Waveney District Council

Statement of Accounts

2017-18

Waveney District Council

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FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present Waveney District Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2018. The Accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, commenced their audit of the Accounts on 14th May 2018. The audited Accounts together with Ernst and Young's Audit Result Report were presented to the Audit and Governance Committee on 25th July 2018.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. For the 2017/18 financial year, the inspection period must include the first ten working days of June and therefore the period commences on 1st June 2018 and finished on 12th July 2018. From the 31st May 2018, the unaudited Accounts were available to the public on the Council's website and these have now been replaced by this audited set of accounts.

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

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

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

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

1. Introduction

This document presents the statutory financial statements (the "Statement of Accounts") for Waveney District Council ("the Council") for the period 1st April 2017 to 31st March 2018 and provides a comprehensive summary of the overall financial position of the Council.

The Statement of Accounts is presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

This Narrative Report, which is not formally part of the Statement of Accounts, provides information on the Council, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies. The 2017/18 Code introduces the reporting principles established by the International Integrated Reporting Council (IIRC) to the Narrative Report for the first time. This Narrative Report covers the following sections:

- Introducing Waveney District Council – the Council and the district it serves is introduced, including the way in which it is governed and led, and its strategic objectives determined and delivered in partnership with Suffolk Coastal District Council (SCDC).

- Operating Model – the human and financial resources that the Council has at its disposal and how they are deployed is explained. The external context in which the Council operates is also considered, with particular emphasis on changes in the local government sector and society in general, which are having a major impact on the future supply and demand for resources.

- Council Performance 2017/18 – progress against the Business Plan is presented alongside financial performance for the year both in revenue and capital terms. The strength of the Council's Balance Sheet is also considered at the year-end through an assessment of the level of reserves and balances held.

- Risks and Opportunities – the principle risks and opportunities faced by the Council and the way in which they are being managed are explored. Significant financial, service delivery and environmental risks are countered by notable opportunities due to the location and nature of the district and progression of the shared services partnership with SCDC to a 'full merger'; and

- Looking Ahead – the 2018/19 financial year is considered – the final year for Waveney District Council – prior to the merger. In addition, a glimpse at 2019/20 and beyond is taken and what it might look like for East Suffolk Council, including some major developments in local government, scheduled for 2020.

2. Introducing Waveney District Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and seven district councils, including Waveney District Council. The County Council administers services such as education, waste disposal and social services across the whole of Suffolk, whereas locally, Waveney District Council operates a range of services including building regulation, burials/cremations, community safety, the administration of council tax and business rates, environmental health, electoral administration, licensing, sports facilities, housing, street cleaning and refuse collection.

The district of Waveney sits in the north-east of the County and it the most easterly district in Britain. With a population of 116,500 and covers an area of 37,041 hectares (370km2), has 26km of coastline and comprises a mix of urban and rural areas with Lowestoft being the largest town. There are also four other historic towns (Beccles, Bungay, Halesworth and Southwold) and a number of villages.

Waveney as a whole is in the top third of the most deprived local authorities nationally; nine neighbourhoods in Lowestoft are within the 10% most deprived in the country and unemployment levels in two wards are double the regional average. However, it is also an area of great potential with significant growth expected in available jobs in the medium-term due to available development land, and onshore infrastructure developments driven by a rapidly growing offshore energy sector.

Political Leadership

The Council is governed by 48 councillors, covering 23 electoral wards. All councillors serve a four year term of office and, following the May 2015 elections, the Conservatives have control of the Council with 27 councillors; there are 17 Labour councillors, three Independent councillors and one Green councillor.

The Council operates a 'Leader and Cabinet' model whereby the Leader is elected by members of the Council. Cabinet members are appointed by the Leader from members of the Council and they are designated specific areas of responsibility. The Cabinet ordinarily makes decisions collectively but individual Cabinet members also have decision-making powers.

Executive Leadership

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

Strategy: a shared vision for east Suffolk

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

Strategic Deliverables

The Business Plan outlines three "Strategic Deliverables" as follows:

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

Critical Success Factors

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

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

Service Delivery: a tailored approach

Shared services has been very effective in driving out combined savings of over £20 million since 2010 and protecting public services in east Suffolk, with the delivery of better outcomes for residents and maximising value-for-money being the overriding consideration in determining service delivery arrangements. A tailored approach is adopted with directly delivered services operating alongside services delivered through third parties and joint arrangements. Examples include:

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

3. Operating Model

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

Human resources

As at March 2018), there were 395 full-time equivalent staff employed by Waveney; a wide range of professional teams, delivering a diverse range of services.

Corporate Values: 'how' the work is done

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

Performance and Development: "My Conversation"

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

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

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

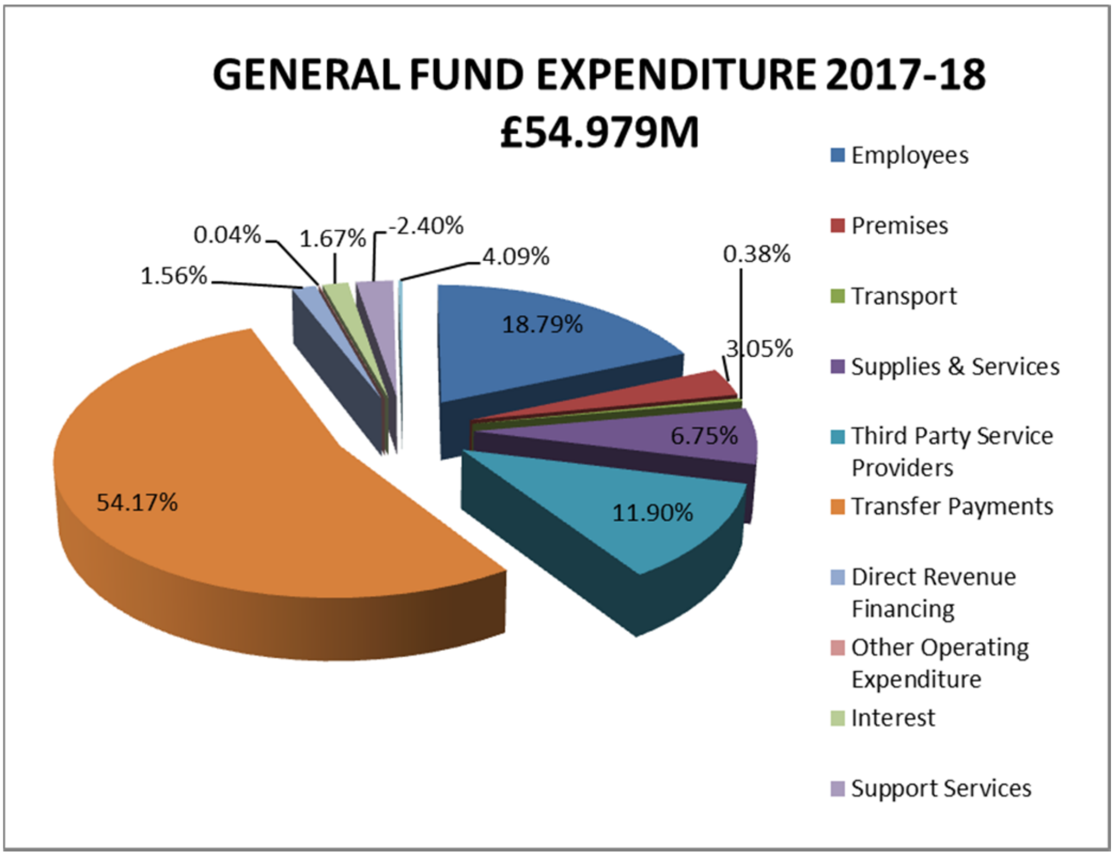
Financial Resources

The diversity of council services is reflected in a wide array of income and expenditure sources and applications.

Total Net Revenue Expenditure in 2017/18 was £8.076 million, comprising:

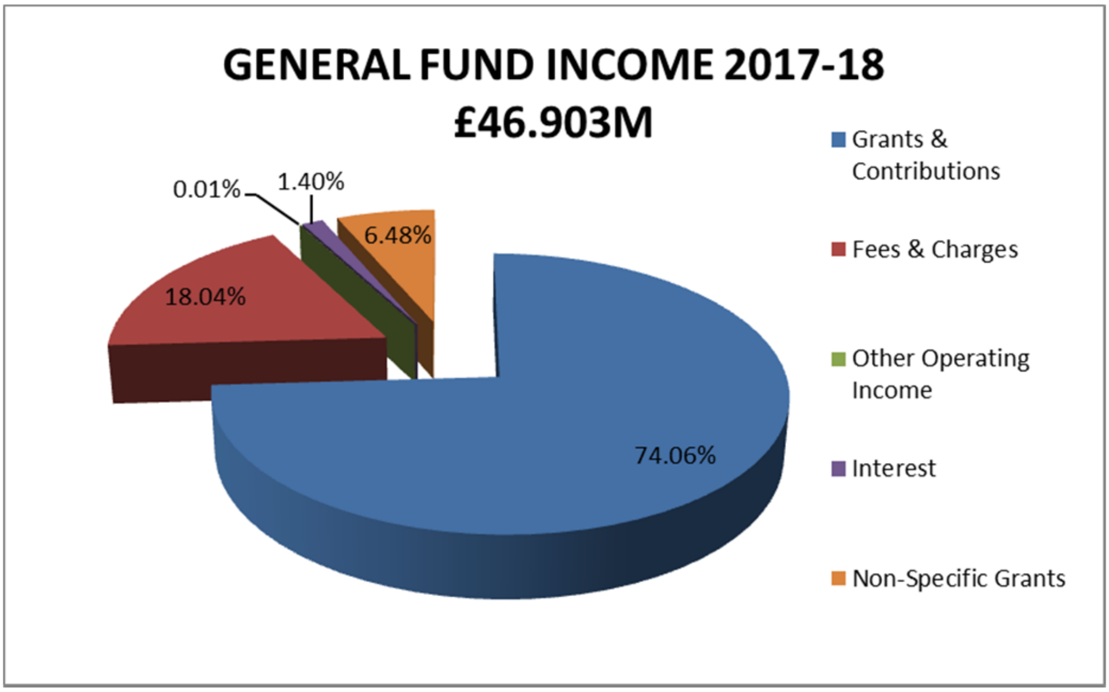
- *Expenditure – £54.979 million*

Conversely the largest source of expenditure was the payment of Housing Benefit Payments made to eligible residents (£31.1 million), which comprises the majority of Transfer Payments. The cost of Employees remains the dominant internal cost (£10.8 million).

