-	199	(157)	-	42	Represents sums set aside for improvements to the planning process in line with the Council's Best Value Improvement Plan.
Port Health	855	(640)	796	1,011	(488)	877	1,400	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	65	(15)	-	50	(8)	-	42	To provide a source of finance to enhance communities within the district.
Recycling and Waste Management	-	-	-	-	-	150	150	To provide a source of finance to fund the one-off costs associated with waste reduction.
Suffolk Energy Action Link	7	(4)	-	3	(3)	-	-	Monies held to promote energy efficiency across the district.
<b>Total</b>	<b>8,053</b>	<b>(2,087)</b>	<b>1,570</b>	<b>7,536</b>	<b>(1,769)</b>	<b>1,801</b>	<b>7,568</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8 Comprehensive Income and Expenditure Statement - Material Items of Income and Expense

	2010/11 £'000	2009/10 £'000
Exceptional Item - Change to Pension Obligation due to change in Inflation assumptions from RPI to CPI	(8,376)	-
<b>Total</b>	<b><u>(8,376)</u></b>	<b><u>-</u></b>

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

	2010/11 £'000	2009/10 £'000
Parish council precepts	2,092	1,936
Payments to the Government Housing Capital Receipts Pool	2	3
Gains/losses on the disposal of non current assets	(213)	203
<b>Total</b>	<b><u>1,881</u></b>	<b><u>2,142</u></b>

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

	2010/11 £'000	2009/10 £'000
Interest payable and similar charges	8	(16)
Pensions interest cost and expected return on pensions assets	1,046	1,473
Interest receivable and similar income (note 45)	(189)	(279)
<b>Total</b>	<b><u>865</u></b>	<b><u>1,178</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2010/11 £'000	2009/10 £'000
Council tax income	(9,532)	(9,145)
Non domestic rates	(7,214)	(6,581)
Non-ringfenced government grants	(1,084)	(2,334)
Capital grant and contributions	(1,118)	(2,062)
<b>Total</b>	<b><u>(18,948)</u></b>	<b><u>(20,122)</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 12 Property, Plant and Equipment

#### Movements on Balances

<b>Movements in 2010/11:</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>Land awaiting Development £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>									
At 1 April 2010	208	36,285	7,639	15,290	134	677	-	-	<b>60,233</b>
Restatement	-	20	141	(130)	(20)	-	-	-	<b>11</b>
Additions	-	284	209	248	-	1	232	-	<b>974</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(1,236)	-	-	-	(45)	-	-	<b>(1,281)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(2,763)	-	-	-	(18)	-	-	<b>(2,781)</b>
Derecognition - Disposals	-	(141)	(9)	-	(1)	(26)	-	-	<b>(177)</b>
Assets reclassified (to)/from Held for Sale	-	(4)	-	-	-	16	-	-	<b>12</b>
Other movements in Cost or Valuation	-	(16)	-	-	-	(20)	-	-	<b>(36)</b>
<b>At 31 March 2011</b>	<b>208</b>	<b>32,429</b>	<b>7,980</b>	<b>15,408</b>	<b>113</b>	<b>585</b>	<b>232</b>	<b>-</b>	<b>56,955</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	4	1,462	5,168	4,763	7	-	-	-	<b>11,404</b>
Restatement	-	-	7	(15)	-	-	-	-	<b>(8)</b>
Depreciation charge	4	517	750	670	-	-	-	-	<b>1,941</b>
Depreciation written out to the Revaluation Reserve	-	(329)	-	-	-	(1)	-	-	<b>(330)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(730)	-	-	-	(2)	-	-	<b>(732)</b>
Derecognition - Disposals	-	(9)	(4)	-	-	-	-	-	<b>(13)</b>
Other movements in Depreciation and Impairment	-	(3)	-	-	-	3	-	-	<b>-</b>
<b>At 31 March 2011</b>	<b>8</b>	<b>908</b>	<b>5,921</b>	<b>5,418</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,262</b>
<b>Net Book Value</b>									
<b>At 31 March 2011</b>	<b>200</b>	<b>31,521</b>	<b>2,059</b>	<b>9,990</b>	<b>106</b>	<b>585</b>	<b>232</b>	<b>-</b>	<b>44,693</b>
<b>At 31 March 2010</b>	<b>204</b>	<b>34,823</b>	<b>2,471</b>	<b>10,527</b>	<b>127</b>	<b>677</b>	<b>-</b>	<b>-</b>	<b>48,829</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comparative Movements in 2009/10:

	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	Land awaiting Development £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>									
At 1 April 2009	287	39,704	6,499	14,072	113	723	-	-	<b>61,398</b>
Additions	-	197	1,265	1,218	-	-	-	-	<b>2,680</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(1,778)	-	-	25	-	-	-	<b>(1,753)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(79)	(1,635)	-	-	(4)	-	-	-	<b>(1,718)</b>
Derecognition - Disposals	-	(123)	(124)	-	-	(46)	-	-	<b>(293)</b>
Assets reclassified (to)/from Held for Sale	-	(80)	-	-	-	-	-	-	<b>(80)</b>
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-
<b>At 31 March 2010</b>	<b>208</b>	<b>36,285</b>	<b>7,640</b>	<b>15,290</b>	<b>134</b>	<b>677</b>	<b>-</b>	<b>-</b>	<b>60,234</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2009	32	3,832	4,445	3,991	7	-	-	-	<b>12,307</b>
Depreciation charge	4	609	785	772	-	-	-	-	<b>2,170</b>
Depreciation written out to the Revaluation Reserve	-	(1,870)	-	-	-	-	-	-	<b>(1,870)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(32)	(1,085)	-	-	-	-	-	-	<b>(1,117)</b>
Derecognition - Disposals	-	(24)	(61)	-	-	-	-	-	<b>(85)</b>
Derecognition - Other	-	-	-	-	-	-	-	-	<b>-</b>
<b>At 31 March 2010</b>	<b>4</b>	<b>1,462</b>	<b>5,169</b>	<b>4,763</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,405</b>
<b>Net Book Value</b>									
<b>At 31 March 2010</b>	<b>204</b>	<b>34,823</b>	<b>2,471</b>	<b>10,527</b>	<b>127</b>	<b>677</b>	<b>-</b>	<b>-</b>	<b>48,829</b>
<b>At 1 April 2009</b>	<b>255</b>	<b>35,872</b>	<b>2,054</b>	<b>10,081</b>	<b>106</b>	<b>723</b>	<b>-</b>	<b>-</b>	<b>49,091</b>

## 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 2011, the Council has capital commitments in relation to Property, Plant & Equipment estimated at £151,000

### 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 Authority 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 external valuers, NPS Property Consultants Ltd. 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. Property, Plant & Equipment revalued in the year have been valued to their current Fair Value on an Existing Use bases. The effective date of revaluation of those assets revalued during 2010/11 is 1 April 2010.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	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 £'000
Carried at historical cost			7980	15408	113		232	23,733
Value at fair value as at:								
31 March 2011		17,941				585		18,526
31 March 2010	208	8,315						8,523
31 March 2009		1,409						1,409
31 March 2008		4,715						4,715
31 March 2007		49						49
<b>Total Cost or Valuation</b>	<b>208</b>	<b>32,429</b>	<b>7,980</b>	<b>15,408</b>	<b>113</b>	<b>585</b>	<b>232</b>	<b>56,955</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 Investment Properties

The council has no assets that meet the definition of Investment Properties under IFRS. Assets previously identified as Investment Properties in prior year Statement of Accounts have been reclassified as Property, Plant & Equipment under the 2010/11 CIPFA Code of Practice.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14 Intangible Assets

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

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

	<b>Internally Generated Assets £'000</b>	<b>2010/11 Other Assets £'000</b>	<b>Total £'000</b>	<b>Internally Generated Assets £'000</b>	<b>2009/10 Other Assets £'000</b>	<b>Total £'000</b>
Balance at start of year:						
• Gross carrying amount	-	573	<b>573</b>	-	506	<b>506</b>
Restatement	-	(11)	<b>(11)</b>	-	-	-
• Accumulated amortisation	-	(496)	<b>(496)</b>	-	(458)	<b>(458)</b>
Restatement	-	2	<b>2</b>	-	-	-
Net carrying amount at start of year	<b>-</b>	<b>68</b>	<b>68</b>	<b>-</b>	<b>48</b>	<b>48</b>
Additions:						
• Internal development	-	-	-	-	-	-
• Purchases	-	45	<b>45</b>	-	67	<b>67</b>
Amortisation for the period	-	(36)	<b>(36)</b>	-	(38)	<b>(38)</b>
Other changes	-	-	-	-	-	-
Net carrying amount at end of year	<b>-</b>	<b>77</b>	<b>77</b>	<b>-</b>	<b>77</b>	<b>77</b>
Comprising						
• Gross carrying amount	-	607	<b>607</b>	-	573	<b>573</b>
• Accumulated amortisation	-	(530)	<b>(530)</b>	-	(496)	<b>(496)</b>
	<b>-</b>	<b>77</b>	<b>77</b>	<b>-</b>	<b>77</b>	<b>77</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### **Capital Commitments**