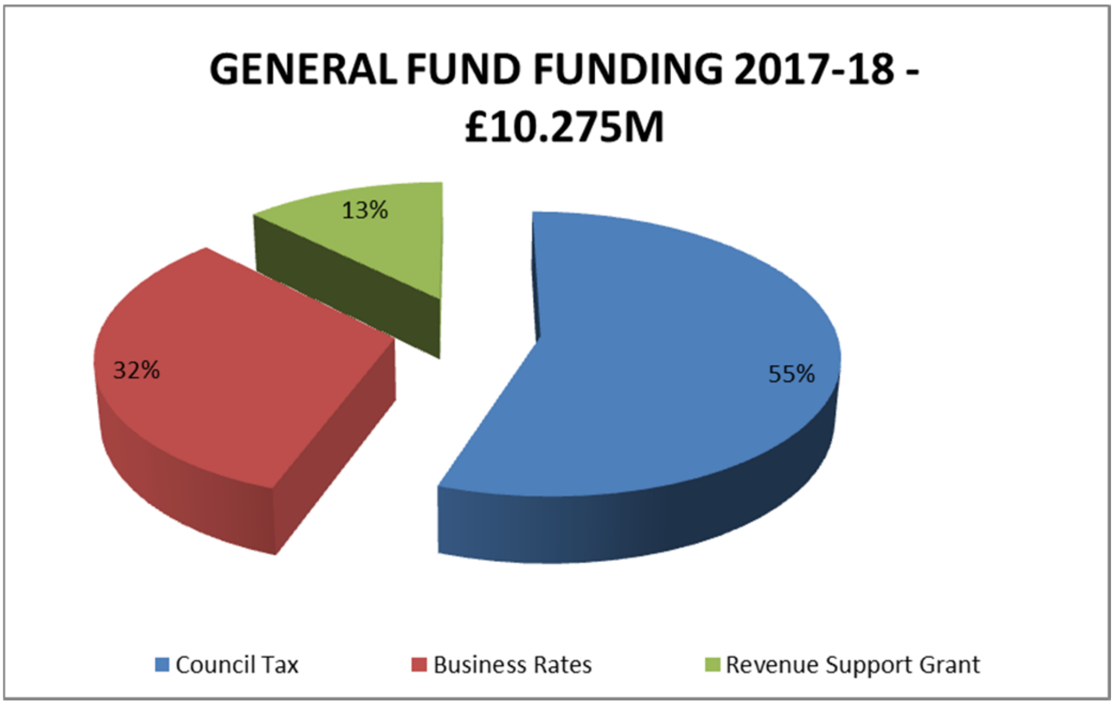


- *Income – £46.903 million*

The largest source of income was the reimbursement of Housing Benefit Payments received from the Government (£30.6 million), which are included within Grants and Contributions. Fees and charges received from customers for a diverse range of Council services remains a major income source (£8.5 million).



Total Revenue Funding (to meet the net expenditure of £8.076 million) in 2017/18 was £10.275 million, which resulted in an in-year surplus of £1.287 million against the revised budget (after planned transfers to reserves of £912,000). The chart below shows that Council Tax remained the single largest funding source (£5.7 million), followed by Business Rates (£3.3 million). Income from Business Rates will increase substantially in 2018/19 as the Council is part of the Suffolk Business Rates Pool 100% Business Rates Retention (BRR) pilot.



External Environment

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

Local Government: the funding shift

The Council signed up to a four-year financial settlement from the Government for the period 2016/17 – 2019/20. Whilst this brought a welcome degree of certainty compared to the previous annual settlements, the 'deal' also entailed progressive reductions in Revenue Support Grant (RSG), which has traditionally been a major source of funding. Thus RSG received from Government was £2.9 million in 2015/16 but – as the table below illustrates – is reducing sharply and will almost be eliminated by 2019/20. This is part of a seismic shift in funding, away from central Government support towards locally generated resources with Council Tax, Business Rates and Fees and Charges dominating as can be seen in the charts above.

Revenue Support Grant (RSG)	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Waveney RSG	(2,909)	(2,018)	(1,296)	(836)*	(323)

**In 2018/19 RSG will need to be met from 100% Retained Business Rates under the Pilot. It will then return in 2019/20 after the one year pilot (see below)*

In October 2015 the Government announced its intention to enable local government as a sector to retain all locally raised Business Rates. The Government also committed itself to a full review of the needs and redistribution mechanism for local authority funding. Although the initial proposals were subsequently delayed, the Government has recently re-confirmed its commitment to the 'localisation of Business Rates' in the future, which represents both a risk and an opportunity to councils generally.

The Government established the "New Homes Bonus" (NHB) in 2011, which is incentivised funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the NHB is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place.

In recent years, NHB has become an extremely important source of funding and has grown rapidly from zero in 2010/11 to over £1.2million in 2017/18. However, the Government modified the scheme with effect from 2017/18, partly to divert funding towards adult social care but also to 'sharpen the incentive' (to create new homes). NHB allocations for 2017/18 and beyond will see 'legacy payments' reducing from 6 to 4 years and the introduction of a threshold (currently 0.4% of properties), below which NHB will not be paid. Local forecasts show a 'levelling off' of this source of funding over the next four years.

The National Audit Office's report *"Financial Sustainability of Local Authorities 2018"* revealed that Government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010-11 to 2017-18, with the pressure felt most acutely and directly by authorities responsible for providing adult social care services.

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

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

4. Council Performance 2017/18

The Council has made positive progress this year both in terms of delivering the Business Plan and financially.

<u>Delivering the Business Plan (strategic, corporate and operational performance)</u>

The Council's non-financial performance is monitored and reported to the Cabinet on a quarterly basis. There are 24 "Key Performance Indicators" (KPIs) relevant to Waveney that measure targeted performance against the joint Business Plan for East Suffolk against three "Strategic Deliverables". In addition, three Indicators (although monitored closely) do not have formal targets – Customer Complaints, Local Government Ombudsman Complaints and Financial Balances.

In 2017/18, overall performance compared to targets was largely positive with 11 (46%) indicators classified as "Green" (i.e. met or exceeded); compared to 15 (79% - based on 19 KPIs) in 2016/17.

<u>KPI Performance against Strategic Deliverables</u>

The table illustrates how performance against the three Strategic Deliverables in the Business Plan compares. It can be seen that performance against the "Financial Self-Sufficiency" priority was maintained compared to 2016/17 five out of seven (72%) of KPIs meeting or exceeding target.

Strategic Deliverable	2016/17 KPI Outturn			2017/18 KPI Outturn		
	Green	Amber	Red	Green	Amber	Red
<u>Financial Self-Sufficiency</u> Driving down costs and becoming even more business-like and entrepreneurial in our approach.	5	1	1	5	1	1
<u>Enabling Communities</u> Together we can improve services, build resilient communities and make life better for everyone.	5	0	1	3	6	2
<u>Economic Growth</u> We will encourage a strong local economy which is essential for vibrant communities in East Suffolk.	5	0	1	3	1	2

<u>Financial Self-Sufficiency: another year of success</u>

The table above shows that KPI performance against the Financial Self-Sufficiency strategic deliverable remained strong in 2017/18. Stronger performance this year on the collection of "Corporate Sundry Debts" was cancelled by weaker performance on "Business Rates Payable to the Collection Fund".

However, the number of "Abandoned Telephone Calls" received was off target this year. The despatch of subscription renewals for the Garden Waste scheme was delayed this year, which triggered a significant upturn in call volumes in February 2018. Despite this, an abandoned call rate of 10.6% only narrowly missed the 10% target, representing a clear improvement compared to an equivalent rate of 14.9% in 2016/17.

Other Strategic Deliverables: a mixed picture

There are also a number of success stories to report on KPI performance against the remaining strategic deliverables, as well as some challenges which represent future improvement priorities:

- *Enabling Communities* – the percentage of applicants housed from the Housing Register was a success story, with performance rising from 30% in 2016/17 to 44% in 2017/18 against the 30% target. A positive outcome was also achieved in Waste Collection with the Residual Waste per Household out-performing its target (517.59kg compared to 522.44kg). Performance against the Disabled Facilities and Renovation Grants indicators – new for 2017/18 – also exceeded target. However, there were also some challenges, most notably in the delivery of Affordable Homes with an outturn of 120 falling short of its target of 150 with a number of other KPIs falling marginally short of target (e.g. participation in Leisure activities); and

- *Economic Growth* – it was a particularly busy year for the Economic Development team with income generated through project work and external funding bids exceeding target. A long list of Business Engagement initiatives and events also resulted in the target of 606 being comfortably exceeded, with 759 businesses engaged with in the year (a new KPI for 2017/18). The number of (net) Dwellings completed in the year also exceeded target (284 compared to 258). In contrast, a new Job Creation KPI target was missed with only 16 jobs created compared to a target of 60, with the most significant set back in the year relating to anticipated jobs within Enterprise Zones lower than expectations due to development delays caused by weather disruption and decontamination works.

Partnership Performance

The Council also monitors and manages the performance of its third party service providers to ensure that the value achieved from external contracts is maximised and corporate objectives are met. In particular:

- Waveney Norse – as noted above, performance against the Residual Waste KPI was strong. Although the Recycling target was missed (39.97% compared to 41.51%), the reclassification of Street Sweepings from Recycling to Residual Waste in the year meant that performance was still relatively strong in getting so close to target. Council officers continue to now work closely with Norse colleagues and, in conjunction with the Suffolk Waste Partnership, a number of projects and initiatives are planned, which should further improve Recycling rates in 2018/19; and

- Sentinel Leisure Trust – the Council has an agreed target of increasing the number of people participating in leisure activities at Council leisure facilities by 1% annually. The target was achieved in 2016/17 with 804,531 recorded participants. However, the number of participants in 2017/18 was 757,864 compared to a target of 765,805. This was partly due to the closure of the old Water Lane Climbing Wall in May 2017. However, a new Climbing Wall opened at Water Lane in Easter 2018 and is already attracting new customers of all ages. Sentinel has also introduced a range of new membership offers aimed at boosting membership. Optimism is therefore high that participation levels will return to the growth pattern experienced in the past.

Other Actions

In addition to KPIs, a wide range of other targeted actions and initiatives are in place to deliver the Business Plan. The East Suffolk Business Plan contains 71 actions aimed at the achievement of the strategic deliverables, including 35 joint actions plus a further 18 actions specific to Waveney (i.e. 53 relevant to Waveney in total). Progress against the Business Plan actions is reported to the Cabinet on a quarterly basis, alongside progress against KPIs as noted above.

Of the 53 actions, a total of 43 were 'live' (in progress) in 2017/18 with the vast majority (41 or 95%) on target at the year end. There are a number of highlights ranging from providing business support to small and medium-term enterprises (e.g. through the "drop in" events which have helped 67 businesses across East Suffolk in 2017/18), through to reducing the number of long-term empty properties (which continue to fall in the district - down from 527 to 501 in the year) and continuing to make positive progress in delivering the Lowestoft Transport & Infrastructure Prospectus (LTIP) with – for example – the new Bus/Rail interchange at Lowestoft Station and the Commercial Road Junction improvements now completed.

Revenue Spending: the General Fund Outturn

The approved General Fund (revised) Net Expenditure budget was £10.669 million for 2017/18, with planned net transfers from earmarked reserves of £598,000. The outturn for the year was £8.076 million, generating a surplus of £2.593 million. Actual net transfers to general fund earmarked reserves in year totalled £912,000 which generated a surplus of £1.510 million compared to planned use of general fund earmarked reserves of

£598,000. The £1.510 million is part of the £2.593 million outturn surplus, therefore outturn surplus after reserve movements is £1.083 million.

In addition, a financing surplus of £0.204 million occurred from income sources, which combined to create an overall surplus of £1.287 million, which was added to Earmarked Reserves, making the total movement in General Fund Earmarked Reserves £2.199m.

The outturn is summarised in the table below:

Outturn Reconciliation to EFA 2017/18: Summary			
Portfolio	**Revised Budget 2017/18**	**Outturn 2017/18**	**Variance**
	£000's	**£000's**	**£000's**
Communities	377	402	25
Customer Services	1,270	1,126	(144)
Economic Development and Regeneration	802	941	139
Environmental Services and Port Health	708	673	(35)
Financial Services, Corporate Performance and Risk management	3,175	2,644	(531)
Housing Operations and Landlord Services	754	640	(114)
ICT services	767	727	(40)
Internal Audit	185	207	22
Legal and Democratic Services	946	954	8
Operations	2,926	2,347	(579)
Planning and Coastal Management	1,124	817	(307)
Revenue and Benefits	588	492	(96)
Senior and Corporate Management	(830)	(855)	(25)
Taxation and Non-Specific Grant Income	(2,123)	(3,039)	(916)
Net Expenditure	**10,669**	**8,076**	**(2,593)**
Council Tax Income	(5,698)	(5,696)	2
Business Rates Income	(3,077)	(3,283)	(206)
Revenue Support Grant	(1,296)	(1,296)	0
Financing	**(10,071)**	**(10,275)**	**(204)**
Net Transfer to Reserves (General Fund)	**598**	**(2,199)**	**(2,797)**
Net Transfer to Reserves (HRA)	**447**	**(2,380)**	**(2,827)**
Net Transfer to Reserves (as per EFA)	**-**	**(4,579)**	**-**
Planned Transfer to Reserves (General Fund)	**(598)**	**912**	**1,510**
Planned Transfer to Reserves (HRA)	**(447)**	**2,380**	**2,827**
Net General Fund Outturn Position (Transferred to Reserves)	**-**	**(1,287)**	**(1,287)**

The most significant positive budget variances behind the surplus were as follows:

- Taxation and Non-Specific Grant Income £916,000 – additional income was received mainly from two Business Rates related sources. Section 31 Grants ('Business Rates compensation') received were £471,000 more than anticipated in the budget and Business Rates received from the Lowestoft Enterprise Zone totalled £438,000 (which is offset against a corresponding variance on related spend within Economic Development and Regeneration).

- Operations £579,000 – the surplus was driven by a range of savings/additional income including lower than budgeted Utility and Facilities Management costs at the Riverside Offices (£156,000), additional Recycling Credits (£134,000) and additional Rent and Letting income from Caravan and Camping (£123,000). In contrast, income from Industrial Estates was down compared to budget expectations due to vacancies and some leases being under re-negotiated in the year (£125,000).
- Financial Services, Corporate Performance and Risk Management £531,000 – there were a range of positive variances that contributed to the overall surplus in the year, including lower than budgeted Direct Revenue Financing (DRF) due to deferred/delayed spend in respect of IT and vehicles (funded from the Short Life Asset Reserve), a contingency budget to meet the potential post-implementation costs of the recent Community Governance review was not required (£200,000) and a credit adjustment for the prior year Green Waste Management was also received in the year (£132,000). The positive variances were partially offset by some negative variances including the "Corporate Vacancy Allowance" (£300,000). This is an allowance for the year for establishment savings across the Council as a whole, due to vacancies.
- Planning and Coastal Management £307,000 – additional income was received from Planning Applications and Pre-Planning Advice (£128,000) and vacancy savings on staffing costs (£109,000) were the primary reason for a budget surplus within this area.

Revenue Spending: the Housing Revenue Account (HRA) Outturn

It was a good year for the Council's ring-fenced Housing Revenue Account (HRA), with the final outturn marginally outperforming budget expectations as shown in the table below.

Housing Revenue Account Outturn 2017/18: Summary			
Description	**Revised Budget 2017/18**	**Outturn 2017/18**	**Variance**
	£000's	**£000's**	**£000's**
Income	(20,560)	(20,811)	(251)
Expenditure	23,174	23,121	(53)
(Increase) / decrease in year on the HRA	**2,614**	**2,310**	**(304)**

In-year budget variances were generally very small, with the most significant items being as follows:

- <u>Income</u>
  - *Dwelling Rents (+£94,000)* – the largest income variance related to Dwelling Rents with £18.851 million received compared to a budget provision of £18.757 million. The small surplus was due to a relatively low number of write-offs this year. Nevertheless income from Dwelling Rents was down compared to the £19.274 million received in 2016/17, due to the combined effects of a 1% rent reduction required by the Welfare Reform and Work Act 2016, along with continuing asset disposals under the national "Right to Buy" scheme; and
- <u>Expenditure</u>
  - *Revenue Contributions to Capital (-£1.298 million)/ Transfers to Earmarked Reserves (+£1.094 million)* – the revenue contributions and reserve transfer variances are inter-linked; both primarily due to the re-phasing of the Housing Development Programme into 2018/19, with the associated £1 million financing provision being transferred into a new Housing Development Reserve.

HRA expenditure outweighed income in 2017/18, reflecting the profile of the (30-year) HRA Business Plan and the need to maintain an HRA working balance commensurate with financial risk. It is a prudent approach, which aims at achieving a balance between setting aside funds to meet future debt repayment obligations, financing future Housing Development, reducing the current HRA working balance to around 10% of total income (the recommended best practice minimum) and maintaining of the housing stock in accordance with "Decent Homes Standards".

Capital spending

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

Overall, the Council spent £9.032 million on its Capital Programme in 2017/18, which included £2.026 million on General Fund and £7.006 million on the HRA:

- General Fund – capital expenditure included £902,000 spent on progressing the Lowestoft Tidal Barrier, along with a £123,000 contribution towards the acquisition of premises in Lowestoft town centre for mixed Housing and Retail Development (project part-funded by an HRA contribution of £327,000); and
- HRA – capital spending included £3.355 million on the New Build Programme (e.g. including £670,000 on Duncan's Yard, Southwold) and £2.384 million on Housing Repairs, which has – once again – helped maintain the standard of the Waveney Housing stock well above the "Decent Homes Standard". Capital spending on both the General Fund and HRA capital programmes is summarised in the table below.