At 31 March 2011, the Council has no capital commitments in relation to Intangible Assets (31 March 2010 nil)

### **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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15 Financial Instruments

#### *Categories of Financial Instruments*

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

	31 March 2011 £'000	Long-term 31 March 2010 £'000	1 April 2009 £'000	31 March 2011 £'000	Current 31 March 2010 £'000	1 April 2009 £'000
<b>Investments</b>						
Loans and receivables	8	8	8	7,049	8,037	11,204
<b>Total investments</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>7,049</b>	<b>8,037</b>	<b>11,204</b>
<b>Debtors</b>						
Loans and receivables	41	49	54	4,089	3,335	3,378
<b>Total debtors</b>	<b>41</b>	<b>49</b>	<b>54</b>	<b>4,089</b>	<b>3,335</b>	<b>3,378</b>
<b>Creditors</b>						
Financial liabilities at amortised cost	-	-	-	(3,354)	(2,536)	(2,438)
<b>Total creditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,354)</b>	<b>(2,536)</b>	<b>(2,438)</b>
<b>Total Financial Instruments</b>	<b>49</b>	<b>57</b>	<b>62</b>	<b>7,784</b>	<b>8,836</b>	<b>12,144</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2010/11					2009/10				
	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	
	2010/11 £'000	2010/11 £'000	2010/11 £'000	2010/11 £'000	2010/11 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000	2009/10 £'000
Interest expense	8	-	-	-	8	(16)	-	-	-	(16)
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16)</b>
Interest income	-	(189)	-	-	(189)	-	(279)	-	-	(279)
Interest income accrued on impaired financial assets	-	-	-	-	-	-	-	-	-	-
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(189)</b>	<b>-</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>(279)</b>
Gains on revaluation	-	-	-	-	-	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
<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>8</b>	<b>(189)</b>	<b>-</b>	<b>-</b>	<b>(181)</b>	<b>(16)</b>	<b>(279)</b>	<b>-</b>	<b>-</b>	<b>(295)</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:

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities	3,354	3,354	2,536	2,536	2,438	2,438

	31 March 2011		31 March 2010		1 April 2009	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Loans and receivables	11,187	11,187	11,429	11,429	14,644	14,644

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16 Inventories

	Trading Stocks		Other Minor Stocks		Works in Progress		Total	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
<b>Balance outstanding at start of year</b>	-	-	61	32	60	29	<b>121</b>	<b>61</b>
Purchases	-	-	92	82	26	31	<b>118</b>	<b>113</b>
Recognised as an expense in the year	-	-	(111)	(53)	(37)		<b>(148)</b>	<b>(53)</b>
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
<b>Balance outstanding at year-end</b>	-	-	<b>42</b>	<b>61</b>	<b>49</b>	<b>60</b>	<b>91</b>	<b>121</b>

### 17 Debtors

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Central Government bodies	7,672	3,733	945
Other Local Authorities	1,228	646	528
NHS bodies	-	-	-
Public corporations and trading funds	-	-	-
Council Taxpayers	357	196	298
Other entities and individuals	2,064	2,994	1,952
Prepayments	414	131	205
Unsecured Loans (falling due after one year)	-	-	-
<b>Total</b>	<b>11,735</b>	<b>7,700</b>	<b>3,928</b>
<b>less Bad Debt Impairment Provisions</b>			
Council Taxpayers	(74)	(75)	(71)
Other service debtors	(890)	(726)	(778)
<b>Total</b>	<b>10,771</b>	<b>6,899</b>	<b>3,079</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18 Assets Held for Sale

	Current		Non Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
<b>Balance outstanding at start of year</b>	<b>115</b>	<b>938</b>	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	24	80	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	(1)	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	(123)	(902)	-	-
Transfers from non current to current	-	-	-	-
[Other movements]	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>16</b>	<b>115</b>	<b>-</b>	<b>-</b>

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Cash held by officers	2	2	-
Bank current accounts	901	949	1,987
Short-term deposits with building societies	-	-	-
<b>Total</b>	<b>903</b>	<b>951</b>	<b>1,987</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

In addition to the cash and cash equivalents shown on the balance sheet at 31 March 2011, the Council also holds a total of £1,346,000 in relation to Partnerships which it hosts (31 March 2010 £1,150,000)

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>1 April 2009 £'000</b>
County Sports Partnership	749	876	429
Local Strategic Partnership	597	274	165
<b>Total</b>	<b><u>1,346</u></b>	<b><u>1,150</u></b>	<b><u>594</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20 Creditors

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Central Government bodies	1,511	302	387
Other Local Authorities	1,255	959	457
NHS bodies	2	-	-
Public corporations and trading funds	40	13	17
Other entities and individuals	1,499	1,182	1,601
Receipts in Advance	1,161	1,001	555
<b>Total</b>	<b>5,468</b>	<b>3,457</b>	<b>3,017</b>

### 21 Provisions

The Council had no provisions as at 31 March 2011 (31 March 2010 £Nil)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22 Grant Income

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

	2010/11 £'000	2009/10 £'000
<b>Credited to Taxation and Non-Specific Grant Income</b>		
Non domestic rates	(7,214)	(6,581)
Non-ringfenced government grants	(1,084)	(2,334)
Capital grant and contributions	(1,118)	(2,062)
<b>Total</b>	<b>(9,416)</b>	<b>(10,977)</b>
<b>Credited to Services</b>		
Council Tax Benefits Subsidy	7,357	6,718
Housing Benefits Subsidy	25,433	23,522
Benefits Administration Grant	734	823
Housing and Planning Delivery Grant	-	715
Concessionary Fares Grant	130	313
Disabled Facilities Grants	532	619
Other Grants	575	674
<b>Total</b>	<b>34,761</b>	<b>33,384</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 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>			
s106 Contributions	79	176	125
<b>Total</b>	<b>79</b>	<b>176</b>	<b>125</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>			
s106 Contributions	758	408	489
Coast Protection	108	-	-
<b>Total</b>	<b>866</b>	<b>408</b>	<b>489</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23 Balance Sheet - Usable Reserves

	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
<u>Held for Capital Purposes</u>			
Capital Receipts Reserve	(921)	(759)	(603)
Capital Grants Unapplied Reserve	(1,387)	(1,308)	(1,702)
Earmarked Reserves	(1,593)	(1,588)	(1,554)
	<b>(3,901)</b>	<b>(3,655)</b>	<b>(3,859)</b>
<u>Held for Revenue Purposes</u>			
General Fund	(3,342)	(3,187)	(3,213)
Earmarked Reserves	(5,975)	(5,948)	(6,499)
	<b>(9,317)</b>	<b>(9,135)</b>	<b>(9,712)</b>
<b>Total Usable Reserves</b>	<b>(13,218)</b>	<b>(12,790)</b>	<b>(13,571)</b>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement notes 6 and 7 where the purpose of each Earmarked Reserve is specified. The purpose of the remaining Usable Reserves is detailed below;

#### **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

### 24 Balance Sheet - Unusable Reserves

	<b>31st March 2011 £'000</b>	<b>31st March 2010 £'000</b>
Revaluation Reserve	(7,597)	(8,724)
Available for Sale Financial Instruments Reserve	-	-
Capital Adjustment Account	(36,270)	(39,401)
Deferred Capital Receipts Reserve	(90)	(93)
Pensions Reserve	18,363	40,323
Collection Fund Adjustment Account	(61)	(37)
Accumulating Compensated Absences Adjustment Account	-	-
<b>Total Unusable Reserves</b>	<b>(25,655)</b>	<b>(7,932)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>(8,724)</b>	<b>(9,531)</b>
Upward revaluation of assets	(1,043)	(795)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,010	684
<b>Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement</b>	<b>967</b>	<b>(111)</b>
Difference between fair value depreciation and historical cost depreciation	52	96
Accumulated gains on assets sold or scrapped	108	822
<b>Amount written off to the Capital Adjustment Account</b>	<b>160</b>	<b>918</b>
<b>Balance at 31 March</b>	<b>(7,597)</b>	<b>(8,724)</b>

### Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>(39,401)</b>	<b>(39,652)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non current assets	1,933	2,170
• Revaluation losses on Property, Plant and Equipment	2,049	602
• Amortisation of intangible assets	33	38
• Revenue expenditure funded from capital under statute	685	748
• Revenue expenditure funded from section 106 receipts	355	302
• 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	304	1,109
• Housing Act Advances	5	-
• Other	(14)	(5)
Adjusting amounts written out of the Revaluation Reserve		
• Amortisation of Revaluation Reserve	(52)	(95)
• Amounts written out on disposal of assets	(108)	(822)
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	(354)	(747)
• Use of the Major Repairs Reserve to finance new capital expenditure		
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,565)	(2,714)
• Application of grants to capital financing from the Capital Grants Unapplied Account		
• Statutory provision for the financing of capital investment charged against the General Fund balance	-	-
• Capital expenditure charged against the General Fund balance	(140)	(335)
<b>Balance at 31 March</b>	<b><u>(36,270)</u></b>	<b><u>(39,401)</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains 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.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	(93)	(98)
Transfer to the Capital Receipts Reserve upon receipt of cash	3	5
<b>Balance at 31 March</b>	<b>(90)</b>	<b>(93)</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.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>40,323</b>	<b>18,822</b>
Actuarial gains or losses on pensions assets and liabilities	(14,670)	20,896
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	(5,241)	2,386
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,049)	(1,781)
<b>Balance at 31 March</b>	<b>18,363</b>	<b>40,323</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.

	2010/11 £'000	2009/10 £'000
<b>Balance at 1 April</b>	(37)	12
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	(24)	(49)
<b>Balance at 31 March</b>	(61)	(37)

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2010/11 £'000	2009/10 £'000
The following non-cash items have been adjusted in the Cash Flow Statement:		
Depreciation and Amortisation of Intangible Assets	1,966	2,208
Impairment and Downward valuations	2,049	601
Change in Creditors	2,169	(38)
Change in Debtors	(148)	(865)
Change in Inventory	30	(60)
Pension Liability	(7,290)	605
Carrying value of Non-Current Assets disposed	288	1,116
Other non-cash items charged to Surplus / Deficit on Provision of Services	(1,202)	(2,255)
	<b><u>(2,138)</u></b>	<b><u>1,312</u></b>
Interest received	(176)	(438)
Interest paid	-	-
<b>Total</b>	<b><u>(176)</u></b>	<b><u>(438)</u></b>

### 26 Cash Flow Statement - Investing Activities

	2010/11 £'000	2009/10 £'000
Purchase of property, plant and equipment, investment property and intangible assets	1,129	2,594
Purchase of short-term and long-term investments	97,000	108,200
Other payments for investing activities	117	76
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(518)	(906)
Proceeds from short-term and long-term investments	(98,000)	(111,200)
Other receipts from investing activities	(1,841)	(2,428)
<b>Net cash flows from investing activities</b>	<b><u>(2,113)</u></b>	<b><u>(3,664)</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 27 Cash Flow Statement - Financing Activities

	2010/11 £'000	2009/10 £'000
Cash receipts of short- and long-term borrowing	-	-
Other receipts from financing activities	-	(275)
Other payments for financing activities	3,953	2,871
<b>Net cash flows from financing activities</b>	<b>3,953</b>	<b>2,596</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28 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 Best Value Accounting Code of Practice (BVACOP). 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.
- expenditure on some support services is budgeted for centrally and not charged to Priority Themes.

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

<b>Service Income and Expenditure</b>	<b>2010/11</b>					<b>Total £'000</b>
	<b>Community Well Being £'000</b>	<b>Economy £'000</b>	<b>Housing £'000</b>	<b>Natural &amp; Built Environment £'000</b>	<b>Fiscal &amp; Democratic Services £'000</b>	
Fees, charges & other service income	(4,560)	(1,999)	(842)	(1,283)	(602)	<b>(9,286)</b>
Government grants	(952)	(284)	(34,428)	(1,996)	(545)	<b>(38,205)</b>
<b>Total Income</b>	<b>(5,512)</b>	<b>(2,283)</b>	<b>(35,270)</b>	<b>(3,279)</b>	<b>(1,147)</b>	<b>(47,491)</b>
Employee expenses	3,451	458	1,609	2,411	1,211	<b>9,140</b>
Other service expenses	5,340	1,694	34,452	6,789	1,336	<b>49,611</b>
Support services recharges	853	445	837	1,353	3,009	<b>6,497</b>
<b>Total Expenditure</b>	<b>9,644</b>	<b>2,597</b>	<b>36,898</b>	<b>10,553</b>	<b>5,556</b>	<b>65,248</b>
<b>Net Expenditure</b>	<b>4,132</b>	<b>314</b>	<b>1,628</b>	<b>7,274</b>	<b>4,409</b>	<b>17,757</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Service Income and Expenditure

2009/10 Comparative Figures

	Community Well Being £'000	Economy £'000	Housing £'000	Natural & Built Environment £'000	Fiscal & Democratic Services £'000	Total £'000
Fees, charges & other service income	(3,651)	(1,922)	(493)	(1,016)	(592)	<b>(7,674)</b>
Government grants	(978)	(107)	(31,933)	(1,666)	(436)	<b>(35,120)</b>
<b>Total Income</b>	<b>(4,629)</b>	<b>(2,029)</b>	<b>(32,426)</b>	<b>(2,682)</b>	<b>(1,028)</b>	<b>(42,794)</b>
Employee expenses	2,830	435	1,371	2,119	893	<b>7,648</b>
Other service expenses	5,181	1,322	31,959	6,772	1,318	<b>46,552</b>
Support services recharges	854	365	683	990	2,453	<b>5,345</b>
<b>Total Expenditure</b>	<b>8,865</b>	<b>2,122</b>	<b>34,013</b>	<b>9,881</b>	<b>4,664</b>	<b>59,545</b>
<b>Net Expenditure</b>	<b>4,236</b>	<b>93</b>	<b>1,587</b>	<b>7,199</b>	<b>3,636</b>	<b>16,751</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.

	2010/11 £'000	2009/10 £'000
Net expenditure in the Service Analysis	17,757	16,751
Net expenditure of services and support services not included in the Analysis (note 8)	(8,376)	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,373	2,561
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>11,754</b>	<b>19,312</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.

	2010/11								
	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	(9,286)	-	-	(325)	(9,611)	-	(9,611)	-	(9,611)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(111)	(111)
Interest and investment income	-	-	-	-	-	(181)	(181)	-	(181)
Income from council tax	-	-	-	-	-	(9,532)	(9,532)	-	(9,532)
Government grants and contributions	(38,205)	-	-	(35)	(38,240)	(9,416)	(47,656)	-	(47,656)
<b>Total Income</b>	<b>(47,491)</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>(47,851)</b>	<b>(19,129)</b>	<b>(66,980)</b>	<b>(111)</b>	<b>(67,091)</b>
Employee expenses	9,140	(8,376)	-	3,570	4,334	-	4,334	-	4,334
Other services expenses	49,611	-	-	1,467	51,078	-	51,078	-	51,078
Support Service recharges	6,497	-	-	(6,319)	178	-	178	-	178
Depreciation, amortisation and impairment	-	-	2,373	1,642	4,015	-	4,015	-	4,015
Interest Payments	-	-	-	-	-	1,046	1,046	-	1,046
Precepts & Levies	-	-	-	-	-	2,092	2,092	-	2,092
Payments to Housing Capital Receipts Pool	-	-	-	-	-	2	2	-	2
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	(213)	(213)	-	(213)
<b>Total Expenditure</b>	<b>65,248</b>	<b>(8,376)</b>	<b>2,373</b>	<b>360</b>	<b>59,605</b>	<b>2,927</b>	<b>62,532</b>	<b>-</b>	<b>62,532</b>
<b>Surplus or deficit on the provision of services</b>	<b>17,757</b>	<b>(8,376)</b>	<b>2,373</b>	<b>-</b>	<b>11,754</b>	<b>(16,202)</b>	<b>(4,448)</b>	<b>(111)</b>	<b>(4,559)</b>