Capital Programme 2017/18			
Description	**Revised Budget £000's**	**Outturn £000's**	**Variance £000's**
General Fund (GF)			
Leader	173	39	(134)
Community Health	30	15	(15)
Operational Partnerships	1,307	574	(733)
Planning and Coastal Management	4,999	957	(4,042)
Resources	690	441	(249)
Total GF Capital Spending	**7,199**	**2,026**	**(5,173)**
Funded by:			
Internal Borrowing	1,752	1,461	(291)
Grants and Contributions	4,749	87	(4,662)
Revenue / Revenue Reserves	698	478	(220)
Total GF Funding	**7,199**	**2,026**	**(5,173)**
Housing Revenue Account (HRA)			
Housing Repairs	2,585	2,384	(201)
Housing Project Development	1,309	640	(669)
New Build Programme	6,598	3,355	(3,243)
Housing Improvements	500	627	127
Total HRA Capital Spending	**10,992**	**7,006**	**(3,986)**
Funded by:			
Capital Receipts	2,366	2,470	104
Grants and Contributions	757	899	142
Revenue Reserves	7,869	3,637	(4,232)
Total HRA Funding	**10,992**	**7,006**	**(3,986)**
Total Capital Programme 2017/18	**18,191**	**9,032**	**(9,159)**

The table above shows that overall spending on the Capital Programme was £9.159 million (52.9%) below the budget of £18.191 million, which was due to:

- *GF Programme (£5.173 million)* – dominated by the re-phasing of the Lowestoft Tidal Barrier project, which resulted in planned expenditure of £4.042 million being re-phased into 2018/19. Some smaller projects were also re-phased, including the Battery Green Multi-Story Car Park redevelopment project in Lowestoft (impact £250,000 in "Operational Partnerships"). Predominantly as a consequence of the re-phasing of projects, funding of £4.662 million has been rolled forward into 2018/19.

- *HRA Programme (£3.986 million)* – the largest single factor was unavoidable delays in the purchase of development sites in Lowestoft, which resulted in planned spending on New Builds of £2.950 million being re-phased into 2018/19. Delays on other Housing Developments in Lowestoft, Beccles, Blundeston and Southwold led to the further deferment of planned expenditure. The overall impact meant that the original plan to apply £7.869 million from Revenue Reserves did not materialise, with a total of just £3.637 million drawn down for funding purposes; the difference (£4.232 million) is available for funding the projects rolled forward into 2018/19.

Collection Fund: collecting and distributing local taxation

Waveney is a "billing authority" for the purposes of local taxation, which means that we bill, administer, collect and distribute local taxation as follows:

- *Council Tax* – on behalf of "precepting" authorities; the County Council, Police, Town and Parish councils, as well as the District Council itself; and
- *Business Rates* – on behalf of the County Council (10%) and Central Government (50%), as well as the District Council itself (40%).

The Collection Fund – at a summary level – records the transactions associated with collecting and distributing Council Tax and Business Rates. Surpluses and deficits are shared between the local authorities and central Government – as described above – in prescribed shares. The outturn for 2017/18 is summarised in the table below:

Description	Opening Balance (1st April 2017) £000's	Income £000's	Expenditure £000's	Closing Balance (31st March 2018) £000's
Council Tax (Surplus) / Deficit	(1,170)	(58,075)	57,847	(1,398)
Business Rates (Surplus) / Deficit	1,187	(27,680)	27,972	1,479

The Council budgets to for a breakeven position on the Collection Fund over time, although in-year fluctuations are commonplace, not least due to the requirement – by 15th January each year – for year-end surpluses/deficits to be estimated in advance to enable their distribution amongst billing and precepting authorities, along with precepts for the forthcoming year. The table above shows an in-year surplus of £228k on Council Tax, which increased the balance to £1.4 million. In contrast, an in-year deficit of £292k on Business Rates further increased the deficit to £1.5 million. Income from Business Rates in 2017/18 was boosted by additional net receipts of £313k due to the Council's membership of the Suffolk Business Rates Pool, which generates benefits from reduced levy payments to the Government.

Financial Resilience: reserves and balances

In June 2017, CIPFA published *"Building Financial Resilience" ("managing financial stress in local government")*. It identified the warning signs of financial stress, and explained the 'pillars' on which financial resilience depends. One of the "four pillars of resilience" highlighted in the document, was the importance of (appropriately) "Managing Reserves".

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. It includes the establishment and maintenance of reserves and balances as follows:

General Fund Balance:

- A working balance to fund and manage the impact of any unforeseen events or circumstances;
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; and
- A contingency to cushion the impact of unexpected events or emergencies

Earmarked Reserves (Revenue and Capital):

- A means of building up funds to meet known or predicted requirements.

<u>Movement in Reserves and Balances 2017/18</u>

The table below summarises the overall movement on General Fund and HRA reserves and balances in 2017/18.

Movement in Reserves and Balances 2017/18				
Description	**Opening Balance (31/3/17)**	**Transfers In**	**Transfers Out**	**Closing Balance (31/3/18)**
	£000's	**£000's**	**£000's**	**£000's**
General Fund Revenue				
• GF Balance	**4,160**	**0**	**(160)**	**4,000**
Earmarked Reserves:				
• Business Rates Equalisation Reserve	1,476	274	0	1,750
• New Homes Bonus	1,079	0	0	1,079
• In-Year Savings	1,300	844	0	2,144
• Other Earmarked Reserves	4,789	1,887	(808)	5,868
Total Earmarked Reserves	**8,644**	**3,005**	**(808)**	**10,841**
Total GF Revenue Reserves	**12,804**	**3,005**	**(968)**	**14,841**
HRA Revenue				
• HRA Working Balance	**7,247**	**0**	**(2,310)**	**4,937**
Earmarked Reserves:				
• Debt Repayment Reserve	5,310	3,690	0	9,000
• Other Earmarked Reserves	822	1,000	0	1,822
Total Earmarked Reserves	**6,132**	**4,690**	**0**	**10,822**
Total HRA Revenue Reserves	**13,379**	**4,690**	**(2,310)**	**15,759**
Total Revenue Reserves	**26,183**	**7,695**	**(3,278)**	**30,600**
Capital Reserves				
• GF Earmarked Reserve	498	621	(458)	661
• HRA Major Repairs Reserve	15,787	3,312	0	19,099
Total Capital Reserves	**16,285**	**3,933**	**(458)**	**19,760**

The table shows both Revenue and Capital reserves rising in the year, further strengthening the Balance Sheet. Thus:

- *General Fund Revenue (up £2.037 million)* – the largest net increase was in "Other Earmarked Reserves" (net transfers in of £1.079 million); comprising a range of items. This includes movement on the Actuarial Reserve (contingency to meet potential future 'one-off'/exceptional pension costs – up £177,000) and the Transformation Reserve (to support future transformation and 'invest to save' projects – up £144,000). £300,000 was also transferred into two newly created earmarked reserves for In Year Contingency and Key Capital Projects, £200,000 and £100,000 respectively.

- *HRA Revenue (up £2.380 million)* – the most significant factor in the increase was a planned contribution of £3.7 million to the Debt Repayment Reserve (to meet future debt repayment obligations) in accordance with the HRA Business Plan; and

- *Capital (up £3.475 million)* – the increase in Capital Reserves was dominated by the transfer of HRA depreciation charges into the Major Repairs Reserve in accordance with statutory accounting requirements (accumulated depreciation charges are ring-fenced for meeting future capital expenditure requirements).

The Chief Financial Officer (CFO) has a personal duty under Section 25 of the Local Government Act 2003 to report on the adequacy of financial reserves and balances and the year-end General Fund balance of £4 million is in line with the CFO's £4 million recommendation adopted by the Council in February 2018. The balance is established as part of the Medium-Term Financial Strategy process and takes account of the strategic, operational and financial risks facing the Council.

Importantly (given the creation of the new East Suffolk Council in 2019) the CFO's assessment was conducted on the basis that services will continue to be provided and that adequate reserves and balances will be available for the successor authority.

5. Risks and opportunities

The established Council approach is to – wherever possible – seize opportunities as a means of managing risk. The emerging threat from public sector austerity in the late 2000s illustrates the point; the opportunity to share services was taken well ahead of most authorities in the country, leading to savings that have help maintain the viability of the Council for a decade.

Principal Risks

The principal risks faced by the Council sit within the following broad themes:

Financial Sustainability

Reducing central Government support for local government services is set to continue into the 2020s. Ensuring long-term financial sustainability is a major challenge faced by all councils, and Waveney is no different with the latest Medium-Term Financial Strategy (February 2018) highlighting an underlying budget deficit of £2.3 million by 2019/20. The underlying risk is reflected in the Business Plan (through the *Financial Self-Sufficiency* "strategic deliverable"). A range of actions are in place to ensure the future financial sustainability of the Council, most notably the formation of a single council for East Suffolk and the adoption of a Commercial Investment Strategy (see further discussion on both topics below).