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 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	(7,674)	-	-	(413)	(8,087)	-	(8,087)	-	(8,087)
Surplus or deficit on associates and joint	-	-	-	-	-	-	-	(13)	(13)
Interest and investment income	-	-	-	-	-	(295)	(295)	-	(295)
Income from council tax	-	-	-	-	-	(9,145)	(9,145)	-	(9,145)
Government grants and contributions	(35,120)	-	-	(19)	(35,139)	(10,977)	(46,116)	-	(46,116)
<b>Total Income</b>	<b>(42,794)</b>	-	-	<b>(432)</b>	<b>(43,226)</b>	<b>(20,417)</b>	<b>(63,643)</b>	<b>(13)</b>	<b>(63,656)</b>
Employee expenses	7,648	-	-	3,887	11,535	-	11,535	-	11,535
Other services expenses	46,552	-	-	1,641	48,193	-	48,193	-	48,193
Support Service recharges	5,345	-	-	(5,390)	(45)	-	(45)	-	(45)
Depreciation, amortisation and impairment	-	-	2,561	294	2,855	-	2,855	-	2,855
Interest Payments	-	-	-	-	-	1,473	1,473	-	1,473
Precepts & Levies	-	-	-	-	-	1,936	1,936	-	1,936
Payments to Housing Capital Receipts Pool	-	-	-	-	-	3	3	-	3
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	203	203	-	203
<b>Total Expenditure</b>	<b>59,545</b>	-	<b>2,561</b>	<b>432</b>	<b>62,538</b>	<b>3,615</b>	<b>66,153</b>	-	<b>66,153</b>
<b>Surplus or deficit on the provision of services</b>	<b>16,751</b>	-	<b>2,561</b>	-	<b>19,312</b>	<b>(16,802)</b>	<b>2,510</b>	<b>(13)</b>	<b>2,497</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 29 Trading Operations

The Council does not operate any trading operations.

### 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.

	2010/11 £'000	2009/10 £'000
Grass Cutting		
Expenditure	175	169
Income	(63)	(62)
<b>Net (surplus)/deficit</b>	<b>112</b>	<b>107</b>
Tree Maintenance		
Expenditure	29	18
Income	(32)	(19)
<b>Net (surplus)/deficit</b>	<b>(3)</b>	<b>(1)</b>
Total Agency Services		
Expenditure	204	187
Income	(95)	(81)
<b>Net (surplus)/deficit</b>	<b>109</b>	<b>106</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 Members' Allowances

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

	2010/11 £'000	2009/10 £'000
Basic, Attendance and Special Responsibility Allowances	321	322
Subsistence and Expenses	18	22
<b>Total</b>	<b>339</b>	<b>344</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32 Officers' Remuneration

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

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compensation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total Including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Chief Executive	<b>2010/11</b>	<b>138,306</b>	<b>1,008</b>	-	<b>139,314</b>	<b>19,081</b>	<b>158,395</b>	-
	2009/10	138,306	216	-	138,522	18,996	157,518	-
Strategic Director	<b>2010/11</b>	<b>24,538</b>	<b>297</b>	-	<b>24,835</b>	<b>3,656</b>	<b>28,491</b>	-
	2009/10	82,236	663	-	82,899	12,198	95,097	-
Strategic Director	<b>2010/11</b>	<b>82,236</b>	<b>1,096</b>	-	<b>83,332</b>	<b>12,253</b>	<b>95,585</b>	-
	2009/10	82,236	1,014	-	83,250	12,198	95,448	-
Head of Finance	<b>2010/11</b>	<b>35,547</b>	<b>692</b>	-	<b>36,239</b>	<b>5,297</b>	<b>41,536</b>	-
	2009/10	-	-	-	-	-	-	-
Audit Partnership Manager	<b>2010/11</b>	<b>70,059</b>	<b>1,102</b>	-	<b>71,161</b>	<b>10,439</b>	<b>81,600</b>	-
	2009/10	71,034	920	-	71,954	10,537	82,491	-
Head of Planning Services	<b>2010/11</b>	<b>68,895</b>	<b>974</b>	-	<b>69,869</b>	<b>10,265</b>	<b>80,134</b>	-
	2009/10	68,895	638	-	69,533	10,220	79,753	-
Head of Legal and Democratic Services	<b>2010/11</b>	<b>59,034</b>	<b>642</b>	-	<b>59,676</b>	<b>8,796</b>	<b>68,472</b>	-
	2009/10	59,034	48	-	59,082	8,757	67,839	-
Head of Health Services	<b>2010/11</b>	<b>57,414</b>	<b>1,057</b>	-	<b>58,471</b>	<b>8,555</b>	<b>67,026</b>	-
	2009/10	57,414	730	-	58,144	8,516	66,660	-
Head of Housing and Benefits	<b>2010/11</b>	<b>45,263</b>	<b>857</b>	-	<b>46,120</b>	<b>6,416</b>	<b>52,536</b>	-
	2009/10	57,414	998	-	58,412	8,516	66,928	-
Head of Community and Economic Services	<b>2010/11</b>	<b>57,414</b>	<b>901</b>	-	<b>58,315</b>	<b>8,555</b>	<b>66,870</b>	-
	2009/10	57,414	410	-	57,824	8,516	66,340	-
Head of Strategic Services	<b>2010/11</b>	<b>54,906</b>	<b>646</b>	-	<b>55,552</b>	<b>8,181</b>	<b>63,733</b>	-
	2009/10	53,664	-	-	53,664	7,960	61,624	-

#### NOTE

Up to 30 September 2010 the posts of Chief Executive and Head of Planning Services were shared with Waveney District Council. The Council received contributions of £50,537 for the period 1st April 2010 to 30 September 2010 towards the costs of the shared Chief Executive (£94,895 for 2009/10 full year) and £24,517 in relation to the shared Head of Planning (£48,324 for full year 2009/10).

## NOTES TO THE CORE FINANCIAL STATEMENTS

With effect from 1 October 2010 the Council, in conjunction with its Preferred Partner, Waveney District Council, appointed a new shared senior management team. This incorporated, in addition to the Chief Executive, a Corporate Management Team of four directors, and a Senior Management Team of a further nine Heads of Service, together with the Audit Partnership and Partnership Programme Managers. The postholders continue to be employed by the authority 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. Seven 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 new Senior Management Team from 1 October 2010, 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 for the 6 months from 1 October 2010. In addition other transactions are disclosed in Note 34, Related Parties.

	<b>2010/11 Expenditure by SCDC £</b>	<b>2010/11 Expenditure by WDC £</b>
Shared Senior Management costs from 1 October 2010		
Chief Executive	85,225	
Strategic Director	53,115	
Strategic Director		50,373
Assistant Chief Executive		49,440
Director of Resources		54,747
Head of Environmental Services and Port Health	37,763	
Head of Customer Services and Commercial Partnerships		38,781
Head of Planning Services	45,686	
Head of Legal and Democratic Services	37,862	
Head of Strategic Housing and Tenant Services		37,874
Head of ICT and Corporate Services	35,823	
Head of Revenues and Benefits		38,287
Head of Financial Services	38,780	
Head of Community and Economic Services	38,003	
Senior Management direct support costs	26,671	41,456
Audit Partnership Manager	18,074	
Total spend	<b>417,002</b>	<b>310,958</b>
Net adjustment between councils	(53,022)	53,022
	<b>363,980</b>	<b>363,980</b>

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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>2010/11</b>		<b>2009/10</b>	
	<b>Number of employees</b>		<b>Number of employees</b>	
	<b>Total</b>	<b>Left in Year</b>	<b>Total</b>	<b>Left in Year</b>
£50,000 - £54,999	3	1	4	-
£55,000 - £59,999	7	-	7	-
£60,000 - £64,999	1	1	-	-
£65,000 - £69,999	1	-	1	-
£70,000 - £74,999	1	-	1	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	1	-	2	-
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£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	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	1	-	1	-
	<hr/> <b>15</b> <hr/>	<hr/> <b>2</b> <hr/>	<hr/> <b>16</b> <hr/>	<hr/> <b>-</b> <hr/>

The above numbers include officers who were made redundant during the 2010/11 financial year, 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.

Within 2010/11, one officer that was within the £80,000 - £84,999, and one officer that was within the £55,000 - £59,999 bands within 2009/10 retired and are not included in the 2010/11 employee numbers above.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 33 External Audit Costs

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

	2010/11 £'000	2009/10 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	140	110
Fees payable to the Audit Commission in respect of Statutory Inspections	-	8
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	50	36
Fees payable in respect of other services provided by the appointed auditor during the year	-	-
<b>Total</b>	<b>190</b>	<b>154</b>

The table above shows planned fees payable to the body for the year of account in advance of the audit work being completed. Actual amounts charged to the Comprehensive Income and Expenditure Statement were £187k in 2010/11 (£202K in 2009/10).