Service Delivery

The Council recognises the need to continually develop and evolve services to meet the ever-changing needs of customers. Demographic, technological and lifestyle changes all need to be catered for if services are to remain fit for purpose. A number of key strategies have been developed and are being deployed to address these risks. For example:

- East Suffolk Access and Customer Care Strategy (2015-19) – aims to ensure that customer access to services is easy, ways of working are efficient, advancements in technology are maximised to improve customer experience, costs are reduced and value for money achieved; and
- East Suffolk Digital Strategy (2015-19) – integral to the way in which services are delivered in partnership with SCDC, the Strategy aims to maximise the use of technology and provide the necessary tools to enable electronic accessibility to all services. Key principles include "electronic by default", "exploring new ways of working using digital and innovative technologies", "eliminating duplication and processes that do not add value" and "empowering customers, communities and staff through accessible self-service".

Environmental

The coastline is a major feature within Waveney, appreciated by residents and visitors alike. It does however carry with it substantial risk, highlighted by the 1953 floods and the tragic loss of life. It is a responsibility borne by a minority of district councils in England (in partnership with the Environment Agency) and is a constant funding challenge. The inland areas of the district are also attractive, with Lowestoft forming the gateway to the Broads National Park with its scenic waterways, rare wildlife and rich history. Combined with an important strategic location, the district is becoming more attractive to developers, prospective residents and tourists alike. Whilst this brings significant opportunity, it also threatens the natural environment if not carefully managed. The Council therefore has a number of measures in place to mitigate environmental risk, including:

- Shoreline Management Plan 2012 ("SMP 7: Lowestoft Ness to Landguard Point") – covering the short-term (up to 2025), medium-term (2026 to 2055) and long-term (2056 to 2105), the Plan covers 73 km of the East Coast (incorporating all of the district coastline) and identifies the best ways to manage coastal flood and erosion risk to people and the developed, historic and natural environment.
- The Approach to Future Development in Waveney to 2021 ("Core strategy") – adopted in January 2009, the core strategy for the district sets out in strategic terms, the Council's overall approach to future development, generally where it should take place and the key factors that need to be taken into account when considering proposals for development. The theme at the heart of the document is 'spatial planning' whereby the economic, social and environmental requirements of other strategies and programmes are integrated within land use planning; and
- East Suffolk Housing Strategy (2017 – 2023) – the Strategy aims to achieve sustainable housing growth, whilst maintaining and enhancing the high quality built and natural environment. For example, it aims to ensure that new housing developments, wherever possible, avoid noise pollution, support biodiversity and minimises greenhouse gases.

Principal Opportunities

Despite the risk, there are substantial opportunities in Waveney.

A Strategic Location

Situated directly opposite major continental ports, the Port of Lowestoft serves the busy sea routes between the UK, Europe, Scandinavia, and the Baltic States. Lowestoft is at the forefront of the rapidly expanding offshore energy industry and, (along with neighbouring Great Yarmouth) has been designated as a national Centre for Offshore Renewable Engineering (CORE) and works with the Government to maximise support for the offshore industry. It also forms part of the established Great Yarmouth and Lowestoft Enterprise Zone, which offers a range of business development incentives, ranging from high quality office and industrial units, to quayside space and land on which to build tailor-made accommodation. In addition, Assisted Area Status (2014-2020) has been granted within 11 Lowestoft wards, which has enabled additional support for development. Further initiatives in place to maximise opportunities here include:

- Business Rates Pilot (2018-19) – as part of the Suffolk Business Rates Pool, the Council has been successful in leading on a Suffolk wide bid to pilot 100% Business Rates Retention in 2018/19 (one of only 10 successful bids in England). It is a pooling arrangement, which is expected to enable all members to increase the amount of Business Rates retained locally. The direct financial benefit for Waveney is expected to be in the region of £1 million, with the benefit for Suffolk as a whole, to be allocated to shared priorities (primarily growth-related initiatives)
- East Suffolk Economic Growth Plan (2018 – 2023) – focussing on key sectors such as agriculture, energy, IT, manufacturing and engineering, marine, and ports and logistics, the Growth Plan has three main priorities:
    - *Priority 1* - Supporting entrepreneurs and entrepreneurship in East Suffolk
    - *Priority 2* - Encouraging established businesses to invest and grow; and
    - *Priority 3 - Priority* Attracting inward investment to East Suffolk, focused around existing and emerging sectors and supply chains.
- Economic Strategy for Norfolk and Suffolk (November 2017) – this is a 20-year Strategy through to 2036 led by the New Anglia Local Enterprise Partnership (LEP). It is a shared endeavour between businesses, education providers, local councils (including Waveney) and the voluntary and community sectors. It outlines ambitious plans for future growth across Norfolk and Suffolk. The Strategy has ambitious plans to grow the Norfolk and Suffolk economy by £17.5 Billion – in real-terms – by 2036 and complements our work in Waveney.

An Attractive Location

Waveney is an attractive place to live and visit. More than seven million visitors come to the Broads every year, attracted by all it offers, including Oulton Broad, which sits within the district. Further along the River Waveney, lies the tranquil market town of Beccles, next to a waterside meadow, with a wealth of independent shops, antique markets and cafes. Lowestoft too, despite historically fluctuating fortunes, has a rich history and the pretty, Victorian seafront promenade and gardens are still enjoyed by thousands of visitors every year. Therefore tourism presents an economic opportunity, provided it is done in a sustainable way. To this end:

- East Suffolk Tourism Strategy 2017 to 2022 – Recently completed independent research revealed that – in 2016 – the total number of tourist trips to Waveney was 5.3 million, which generated a total value of £300 million and sustained 7,083 jobs (15.7% of total employment). The key aim of the Tourism Strategy is to significantly improve on these numbers (e.g. through extending the tourist season, creating compelling destinations and to linking visitors more to experiences such as special events).

A "Super District"

Government approval for the dissolution of Waveney and Suffolk Coastal district councils to create a single council for east Suffolk from 1st April 2019 has now been given. It is a high profile opportunity that has attracted widespread media interest both locally and nationally; with a combined population of over 242,000, the new Council will be the largest of its kind in the country, a "Super District" that presents a major opportunity and a leap forward in achieving long-term financial sustainability. It will be a model for other authorities to follow as they decide how best to tackle the significant challenges facing local government. East Suffolk Council will be of a scale large enough to face these challenges by having a loud enough voice, a strong bargaining position, a stronger balance sheet and a resilient workforce, yet small enough to feel connected to residents. Managing such an opportunity has been a high priority throughout.

- Public Consultation (2016) – the councils commissioned an independent telephone survey of 1,000 east Suffolk residents (500 in Waveney) in October 2016 in order to gain feedback on the preferred option to merge. This was followed by a detailed public engagement campaign in November/December 2016; and
- One Council – the "One Council" project was set up in August 2017 to deliver the new Council by April 2019. Overseen by a Member Programme Board, the project is supported by five Member Working Groups and a Programme Team of senior officers. Transitional arrangements also include the formation of a "Shadow Authority".

6. Looking Ahead

A 'seamless transition' will very much be the aim as local government in Waveney and the wider east Suffolk area undergoes fundamental change in the medium-term.

The year ahead: Waveney District Council

The 2018/19 financial year will be an historic one for the Council. It will be the final year for Waveney District Council, which – after 45 years serving the residents of the district – will be dissolved at the end of the year, with the new East Suffolk Council emerging in 2019/20.

There is much to look forward to in 2019/20 and the new Council will be bigger, stronger and more able to meet the future needs of our communities. However, it is 'business as usual' in the district for 2018/19, with the focus very much remaining on Waveney.

Strategy: business as usual

The General Fund budget for 2018/19 was approved by the Council on 21st February 2018: net revenue expenditure of £10.643 million is planned for the year ahead. This adds to the Capital Programme for 2018/19 approved by the Council on 24th January 2018, which includes capital commitments of £19.584 million on a range of schemes. Therefore £30.227 million in total is committed to fund Waveney services for the year and deliver on the commitments in our Business Plan.

Most notable in the Capital Programme for 2018/19 is £9.6 million in funding for the Lowestoft Flood Barrier, which is a major project to construct a permanent tidal wall around the harbour to protect the town from future tidal surges.

Tackling the Deficit

Alongside the budget for 2018/19, the Council also approved the latest iteration of the Medium Term Financial Strategy (MTFS), which is a 5-year rolling strategy, setting the strategic financial direction and forming the framework for financial planning in Waveney. The MTFS is presented in the table below. Projecting forwards to 2021/22 it shows that the Council is projecting a shortfall in the base budget of £2.3 million from 2019/20 onwards.

MTFS 2017/18 – 2021/22 (high level extract)					
Description	**2017/18 Budget**	**2018/19 Budget**	**2019/20 Budget (projected)**	**2020/21 Budget (projected)**	**2021/22 Budget (projected)**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Total Net Expenditure	10,071	10,643	12,448	13,174	13,334
Total Funding	(10,071)	(10,643)	(10,173)	(10,509)	(10,746)
Budget Deficit/(Surplus)	**0**	**0**	**2,275**	**2,665**	**2,588**

However, the General Fund surplus of £1.287 million for 2017/18 allows some flexibility and provides an opportunity to support the transition from Waveney (and Suffolk Coastal) to East Suffolk Council. With this in mind, a balance has been struck between the needs of Waveney in 2018/19 and the needs of East Suffolk in 2019/20, and beyond. The surplus has therefore been transferred as follows:

- *Business Rates Equalisation Reserve £274,000* – to smooth the annual impact of a large and volatile funding source
- *Carry Forward Reserve £169,000* – to meet the cost of (Waveney) expenditure commitments in 2018/19, originally scheduled for 2017/18; and
- *In-Year Savings Reserve £844,000* – to temporarily support the General Fund revenue budget as savings in the base budget are realised through the Efficiency Strategy.

The £2.3 million deficit for Waveney highlighted in the table above, when added to a corresponding deficit at SCDC, results in an £3.6 million deficit to be taken on by East Suffolk Council. However, the combined balances including the In-Year Savings Reserves of the two councils will make a substantial contribution to minimising the short-term impacts of the opening deficit; thus allowing the newly elected administration at ESC sufficient time to comprehensively review services and budgets and set a sustainable basis for delivering future priorities.

Whatever happens in 2019/20, the ongoing approach to service delivery and partnership working in particular will remain a key part of driving down costs, continuing to increase value for money and addressing budget deficits. In addition, the Council adopted a new Efficiency Strategy in February 2016. The Strategy has taken advantage of the Government's current flexibility, which allows capital receipts from asset sales to be applied towards funding the one-off revenue costs of transformation projects. A rolling Efficiency Plan feeds into the Strategy and the latest update approved by the Council in February 2018 includes projects ranging from an initiative to bring long-term empty properties back into use to increase NHB receipts, through to the achievement of further savings from the recent Lowestoft Community Governance Review (which created the new Lowestoft Town and Oulton Broad Parish councils) in April 2017. The Efficiency Plan also includes two projects of exceptional note:

- Single Council for East Suffolk – the most visible element of the Efficiency Plan is the creation of a new single council for east Suffolk, which will bring a range of benefits, including further efficiency savings that cannot be realised through the current partnership arrangements. These include reducing the governance costs associated with running two separate councils, eliminating a range of duplicated tasks (e.g. in Financial, Legal and HR services) and a reduction in some external costs (e.g. external audit fees will reduce for a single council); and
- Commercial Investment – the Council adopted the East Suffolk *Commercial Investment Strategy* in September 2017. The Strategy, which is firmly aligned to the self-sufficiency ambition, represents a different approach to the more traditional role of local councils and introduced a framework for the acquisition of commercial asset investments and enables commercial trading to generate net income streams to offset the ongoing reductions in central Government support. The Strategy sits alongside, and compliments, the Asset Management Strategy (which is designed to maintain the service potential of Council assets).

Delivering the Transition: from Waveney to East Suffolk

Of course, preparing for the future is a major priority for 2018/19, with the "One Council" project set up in August 2017 to deliver a new district council for East Suffolk by April 2019. It is a substantial undertaking, with over 100 individual work streams being overseen by a Member Programme Board, supported by five Member Working Groups and a Programme Team of senior officers. Good progress has been made so far, with the pace expected to quicken as the deadline approaches.

Preparations include following due legal process, with a "Structural Change Order" coming into effect on 25th May 2018. The Order signalled the commencement of a 'shadow period' which will run until 6th May 2019 (four days after the elections for the new council, on 2nd May 2019). A newly created "Shadow Authority" (comprising the 90 existing members across both councils) will act for the duration of the shadow period and is responsible for making the necessary arrangements for East Suffolk Council to assume its powers, functions and responsibilities on 1st April 2019.

2019/20 and beyond: East Suffolk Council

Although Waveney District Council will no longer exist from 1st April 2019, and the detailed priorities of East Suffolk Council will be determined by the newly elected administration in May 2019, there should be no major shift in emphasis, with Waveney and Suffolk Coastal adopting the joint Business Plan in 2015, drawing together and protecting the common interests of both districts. Whatever the political colour however, the new council will be keen to establish its voice in local government and increase its influence for the benefit of East Suffolk.

Increasing Financial Scale

The financial scale of the new council will be much larger in revenue and capital terms. A simple amalgamation of the latest medium-term financial plans (adopted February 2018) of Waveney and Suffolk Coastal provides indicative figures, and is presented in the table below.

East Suffolk Council: SCDC and WDC combined financial projections (@ February 2018)			
Description	**2019/20**	**2020/21**	**2021/22**
	£000's	**£000's**	**£000's**
Revenue			
• General Fund (GF) Total Net Expenditure	25,046	25,971	26,558
• Housing Revenue Account (HRA) Income	(20,494)	(21,319)	(22,113)
• Housing Revenue Account (HRA) Expenditure	20,962	22,095	21,495
Capital			
• GF Capital Programme	26,774	33,171	21,610
• HRA Capital Programme	13,046	11,972	12,172

Major External Developments 2020

There is much cause for optimism, tempered by significant uncertainty. The two councils together will result in a resilient East Suffolk Balance Sheet, with a strong asset base combining with good liquidity. However, there are two major developments in local government – scheduled for 2020 – with currently unknown implications:

- 75% Business Rates Retention – in December 2017, the Government announced proposals for the proportion of Business Rates income to be retained by local authorities is to be increased from 50% to 75%. This is to be accompanied by a new central Government 'funding formula' for local authorities. It is not known precisely how the new system will work, although local growth areas in Suffolk Coastal (e.g. at Sizewell, Felixstowe Port and Martlesham Heath) look set to combine with similar opportunities in Waveney (e.g. in 'onshore infrastructure' to support offshore Sustainable Energy developments and commercial developments following the construction of the Lowestoft Tidal Barrier) to generate a substantial increase in Business Rates receipts in the future; and

- "Fair Funding" Review – the Government is committed to reviewing and updating the current funding formula system which determines local needs and resources, and redistributes funding between local authorities. The current system is widely acknowledged as outdated and in need of reform. The Government has therefore launched its "Fair Funding" review with a view to introducing an updated system from 2020/21, with its first stage consultation process closing in March 2018. So far consultation has focused on the "relative needs" of individual local authorities to spend and future consultation (s) will focus on "relative resources", which is an adjustment to a Council's funding to reflect its relative ability to raise income from Council Tax. The eventual impact on East Suffolk Council of the new funding formula is unknown and appears likely to depend on the way in which the cost of delivering services in rural areas is reflected and also "locally significant duties" (most notably Coastal Management).

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Councillor S Woods
Chairman of Audit & Governance Committee, Waveney District Council – 25th July 2018

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code).

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

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2018 and its income and expenditure for the year ending on that date.

Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer – 25th July 2018

EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure in the Comprehensive Income & Exependiture Statement	2017/18 (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to GF & HRA Balances		Net Expenditure in the Comprehensive Income & Exependiture Statement	2016/17 (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to GF & HRA Balances (Restated)
	Capital	Pensions	Other	Total Adj				Capital (Restated)	Pensions	Other	Total Adj (Restated)	
£'000	£'000	£'000	£'000	**£'000**	**£'000**		**£'000**	£'000	£'000	£'000	**£'000**	**£'000**
431	-	34	-	34	465	Communities	427	(3)	26	-	23	450
985	(2)	141	-	139	1,124	Customer Services	875	-	104	-	104	979
1,036	(71)	80	-	9	1,045	Economic Development and Regeneration	1,133	(115)	53	-	(62)	1,071
743	-	103	-	103	846	Environmental Services and Port Health	681	-	70	-	70	751
(42)	(7)	1,667	-	1,660	1,618	Financial Services, Corporate Performance and Risk Management	137	(7)	2,151	-	2,144	2,281
377	253	79	-	332	709	Housing Operations and Landlord Services	(43)	327	55	-	382	339
(17,082)	8,974	790	-	9,764	(7,318)	Housing Revenue Account	(9,961)	43	503	-	546	(9,415)
780	(133)	85	-	(48)	732	ICT Services	778	(127)	59	-	(68)	710
197	-	4	-	4	201	Internal Audit	214	-	5	-	5	219
932	(1)	68	-	67	999	Legal and Democratic Services	581	(1)	40	-	39	620
5,660	(4,154)	142	-	(4,012)	1,648	Operations	5,343	(1,982)	88	-	(1,894)	3,449
1,806	(843)	237	-	(606)	1,200	Planning and Coastal Management	1,583	(856)	160	-	(696)	887
673	-	210	-	210	883	Revenue and Benefits	302	-	144	-	144	446
649	-	139	-	139	788	Senior and Corporate Management	389	-	88	-	88	477
(2,855)	**4,016**	**3,779**	**-**	**7,795**	**4,940**	**Cost of Services**	**2,439**	**(2,721)**	**3,546**	**-**	**825**	**3,264**
9,291	(5,702)	-	-	(5,702)	3,589	Other Operating Expenditure	(22)	(527)	-	-	(527)	(549)
3,402	4,215	(5,103)	-	(888)	2,514	Financing and Investment Income and Expenditure **	3,133	7,634	(3,515)	-	4,119	7,252
(17,690)	2,254	-	(186)	2,068	(15,622)	Taxation and Non-Specific Grant Income	(19,125)	3,405	-	339	3,744	(15,381)
(7,852)	**4,783**	**(1,324)**	**(186)**	**3,273**	**(4,579)**	**(Surplus) or Deficit on Provision of Services**	**(13,575)**	**7,791**	**31**	**339**	**8,161**	**(5,414)**
					(26,681)	Opening General Fund and HRA Balance						(21,267)
					(4,579)	Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(5,414)
					(31,260)	Closing General Fund and HRA Balance at 31 March*						**(26,681)**

* For a split of this balance between the General Fund and the HRA - see Movement in Reserves Statement

** The 2016/17 figures are subject to a prior period adjustment, see disclosure below.

EXPENDITURE AND FUNDING ANALYSIS

Prior Period Adjustment – During the 2016/17 audit of the statement of accounts, it was identified that proceeds of £1.596m from Right to Buys were incorrectly transferred from the Capital Receipts Reserve to the HRA Earmarked Reserve for Debt Repayment. This incorrect accounting treatment was amended in the Audited 2016/17 Statement of Accounts, with the exception of the Financing and Investment Income and Expenditure line within the Expenditure and Funding Analysis, and specifically the capital adjustment column, which in the Audited Statement of Accounts for 2016/17 stated a value of £6.038m and has been restated to £7.634m. The impact of the £1.596m restatement can be seen below, showing the £6.038m being restated to £7.634m and how this impacts on the totals within the Expenditure and Funding Analysis.