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 34 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 22](#) along with details of any amounts received but not yet recognised in the CIES due to outstanding conditions at the Balance Sheet date.

#### 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 2010/11 is shown in note 31. During 2010/11, the Council made payments totalling £264k 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>2010/11</b>		<b>2009/10</b>	
	<b>Transactions</b>	<b>Balance</b>	<b>Transactions</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Precepts and levies paid to other Authorities:				
Environment Agency	9	-	9	-
Rivers and Drainage Authorities	52	-	48	-
Contributions received from other Authorities and Public Bodies:				
Waveney District Council - Audit Services	44	4	52	6
Waveney District Council - Print Services	17	2	12	3
Ipswich Borough Council	115	16	86	23
Suffolk County Council	1,712	814	1,875	184
Other Local Authorities	84	1	83	13
Transactions with Councillors				

## NOTES TO THE CORE FINANCIAL STATEMENTS

Suffolk Coastal District Council and Waveney 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 Suffolk Coastal DC is disclosed in the Explanatory Foreword and Note 32 to the Core Financial Statements.

### 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 1st February 2011, together with amounts outstanding between the Council and the Company at the end of March 2011, are set out in Note 43 to the Core Financial Statements.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35 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.

	2010/11 £'000	2009/10 £'000
<b><i>Opening Capital Financing Requirement</i></b>	-	-
<i>Capital investment</i>		
Property, Plant and Equipment	974	2,679
Intangible Assets	45	67
Revenue Expenditure Funded from Capital under Statute	685	748
	1,704	3,494
<b>Total Capital Investment</b>	<b>1,704</b>	<b>3,494</b>
<i>Sources of finance</i>		
Capital receipts	(354)	(747)
Government grants and other contributions	(1,210)	(2,412)
Sums set aside from revenue:		
Direct revenue contributions	(140)	(335)
<b><i>Closing Capital Financing Requirement</i></b>	-	-

#### ***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

### 36 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 31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Not later than one year	74	70
Later than one year and not later than five years	1	4
Later than five years	-	1
	<b><u>75</u></b>	<b><u>75</u></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 2010/11 £'000</b>	<b>2009/10 £'000</b>
Minimum lease payments ;		
Cultural, Environmental, Regulatory and Planning Services -		
Lease of land at Sweffling	1	1
Offices of the Port Health Authority.	57	55
Aldeburgh Tourist Information Centre	12	14
Woodbridge Tourist Information Centre	4	4
Other minor leases	1	1
	<b><u>75</u></b>	<b><u>75</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Disclosures as Lessor

#### *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 2010/11:</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Surplus £'000</b>	<b>Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>				
At 1 April 2010	208	18,691	51	18,950
Additions	-	65	-	65
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(1,346)	(8)	(1,354)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(627)	2	(625)
At 31 March 2011	208	16,783	45	17,036
<b>Accumulated Depreciation and Impairment</b>				
At 1 April 2010	4	434	-	438
Depreciation charge	4	347	-	351
Depreciation written out to the Revaluation Reserve	-	(300)	-	(300)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(50)	-	(50)
<b>At 31 March 2011</b>	8	431	-	439
<b>Net Book Value</b>				
<b>At 31 March 2011</b>	200	16,352	45	16,597
<b>At 31 March 2010</b>	204	18,257	51	18,512

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Not later than one year	173	173
Later than one year and not later than five years	593	605
Later than five years	1,536	1,651
	<u>2,302</u>	<u>2,429</u>

### **37 Impairment Losses**

During 2010/11, 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

### **38 Termination Benefits**

The Council terminated the contracts (via redundancy) of 26 employees in 2010/11, incurring liabilities of £402,941 (4 employees totalling £99,135 in 2009/10)

In addition three employees left due to ill health, incurring liabilities of £303,884 (one employee, £30,731 in 2009/10)

### 39 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

	<b>Local Government Pension Scheme</b>	
	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
Current service cost	1,717	888
Past Service cost	(8,072)	-
Settlements and Curtailments	68	25
 <i>Financing and Investment Income and Expenditure</i>		
Interest cost	4,818	4,090
Expected return on scheme assets	(3,772)	(2,617)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>(5,241)</u>	<u>2,386</u>
 <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial (gains) and losses	(14,670)	20,896
	<u>(14,670)</u>	<u>20,896</u>
 <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	5,241	(2,386)
 <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	2,049	1,781
<b><i>Pensions Reserve appropriation</i></b>	<u>7,290</u>	<u>(605)</u>
 The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £17.881m (£32.551m loss at 31 March 2010)		

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>Local Government Pension Scheme</b>	
	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	94,416	60,054
Current service cost	1,717	888
Interest cost	4,818	4,090
Contributions by scheme participants	548	550
Actuarial gains and losses	(13,270)	31,859
Benefits paid	(2,994)	(3,050)
Settlements and curtailments	68	25
Past service costs	(8,072)	-
Closing balance at 31 March	<b><u>77,231</u></b>	<b><u>94,416</u></b>

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

	<b>Local Government Pension Scheme</b>	
	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	54,093	41,232
Expected rate of return	3,772	2,617
Actuarial gains and losses	1,400	10,963
Employer contributions	2,049	1,781
Contributions by scheme participants	548	550
Settlements	-	-
Benefits paid	(2,994)	(3,050)
Closing balance at 31 March	<b><u>58,868</u></b>	<b><u>54,093</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The actual return on scheme assets in the year was a loss of £3.954m (2009/10: gain of £13.580m).

<b>Scheme history - Local Government Pension Scheme</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>Year to 31 Mar '08 £'000</b>	<b>Year to 31 Mar '07 £'000</b>
<b>Present value of liabilities</b>	(77,231)	(94,416)	(60,054)	(61,437)	(68,518)
<b>Fair value of assets</b>	58,868	54,093	41,232	54,006	54,464
<b>Surplus/(deficit) in the scheme</b>	<u>(18,363)</u>	<u>(40,323)</u>	<u>(18,822)</u>	<u>(7,431)</u>	<u>(14,054)</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 £18,363 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 2012 is £2.009m.

### **Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. 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 2011.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Local Government Pension Scheme</b>	
	<b>2010/11</b>	<b>2009/10</b>
The principal assumptions used by the actuary have been:		
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.4	20.8
Women	23.3	24.1
Longevity at 65 for future pensioners:		
Men	23.7	22.3
Women	25.7	25.7
Rate of inflation	3.6%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum		
Pre April 2008 service	25%	25%
Post April 2008 service	63%	63%
The Pension Scheme assets consist of the following categories, by proportion of the total assets held.		
	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>%</b>	<b>%</b>
Equity investments	69	68
Bonds	18	20
Property	9	9
Cash	4	3
	<b>100</b>	<b>100</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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:

	Year to 31 Mar '11 %	Year to 31 Mar '10 %	Year to 31 Mar '09 %	Year to 31 Mar '08 %	Year to 31 Mar '07 %
Differences between the expected and actual return on assets	2.4	20.2	(39.3)	(6.6)	1.0
Experience gains/(losses) on liabilities	-	-	-	0.5	-

### 40 Contingent Liabilities

At 31 March 2011, the Authority had the following material contingent liabilities:

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 not yet 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.

The Council has previously high-lighted a potential contingent liability in regard to the final settlement for 2007/08, 2008/09 and 2009/10 Concessionary Bus travel scheme following a request for a judicial review from one of the scheme's bus operators. The amount of any liability could not be established but the likelihood of this has receded in the year.

### 41 Contingent Assets

In 1998 the Council granted its consent for BT to run a fibre optic cable across its land at Aldeburgh beach. Agreement could not initially be reached as to the fee payable by BT to the Council. Pending its resolution, BT deposited a sum of £60,000 into an Escrow Account held jointly between BT and the Council. No further progress has been made in concluding negotiations and the Council is likely to receive a sum of money, either a one off sum or an annual rental, which at this point in time can not be quantified. Consequently, no provision has been made in these accounts.

### 42 Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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 a Head of Finance, 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 authority'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 Authority'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 Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability, adjusted to reflect current market conditions. A bad debt provision is included within these accounts.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Amount at 31 March 2011	Historical experience of default	Adjustment for market conditions at 31 March 2011	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure at 31 March 2010
	£'000	%	%	£'000	£'000
Deposits with banks and other financial institutions	7,000	-	-	-	-
Customers	3,728	10	13	857	741
				857	741

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 authority does not generally allow credit for customers. From the £3,728,000 classified as receivable from customers £1,195,000 relates to Housing Benefit overpayments of which £1,028,000 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	2,476
Three to Six Months	135
Six months to one year	104
More than one year	1,013
	<b>3,728</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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### *Market risk*

#### Interest rate risk

The Authority 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 £150,000 impact on the Council based on average cash balances of £15 million.

#### Price risk

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

### 43 Interests in Companies and Other Entities

The Code requires Local Authorities to 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

Under International Financial Reporting Standards, the Code focuses on the 'power' to participate in the financial and operating policy of

Having considered the change in the Accounting Standards 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.

Within the definition of the Group Boundary under IFRS, it is considered that the Council has the 'power' to participate in operating decisions. On that basis, group accounts have been prepared based on the requirements of the CIPFA Code, incorporating the Council's share of the net assets and surplus of Suffolk Coastal Services Ltd as an Associate.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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,
- g) Payments made to SCS 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 were £7,761k in 2010/11 (£7,443k in 2009/10) and included as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Car Parks	387	388
Central Support Services	145	149
Coast protection	164	291
Environmental Protection	261	290
Highway Services	220	203
Outdoor Leisure	781	803
Public Conveniences	148	158
Resort Activities	111	115
Street Furniture	127	134
Waste Management	5,320	4,811
Other Services	97	101
	<b>7,761</b>	<b>7,443</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	Suffolk Coastal Services Ltd £'000	Council Investment (20%) £'000	Suffolk Coastal Services Ltd £'000	Council Investment (20%) £'000
Property, Plant & Equipment	5	1	7	1
Current Assets				
Stock	94	19	109	22
Debtors	2,182	436	2166	433
Cash at Bank	5	1	2	-
	2,281	456	2,277	455
Creditors falling due within one year	(1,753)	(350)	(1,858)	(372)
Defined Benefit Pension Scheme Liability	(205)	(41)	(1,733)	(347)
Net Assets / Shareholder's funds	328	66	(1,307)	(263)
Share of Actuarial Gains/(Losses)	1,083	217	(486)	(98)
Turnover	10,886	2,177	10,135	2,027
Profit on ordinary activity before taxation	758	152	84	17
Tax on profit on ordinary activity	(206)	(41)	(21)	(4)
Profit for the Financial Period	552	111	63	13
<u>Tax components included in the above figures are as follows:</u>	£000	£000	£000	£000
Debtors				
- Deferred Tax asset	20	4	27	5
Creditors falling due within one year				
- Corporation Tax	34	7	48	9
Tax on profit on ordinary activity				
- Current Tax	(34)	(7)	(48)	(9)
- Deferred Tax	(172)	(34)	27	5
	(206)	(41)	(21)	(4)

## 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>2010/11</b>	<b>2009/10</b>
Central Support Services	180	198
Outdoor Leisure	50	60
Public Conveniences	180	176
Other Services	377	398
	<b><u>787</u></b>	<b><u>832</u></b>

### **Martlesham Innovation Centre Limited**

Martlesham Innovation Centre Limited (MICL) was formed on 15th February 2010. It was to have been a Joint Venture between Suffolk Coastal, Suffolk County Council and BT. Its purpose was to facilitate the development of small and medium 'hi-tech' businesses at Adastral Park and in the surrounding area. However, it was decided in 2010/11 that this project was not feasible in its present form and other methods for delivery of its aims should be considered.

### 44 Prior Period Adjustments - IFRS 1 First Time Adoption

The adoption of International Financial Reporting Standards (IFRS) as part of the CIPFA Code of Practice for 2010/11 has resulted in a number of changes in Accounting Policies and accounting entries from those supporting the 2009/10 Statement of Accounts. Under the IFRS Code, such changes in accounting policies require retrospective adjustment to the prior year comparator information "as if the new policies had always been applied", unless the Code stipulates specific transitional arrangements.

Consequently, a number of restatements have been made to balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10 as approved by Council in September 2010. Explanations of the adjustments made to the 2009/10 Accounts are provided below, together with an analysis of restatements to the Balance Sheet and the Comprehensive Income and Expenditure Statement.

#### Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- \* The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- \* Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement (CIES) in the comparative figures.
- \* Capital grants and contributions (including section 106 contributions) that have unsatisfied conditions at the Balance Sheet date have been reflected as Receipts in Advance in the Liabilities section of the Balance Sheet
- \* Capital grants and contributions received with no conditions have been included in the CIES as income from Non-specific grants. Note that there is no consequential change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Fixed Assets

The main changes in the Code are a tightening of the definition of Investment Properties, the introduction of a new asset category "Assets Held for Sale", an increased focus on the recognition of component assets, and some changes in the terminology, most notably that most assets now fall under the category "Plant, Property and Equipment" (PPE).

Following a review of all assets previously recognised as Investment Properties, none of them satisfy the revised definition. All assets in that category have been transferred to PPE. As these PPE assets must be depreciated, additional depreciation charges of £27k have been reflected as additional charges to the Cost of Services in 2009/10. However, as with the previous policies, depreciation charges do not fall on the taxpayer and are removed from the General Fund balance.

A number of assets have been transferred to Current Assets Held for Sale, where the strict definition under the Code has been met. Assets Held for Sale are not depreciated, and adjustments to depreciation have been made in respect of these assets within 2009/10. The former category of Surplus Assets now forms part of PPE.

Where assets have changed category as a result of adopting the IFRS Code, some valuations have been required to reflect the change in category. Adjustments have been made to valuations and impairment through valuation loss, adjusted against the Revaluation Reserve and / or the CIES as required. Again, impairment charges are reversed from the General Fund balance to ensure no impact on taxpayers.

The Code's requirement to recognise component assets (where any component would have a materially different depreciation pattern to the main asset) did not require retrospect adjustment. Officers have reviewed all assets for likely components at 31 March 2010 and no material components have been identified. No adjustments have therefore been made to the 2009/10 accounts in this regard.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Summary of IFRS Restatements - Balance Sheet

	Balance Sheet at 1 April 2009					Balance Sheet at 31 March 2010					
	2009/10	Grants &	Fixed	Other	IFRS	2009/10	Grants &	Fixed	Other	01/04/09	IFRS
	Statements	Conts.	Assets	Items	Accounts	Statements	Conts.	Assets	Items	Changes	Accounts
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant & Equipment	44,075	-	5,016	-	<b>49,091</b>	44,570	-	(757)	-	5,016	<b>48,829</b>
Intangible Fixed Assets	48	-	-	-	<b>48</b>	77	-	-	-	-	<b>77</b>
Investment Property	3,380	-	(3,380)	-	-	3,713	-	(333)	-	(3,380)	-
Surplus Assets (SORP)	4,744	-	(4,744)	-	-	2,888	-	1,856	-	(4,744)	-
Other Long Term Assets	62	-	-	-	<b>62</b>	57	-	-	-	-	<b>57</b>
Investments	11,204	-	-	-	<b>11,204</b>	8,037	-	-	-	-	<b>8,037</b>
Assets Held for Sale	-	-	938	-	<b>938</b>	-	-	(823)	-	938	<b>115</b>
Cash & Cash Equivalents	1,987	-	-	-	<b>1,987</b>	951	-	-	-	-	<b>951</b>
Other Current Assets	3,140	-	-	-	<b>3,140</b>	7,020	-	-	-	-	<b>7,020</b>
Creditors	(4,796)	1,779	-	-	<b>(3,017)</b>	(5,171)	(14)	-	(2)	1,779	<b>(3,408)</b>
Grants Received in Advance	-	(614)	-	-	<b>(614)</b>	-	(19)	-	-	(614)	<b>(633)</b>
Grants / Conts Deferred	(5,262)	5,262	-	-	-	(5,969)	707	-	-	5,262	-
Other Long Term Liabilities	(18,822)	-	-	-	<b>(18,822)</b>	(40,323)	-	-	-	-	<b>(40,323)</b>
<b>Total Net Assets</b>	<b>39,760</b>	<b>6,427</b>	<b>(2,170)</b>	<b>-</b>	<b>44,017</b>	<b>15,850</b>	<b>674</b>	<b>(57)</b>	<b>(2)</b>	<b>4,257</b>	<b>20,722</b>
Revaluation Reserve	(10,475)	-	944	-	<b>(9,531)</b>	(9,932)	-	264	-	944	<b>(8,724)</b>
Capital Adjustment Account	(36,152)	(4,725)	1,226	-	<b>(39,651)</b>	(34,628)	(1,068)	(207)	1	(3,499)	<b>(39,401)</b>
Other Unusable Reserves	18,736	-	-	-	<b>18,736</b>	40,193	-	-	-	-	<b>40,193</b>
Capital Grants Unapplied	-	(1,702)	-	-	<b>(1,702)</b>	-	394	-	-	(1,702)	<b>(1,308)</b>
General Fund Balance	(3,213)	-	-	-	<b>(3,213)</b>	(3,188)	-	-	1	-	<b>(3,187)</b>
Other Usable Reserves	(8,656)	-	-	-	<b>(8,656)</b>	(8,295)	-	-	-	-	<b>(8,295)</b>
<b>Net Worth</b>	<b>(39,760)</b>	<b>(6,427)</b>	<b>2,170</b>	<b>-</b>	<b>(44,017)</b>	<b>(15,850)</b>	<b>(674)</b>	<b>57</b>	<b>2</b>	<b>(4,257)</b>	<b>(20,722)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Summary of IFRS Restatements - Comprehensive Income and Expenditure Statement 2009/10