	Net Expenditure in the Comprehensive Income & Exependiture Statement	2016/17 (Note 7) Adjustments between the Funding & Accounting Basis						Net Expenditure Chargeable to GF & HRA Balances
		Capital	Prior Period Adjustment	Capital (Restated)	Pensions	Other	Total Adj	
	£'000	£'000			£'000	£'000	£'000	£'000
Communities	427	(3)	-	(3)	26	-	23	450
Customer Services	875	-	-	-	104	-	104	979
Economic Development and Regeneration	1,133	(115)	-	(115)	53	-	(62)	1,071
Environmental Services and Port Health	681	-	-	-	70	-	70	751
Financial Services, Corporate Performance and Risk Management	137	(7)	-	(7)	2,151	-	2,144	2,281
Housing Operations and Landlord Services	(43)	327	-	327	55	-	382	339
Housing Revenue Account	(9,961)	43	-	43	503	-	546	(9,415)
ICT Services	778	(127)	-	(127)	59	-	(68)	710
Internal Audit	214	-	-	-	5	-	5	219
Legal and Democratic Services	581	(1)	-	(1)	40	-	39	620
Operations	5,343	(1,982)	-	(1,982)	88	-	(1,894)	3,449
Planning and Coastal Management	1,583	(856)	-	(856)	160	-	(696)	887
Revenue and Benefits	302	-	-	-	144	-	144	446
Senior and Corporate Management	389	-	-	-	88	-	88	477
Cost of Services	**2,439**	**(2,721)**	**-**	**(2,721)**	**3,546**	**-**	**825**	**3,264**
Other Operating Expenditure	**(22)**	(527)	-	(527)	-	-	**(527)**	**(549)**
								-
Financing and Investment Income and Expenditure	**3,133**	6,038	1,596	7,634	(3,515)	-	**4,119**	**7,252**
								-
Taxation and Non-Specific Grant Income	**(19,125)**	3,405	-	3,405	-	339	**3,744**	**(15,381)**
(Surplus) or Deficit on Provision of Services	**(13,575)**	**6,195**	**1,596**	**7,791**	**31**	**339**	**8,161**	**(5,414)**

Opening General Fund and HRA Balance	(21,267)
Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year	(5,414)
Closing General Fund and HRA Balance at 31 March	**(26,681)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Authority						Group	
		2017/18			2016/17		2017/18	2016/17
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
Cost of Services								
Communities	469	(38)	**431**	527	(100)	**427**	**431**	**427**
Customer Services	1,128	(143)	**985**	947	(72)	**875**	**985**	**875**
Economic Development and Regeneration	1,161	(125)	**1,036**	1,227	(94)	**1,133**	**1,036**	**1,133**
Environmental Services and Port Health	799	(56)	**743**	717	(36)	**681**	**743**	**681**
Financial Services, Corporate Performance and Risk Management	581	(623)	**(42)**	593	(456)	**137**	**(42)**	**137**
Housing Operations and Landlord Services	1,855	(1,478)	**377**	1,114	(1,157)	**(43)**	**377**	**(43)**
Housing Revenue Account	3,602	(20,684)	**(17,082)**	10,999	(20,960)	**(9,961)**	**(17,082)**	**(9,961)**
ICT Services	780	-	**780**	778	-	**778**	**780**	**778**
Internal Audit	208	(11)	**197**	217	(3)	**214**	**197**	**214**
Legal and Democratic Services	1,224	(292)	**932**	966	(385)	**581**	**932**	**581**
Operations	12,603	(6,943)	**5,660**	12,283	(6,940)	**5,343**	**5,660**	**5,343**
Planning and Coastal Management	3,057	(1,251)	**1,806**	2,911	(1,328)	**1,583**	**1,806**	**1,583**
Revenue and Benefits	33,851	(33,178)	**673**	39,643	(39,341)	**302**	**673**	**302**
Senior and Corporate Management	690	(41)	**649**	420	(31)	**389**	**649**	**389**
Total Cost of Services	**62,008**	**(64,863)**	**(2,855)**	**73,342**	**(70,903)**	**2,439**	**(2,855)**	**2,439**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
	2017/18			2016/17			2017/18	2016/17
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
Total Cost of Services	62,008	(64,863)	(2,855)	73,342	(70,903)	2,439	(2,855)	2,439
Other Operating Expenditure (note 11)			9,291			(22)	9,291	(22)
Financing and Investment Income and Expenditure (note 12)			3,402			3,133	3,402	3,133
Taxation and Non-Specific Grant Income (note 13)			(17,690)			(19,125)	(17,690)	(19,125)
(Surplus) or Deficit on Provision of Services			(7,852)			(13,575)	(7,852)	(13,575)
Share of (Surplus)/Deficit on the Provision of services by Associate (note 33)			-			-	(73)	(75)
Tax expenses of Associate (note 33)			-			-	12	19
(Surplus)/Deficit			(7,852)			(13,575)	(7,913)	(13,631)
Surplus or deficit on revaluation of non-current assets (note 21)			(12,112)			(4,796)	(12,112)	(4,796)
(Surplus) or deficit on revaluation of available for sale financial assets			109			-	109	-
Remeasurement of the net defined benefit liability / (asset) (note 21)			(4,593)			4,779	(4,593)	4,779
Other Comprehensive Income and Expenditure			(16,596)			(17)	(16,596)	(17)
Total Comprehensive Income and Expenditure			(24,448)			(13,592)	(24,509)	(13,648)

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

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associate £'000	**Total Group Reserves £'000**
Balance at 31 March 2016	**(4,159)**	**(6,582)**	**(5,298)**	**(5,228)**	**(12,638)**	**(3,844)**	**(1,487)**	**(39,236)**	**(121,682)**	**(160,918)**	**(266)**	**(161,184)**
<u>Movement in reserves during 2016/17</u>												
(Surplus) or deficit on provision of services	(5,258)	-	(8,317)	-	-	-	-	(13,575)	-	**(13,575)**	-	**(13,575)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(17)	**(17)**	-	**(17)**
Total Comprehensive Income and Expenditure	**(5,258)**	**-**	**(8,317)**	**-**	**-**	**-**	**-**	**(13,575)**	**(17)**	**(13,592)**	**-**	**(13,592)**
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)	-	-	-	-	-	-	-	-	-	**-**	(56)	**(56)**
Net (Increase) / Decrease before Transfers	**(5,258)**	**-**	**(8,317)**	**-**	**-**	**-**	**-**	**(13,575)**	**(17)**	**(13,592)**	**(56)**	**(13,648)**
Adjustments between accounting basis and funding basis under regulations (note 9)	2,697	-	5,464	-	(3,149)	(3,028)	(2,130)	(146)	146	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(2,561)**	**-**	**(2,853)**	**-**	**(3,149)**	**(3,028)**	**(2,130)**	**(13,721)**	**129**	**(13,592)**	**(56)**	**(13,648)**
Transfer to / from Earmarked Reserves (note 10)	2,560	(2,560)	904	(904)	-	-	-	**-**	-	**-**	-	**-**
(Increase) / Decrease in Year	**(1)**	**(2,560)**	**(1,949)**	**(904)**	**(3,149)**	**(3,028)**	**(2,130)**	**(13,721)**	**129**	**(13,592)**	**(56)**	**(13,648)**
Balance at 31 March 2017 carry forward	**(4,160)**	**(9,142)**	**(7,247)**	**(6,132)**	**(15,787)**	**(6,872)**	**(3,617)**	**(52,957)**	**(121,553)**	**(174,510)**	**(322)**	**(174,832)**

MOVEMENT IN RESERVES STATEMENT

Balance at 31 March 2017 brought forward	**(4,160)**	**(9,142)**	**(7,247)**	**(6,132)**	**(15,787)**	**(6,872)**	**(3,617)**	**(52,957)**	**(121,553)**	**(174,510)**	**(322)**	**(174,832)**
<u>Movement in reserves during 2017/18</u>												
(Surplus) or deficit on provision of services	7,400	-	(15,252)	-	-	-	-	(7,852)	-	**(7,852)**	-	**(7,852)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(16,596)	**(16,596)**	-	**(16,596)**
Total Comprehensive Income and Expenditure	**7,400**	**-**	**(15,252)**	**-**	**-**	**-**	**-**	**(7,852)**	**(16,596)**	**(24,448)**	**-**	**(24,448)**
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)	-	-	-	-	-	-	-	-	-	**-**	(61)	**(61)**
Net (Increase) / Decrease before Transfers	**7,400**	**-**	**(15,252)**	**-**	**-**	**-**	**-**	**(7,852)**	**(16,596)**	**(24,448)**	**(61)**	**(24,509)**
Adjustments between accounting basis and funding basis under regulations (note 9)	(9,600)	-	12,873	-	(3,312)	362	(1,858)	(1,535)	1,534	**(1)**	-	**(1)**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(2,200)**	**-**	**(2,379)**	**-**	**(3,312)**	**362**	**(1,858)**	**(9,387)**	**(15,062)**	**(24,449)**	**(61)**	**(24,510)**
Transfer to / from Earmarked Reserves (note 10)	2,360	(2,360)	4,690	(4,690)	-	-	-	-	-	**-**	-	-
(Increase) / Decrease in Year	**160**	**(2,360)**	**2,310**	**(4,690)**	**(3,312)**	**362**	**(1,858)**	**(9,387)**	**(15,062)**	**(24,449)**	**(61)**	**(24,510)**
Balance at 31 March 2018 carried forward	**(4,000)**	**(11,502)**	**(4,937)**	**(10,822)**	**(19,099)**	**(6,510)**	**(5,475)**	**(62,345)**	**(136,615)**	**(198,960)**	**(383)**	**(199,343)**

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date, which is 31st March each year. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable Reserves can be found at the bottom of this Balance Sheet and Unusable Reserves held by the Group are contained within Note 21 to the Council's Core Financial Statements.