	2009/10 Statements £'000	Grants & Conts. £'000	Fixed Assets £'000	Other Items £'000	IFRS Accounts £'000
Central Services to the Public	2,192	52	(77)	-	<b>2,167</b>
Cultural, Environmental, Regulatory and Planning Services	12,171	1,303	96	-	<b>13,570</b>
Highways and Transport Services	131	-	-	-	<b>131</b>
Housing Services	1,027	12	14	-	<b>1,053</b>
Corporate and Democratic Core	2,349	21	(4)	-	<b>2,366</b>
Non-Distributed Costs	25	-	-	-	<b>25</b>
<b>Cost of Services</b>	<b>17,895</b>	<b>1,388</b>	<b>29</b>	-	<b>19,312</b>
Other Operating Expenditure	2,890	-	(750)	2	<b>2,142</b>
Financing and Investment Income and Expenditure	1,178	-	-	-	<b>1,178</b>
Taxation and Non-Specific Grant Income	(18,060)	(2,062)	-	-	<b>(20,122)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,903</b>	<b>(674)</b>	<b>(721)</b>	<b>2</b>	<b>2,510</b>
Surplus or deficit on revaluation of fixed assets	(889)	-	778	-	<b>(111)</b>
Actuarial gains/losses on pension assets/liabilities	20,896	-	-	-	<b>20,896</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>23,910</b>	<b>(674)</b>	<b>57</b>	<b>2</b>	<b>23,295</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 45 Interest and Investment Income

#### 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>2010/11</b> <b>£'000</b>	<b>2009/10</b> <b>£'000</b>
Banks & Building Societies	189	279
Less credited to external deposits received, ie Section 106 agreements	(8)	16
	<u><b>181</b></u>	<u><b>295</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENT

### 46 Long Term Investments

#### Longer Term Investments

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Other Public Authorities	8	8	8
	<b>8</b>	<b>8</b>	<b>8</b>

### 47 Long Term Debtors

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

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Housing Act Advances	11	19	24
Reimbursement Arrangements	30	30	30
	<b>41</b>	<b>49</b>	<b>54</b>

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund (England) 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 non-domestic rates.

	<b>Coll Fund Notes</b>	<b>2010/11 £'000</b>	<b>2009/10 £'000</b>
<b>Income</b>			
Income from Council Tax	1	66,428	64,608
Transfer from General Fund - Council Tax Benefits	2	7,111	6,783
Transitional Relief		(1)	(1)
Income collectable from Business Ratepayers	3	30,681	35,626
		<b>104,219</b>	<b>107,016</b>
<b>Expenditure</b>			
Precepts and Demands:			
- Suffolk County Council		55,775	54,086
- Suffolk Police Authority		7,958	7,672
- Suffolk Coastal District Council		9,489	9,077
Business rates:			
- Payment to National Pool	3	30,403	35,361
- Cost of Collection Allowance	3	278	265
Bad and Doubtful Debts:			
- Write Offs	5	(65)	(43)
- Change in Bad Debt Provision	5	48	68
Share of previous years' Collection Fund Surplus / (Deficit)			
- Suffolk County Council	4	113	116
- Suffolk Police Authority		16	16
- Suffolk Coastal District Council		19	19
		<b>104,034</b>	<b>106,637</b>
		<b>(185)</b>	<b>(379)</b>
<b>Balance brought forward - (Surplus) / Deficit</b>		(286)	93
<b>Balance carried forward - (Surplus) / Deficit</b>	6	<b>(471)</b>	<b>(286)</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>2010/11</b>	<b>2009/10</b>
	<b>£</b>	<b>£</b>
The average Band D Council Tax set was:	1,478.93	1,436.67

	Chargeable dwellings	Band D Equivalents
The Council estimated its Tax Base for 2010/11 as follows:		
Valuation Band		
A	6,161	4,105
B	12,455	9,687
C	10,065	8,947
D	9,980	9,980
E	6,945	8,488
F	3,597	5,196
G	1,964	3,274
H	140	281
	<u>51,307</u>	<u>49,958</u>
Less:		
Provision for bad and doubtful debts (1.25%)		(624)
Tax Base 2010/11 (Band D equivalents)		49,334

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
The income from Council Tax can be analysed as follows:		
Gross amounts charged	82,634	80,329
Less: exemptions, discounts and reliefs	(9,095)	(8,938)
Council Tax Benefits	(7,111)	(6,783)
	<b><u>66,428</u></b>	<b><u>64,608</u></b>

## NOTES TO THE COLLECTION FUND

### 2 Transfer from General Fund

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

### 3 Business Rates

The Council collects the business rates (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.

	<b>2010/11</b>	<b>2009/10</b>
The rateable value at 31 March was	£155.1m	£89.8m
The multiplier was	41.4p	48.5p

### 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

The following changes were made to the provisions for bad debts:

	<b>Balance 1 April 2010 £'000</b>	<b>Applied in Year £'000</b>	<b>Change in provision £'000</b>	<b>Balance 1 April 2011 £'000</b>
- Council Tax	579	(65)	48	562
- Business Rates	363	(392)	242	213
	<b>942</b>	<b>(457)</b>	<b>290</b>	<b>775</b>

## NOTES TO THE COLLECTION FUND

### 6 Collection Fund Balance

	2010/11 £'000	2009/10 £'000
--	------------------	------------------

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

(Surplus) / Deficit relating to:

Council Tax:

Suffolk County Council	(359)	(218)
Suffolk Police Authority	(51)	(31)
Suffolk Coastal District Council	(61)	(37)
Total Council Tax	<b>(471)</b>	<b>(286)</b>

Community Charges:

	-	-
	<b>(471)</b>	<b>(286)</b>

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

### 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:

	2010/11 £'000	2009/10 £'000
--	------------------	------------------

Parish and Town Precepts	2,092	1,936
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### 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 24 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 2009</b>	<b>(3,213)</b>	<b>(8,053)</b>	<b>(603)</b>	<b>(1,702)</b>	<b>(13,571)</b>	<b>(30,446)</b>	<b>(44,017)</b>	<b>177</b>	<b>(43,840)</b>
<b><u>Movement in reserves during 2009/10</u></b>									
(Surplus) or deficit on provision of services	2,510	-	-	-	2,510	-	2,510		2,510
Other Comprehensive Expenditure and Income	-	-	-	-	-	20,785	20,785		20,785
<b>Total Comprehensive Expenditure and Income</b>	<b>2,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,510</b>	<b>20,785</b>	<b>23,295</b>	<b>-</b>	<b>23,295</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	(13)	(13)
- Share of Actuarial Gains/Losses								98	98
<b>Net (Increase) / Decrease before Transfers</b>	<b>2,510</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,510</b>	<b>20,785</b>	<b>23,295</b>	<b>85</b>	<b>23,380</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	(1,967)	-	(156)	394	(1,729)	1,729	-		-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>543</b>	<b>-</b>	<b>(156)</b>	<b>394</b>	<b>781</b>	<b>22,514</b>	<b>23,295</b>	<b>85</b>	<b>23,380</b>
Transfer to/from Earmarked Reserves (note 7)	(517)	517	-	-	-	-	-		
<b>Increase/Decrease in 2009/10</b>	<b>26</b>	<b>517</b>	<b>(156)</b>	<b>394</b>	<b>781</b>	<b>22,514</b>	<b>23,295</b>	<b>85</b>	<b>23,380</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(3,187)</b>	<b>(7,536)</b>	<b>(759)</b>	<b>(1,308)</b>	<b>(12,790)</b>	<b>(7,932)</b>	<b>(20,722)</b>	<b>262</b>	<b>(20,460)</b>
<b><u>Movement in reserves during 2010/11</u></b>									
(Surplus) or deficit on provision of services	(4,448)				(4,448)		(4,448)		(4,448)
Other Comprehensive Expenditure and Income	0				-	(13,703)	(13,703)		(13,703)
<b>Total Comprehensive Expenditure and Income</b>	<b>(4,448)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,448)</b>	<b>(13,703)</b>	<b>(18,151)</b>	<b>-</b>	<b>(18,151)</b>
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	(111)	(111)
- Share of Actuarial Gains/Losses								(217)	(217)
<b>Net (Increase) / Decrease before Transfers</b>	<b>(4,448)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,448)</b>	<b>(13,703)</b>	<b>(18,151)</b>	<b>(328)</b>	<b>(18,479)</b>
Adjustments between accounting basis and funding basis under regulations (note 6)	4,261		(162)	(79)	4,020	(4,020)	-		-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(187)</b>	<b>-</b>	<b>(162)</b>	<b>(79)</b>	<b>(428)</b>	<b>(17,723)</b>	<b>(18,151)</b>	<b>(328)</b>	<b>(18,479)</b>
Transfer to/from Earmarked Reserves (note 7)	32	(32)	-	-	-	-	-		-
<b>Increase/Decrease in Year</b>	<b>(155)</b>	<b>(32)</b>	<b>(162)</b>	<b>(79)</b>	<b>(428)</b>	<b>(17,723)</b>	<b>(18,151)</b>	<b>(328)</b>	<b>(18,479)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(3,342)</b>	<b>(7,568)</b>	<b>(921)</b>	<b>(1,387)</b>	<b>(13,218)</b>	<b>(25,655)</b>	<b>(38,873)</b>	<b>(66)</b>	<b>(38,939)</b>

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with IFRS, 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.

	2010/11			2009/10		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public	10,222	(8,494)	1,728	9,937	(7,770)	2,167
Cultural, Environmental, Regulatory and Planning Services	22,856	(9,431)	13,425	21,089	(7,519)	13,570
Highways and Transport Services	2,125	(1,646)	479	1,920	(1,789)	131
Other Housing Services	29,237	(27,913)	1,324	26,761	(25,708)	1,053
Corporate and Democratic Core	2,812	(7)	2,805	2,374	(8)	2,366
Non-Distributed Costs	369	-	369	25	-	25
Exceptional Item (note 8)	(8,376)	-	(8,376)	-	-	-
<b>Cost of Services</b>	<b>59,245</b>	<b>(47,491)</b>	<b>11,754</b>	<b>62,106</b>	<b>(42,794)</b>	<b>19,312</b>
Other Operating Expenditure (note 9)			1,881			2,142
Financing and Investment Income and Expenditure (note 10)			865			1,178
Taxation and Non-Specific Grant Income (note 11)			(18,948)			(20,122)
<b>(Surplus) or Deficit on Provision of Services (note 28)</b>			<b>(4,448)</b>			<b>2,510</b>
Share of (Surplus)/Deficit on the Provision of services by Associate			(152)			(17)
Tax Expenses of Associate			41			4
<b>Group (Surplus)/Deficit</b>			<b>(4,559)</b>			<b>2,497</b>
Surplus or deficit on revaluation of non-current assets			967			(111)
Actuarial gains/losses on pension assets/liabilities			(14,670)			20,896
<b>Other Comprehensive Income and Expenditure</b>			<b>(13,703)</b>			<b>20,785</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(18,262)</b>			<b>23,282</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 23 and 24 to the Council's Core Financial Statements and Note 3 to the Group Accounts.

	Note	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Property, Plant and Equipment	12	44,693	48,829	49,091
Intangible Assets	14	77	77	48
Long Term Investments	15 + 46	8	8	8
Investment in Associate	Group Note 3	66	(262)	(177)
Long Term Debtors	15 + 47	41	49	54
<b>Long Term Assets</b>		<b>44,885</b>	<b>48,701</b>	<b>49,024</b>
Short Term Investments	15	7,049	8,037	11,204
Inventories	16	91	121	61
Short Term Debtors	17	10,771	6,899	3,079
Cash and Cash Equivalents	19	903	951	1,987
Current Assets Held for Sale	18	16	115	938
<b>Current Assets</b>		<b>18,830</b>	<b>16,123</b>	<b>17,269</b>
Short Term Creditors	20	(5,468)	(3,457)	(3,017)
Capital Grants Receipts in Advance	22	(79)	(176)	(125)
<b>Current Liabilities</b>		<b>(5,547)</b>	<b>(3,633)</b>	<b>(3,142)</b>
Other Long Term Liabilities (Including Pension Liability)	15 + 39	(18,363)	(40,323)	(18,822)
Capital Grants Receipts in Advance	22	(866)	(408)	(489)
<b>Long Term Liabilities</b>		<b>(19,229)</b>	<b>(40,731)</b>	<b>(19,311)</b>
<b>Net Assets</b>		<b>38,939</b>	<b>20,460</b>	<b>43,840</b>
Usable reserves	Group Note 3	(13,284)	(12,528)	(13,394)
Unusable reserves	24	(25,655)	(7,932)	(30,446)
<b>Total Reserves</b>		<b>(38,939)</b>	<b>(20,460)</b>	<b>(43,840)</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.

	2010/11 £'000	2009/10 £'000
Net (surplus) or deficit on the provision of services	(4,448)	2,510
Adjust for non cash movements (note 25)	2,138	(1,312)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26)	518	906
Net cash flows from Operating Activities	(1,792)	2,104
Investing Activities (note 26)	(2,113)	(3,664)
Financing Activities (note 27)	3,953	2,596
Net (increase) or decrease in cash and cash equivalents	48	1,036
Cash and cash equivalents at the beginning of the reporting period	(951)	(1,987)
<b>Cash and cash equivalents at the end of the reporting period (note 19)</b>	<b>(903)</b>	<b>(951)</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 43 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;

	31st March 2011 £'000	31st March 2010 £'000	1st April 2009 £'000
Suffolk Coastal Services Ltd - Profit and Loss Reserve (SCDC Investment)	(66)	262	177
Suffolk Coastal District Council - Usable Reserves (see Note 23)	(13,218)	(12,790)	(13,571)
<b>Total Group Usable Reserves</b>	<b>(13,284)</b>	<b>(12,528)</b>	<b>(13,394)</b>

Additional information in respect of Suffolk Coastal Services Ltd's assets and liabilities at the Balance Sheet date are contained within Note 43 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 and Group accounting statements**

I have audited the Authority and Group accounting statements of Suffolk Coastal District Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of Suffolk Coastal District Council 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.

### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Authority and Group'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. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:

- give a true and fair view of the state of Suffolk Coastal District Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself 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 me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I 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**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I 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 my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am 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 ending 31 March 2011.

### **Delay in certification of completion of the audit**

There is likely to be a delay in the certification of completion of the audit. This is due to an objection received from a local elector. I will conclude the audit following the completion of my investigation into this matter.

Neil A Harris

Officer of the Audit Commission

Audit Commission, Crown House, Crown Street, Ipswich IP1 3HS

30 September 2011

# 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 non-current assets used in the provision of services, usually comprising depreciation charges, impairment and any associated write down of capital grant financing.

## **Capital Expenditure**

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

## **Capital Receipts**

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

## **Capital Receipts Reserve**

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

## **Collection Fund**

This Fund records the collection of the Council Tax and Non Domestic Rates and its distribution.

## **Community Assets**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **Community Charge**

The system of local taxation prior to Council Tax.

## **Contingent Liabilities**

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

## **Contingent Assets**

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

## **Council Tax**

The system of local taxation on dwellings that replaced the Community Charge with effect from 1 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.

# Glossary of Financial Terms

## **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 non-current asset, whether arising from use or obsolescence through technological or other changes.

## **Direct Revenue Financing**

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

## **Earmarked Reserves**

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

## **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.

## **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.

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

## **Infrastructure Assets**

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

# Glossary of Financial Terms

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

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

See Business Rates

## **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.

## **Outturn**

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.

## **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)**

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

## Revenue Support Grant

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

## Section 151 Officer

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

## Statement of Standard Accounting Practice (SSAP)

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

## 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

SOLACE Society of Local Authority Chief Executives

SORP Statement of Recommended Practice

SSAP Statement of Standard Accounting Practice