		Authority		Group	
	Note	**2017/18**	**2016/17**	**2017/18**	**2016/17**
		£'000	**£'000**	**£'000**	**£'000**
Property, Plant and Equipment	14	**286,374**	272,718	**286,374**	272,718
Investment Property	15	**2,882**	2,883	**2,882**	2,883
Heritage Assets		**223**	495	**223**	495
Intangible Assets		**176**	163	**176**	163
Long Term Investments	16 + 36	**2,401**	10	**2,401**	10
Investment in Associate	33	**-**	-	**383**	322
Long Term Debtors	16	**786**	757	**786**	757
Long Term Assets		**292,842**	**277,026**	**293,225**	**277,348**
Short Term Investments	16	**34,087**	24,101	**34,087**	24,101
Current Assets held for sale		**4**	205	**4**	205
Inventories		**74**	72	**74**	72
Short Term Debtors	17	**7,092**	6,465	**7,092**	6,465
Cash and Cash Equivalents	Cash Flow	**8,189**	16,515	**8,189**	16,515
Current Assets		**49,446**	**47,358**	**49,446**	**47,358**
Short Term Borrowing	16	**-**	(3,000)	**-**	(3,000)
Short Term Creditors	18	**(9,686)**	(9,719)	**(9,686)**	(9,719)
Short Term Capital Grants Receipts in Advance	20	**(865)**	(936)	**(865)**	(936)
Current Liabilities		**(10,551)**	**(13,655)**	**(10,551)**	**(13,655)**
Long Term Creditors	34	**(6,697)**	(6,865)	**(6,697)**	(6,865)
Long Term Provisions	19	**(1,576)**	(1,261)	**(1,576)**	(1,261)
Long Term Borrowing	16 + 35	**(87,734)**	(87,895)	**(87,734)**	(87,895)
Long Term Capital Grants Receipts in Advance	20	**(677)**	(834)	**(677)**	(834)
Other Long Term Liabilities - Pension Liability	29	**(36,093)**	(39,363)	**(36,093)**	(39,363)
Long Term Liabilities		**(132,777)**	**(136,218)**	**(132,777)**	**(136,218)**
Net Assets		**198,960**	**174,511**	**199,343**	**174,833**
Capital Reserves					
Capital Receipts Reserve		**(6,510)**	(6,872)	**(6,510)**	(6,872)
Capital Grants Unapplied		**(5,475)**	(3,617)	**(5,475)**	(3,617)
Major Repairs Reserve		**(19,099)**	(15,787)	**(19,099)**	(15,787)
Share of Reserves of Associate	33	**-**	-	**(383)**	(322)
Revenue Reserves					
General Fund					
- Fund Balance		**(4,000)**	(4,160)	**(4,000)**	(4,160)
- Earmarked Reserves		**(11,502)**	(9,142)	**(11,502)**	(9,142)
Housing Revenue Account					
- Fund Balance		**(4,937)**	(7,247)	**(4,937)**	(7,247)
- Earmarked Reserves		**(10,822)**	(6,132)	**(10,822)**	(6,132)
Usable reserves		**(62,345)**	**(52,957)**	**(62,728)**	**(53,279)**
Unusable reserves	21	(136,615)	(121,554)	**(136,615)**	(121,554)
Total Reserves		**(198,960)**	**(174,511)**	**(199,343)**	**(174,833)**

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

25th July 2018

CASH FLOW STATEMENT

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

	2017/18 £'000		2016/17 £'000	
Net (surplus) or deficit on the provision of services		**(7,852)**		**(13,575)**
Adjust net surplus or deficit on the provision of services for non cash movements:				
- Depreciation and Amortisation of Non Current Assets	(6,203)		(6,418)	
- Impairment and Downward valuations	7,901		251	
- Change in Creditors	1,090		(324)	
- Change in Debtors	419		355	
- Change in Inventory	4		-	
- Pension Liability	(1,323)		32	
- Other non-cash items charged to Surplus / Deficit on Provision of Services	(315)		247	
- Carrying value of Non-Current Assets disposed	(8,973)		(2,496)	
- Movement in Investment Property Values	(1)		495	
		(7,401)		**(7,858)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,611		7,633
Net cash flows from Operating Activities		**(9,642)**		**(13,800)**
Investing Activities:				
- Purchase of property, plant and equipment, investment property and intangible assets	7,794		8,596	
- Purchase of short-term and long-term investments	55,500		29,010	
- Other payments for investing activities	3		-	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,387)		(3,309)	
- Proceeds from short-term and long-term investments	(43,000)		(26,000)	
- Other receipts from investing activities	(3,007)		(3,402)	
		14,903		**4,895**
Financing Activities:				
- Cash receipts of short- and long-term borrowing	-		-	
- Other receipts from financing activities	(327)		(811)	
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	231		213	
- Repayments of short- and long-term borrowing	3,161		160	
		3,065		(438)
Net increase or decrease in cash and cash equivalents		**8,326**		**(9,343)**
Cash and cash equivalents at the beginning of the reporting		(16,515)		(7,172)
Cash and cash equivalents at the end of the reporting period		**(8,189)**		**(16,515)**
- Cash held by officers		1		2
- Short-term deposits		5,009		15,004
- Bank current account		3,179		1,509
Cash and cash equivalents at the end of the reporting period		**8,189**		**16,515**
The cashflows for operating activities include the following items:				
- Interest received		258		112
- Interest paid		(2,942)		(2,922)
- Dividends received		10		-

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £1.262m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 23) and Officers Remuneration (Note 26).

b) Accruals of income and expenditure

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

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

c) Cash and cash equivalents

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

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

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

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

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

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

e) Charges to revenue for non-current assets

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

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

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

f) Employee benefits

Benefits payable during employment

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

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post employment benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The discount rate employed for the 2017/18 accounts is 2.6% which is derived from a Corporate bond yield curve constructed from yields on high quality bonds based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price;
  - unquoted securities - professional estimate;
  - unitised securities - current bid price; and
  - property - market value.

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

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

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

Discretionary benefits

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

g) Events after the Reporting Period

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

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

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

h) Financial instruments

Financial liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

i) Government grants and contributions

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

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

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

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

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

Community Infrastructure Levy

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

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

j) Interests in companies and other entities

In May 2008, the Council signed an agreement with Norse Commercial Services Limited (NCS). A new company, Waveney Norse Limited was incorporated on 23rd May 2008 and began trading on 1st July 2008, with the Council having a 19.9% share in the Company. The Council transferred the responsibility for the delivery of the refuse, cleansing and maintenance services to Waveney Norse Limited. Profits and losses are shared 50%/50% with NCS.

Following a review of the Group Accounting requirements in the 2017/18 Code of Practice on Local Authority Accounting (the Code), and a review of the Norse Agreement in conjunction with NCS, the Council's accounting relationship with Waveney Norse Limited was determined as an Associate. In the Council's own single-entity accounts, the interest in Waveney Norse Limited is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Waveney Norse Limited is based on their financial results at their accounting date of 1st April 2018. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

k) 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 at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

l) Leases

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

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

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

The Council as Lessee

Finance leases

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

Lease payments are apportioned between:

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

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

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

The Council as Lessor

Operating leases

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

m) Overheads and support services

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

n) Fair value measurement

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

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

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

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

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

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

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

o) Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;

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

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

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

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

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2017/18 is:

- 30th September 2017 for assets measured at current value;
- 31st March 2018 for assets measured at fair value, social housing discount and those assets at risk of material movement in their valuation during the year.

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

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

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

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

<u>Impairment</u>

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer; or
- infrastructure - straight-line allocation over 40 to 60 years.

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

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

Disposals and non-current assets held for sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

p) Provisions, contingent liabilities and contingent assets

Provisions

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

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

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

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

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

Contingent liabilities

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

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

Contingent assets

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

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

q) 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 or Housing Revenue Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

r) Council tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

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

Accounting for council tax and NDR

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

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

s) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- *IFRS 9 Financial Instruments*, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any material impairment.
- *IFRS 15 Revenue from Contracts with Customers* presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- *IAS 7 Statement of Cash Flows (Disclosure Initiative)* will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- *IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)* applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.
- *IFRS 16 Leases* will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

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.
- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to

ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

- Waveney Norse Limited continues to be recognised as an Associate in the Council's financial statements and Group Accounts have been prepared in 2017/18. The Council's arrangements commencing in 2011/12 for leisure services provision with Sentinel Leisure Trust and the Marina Theatre Trust have been assessed as not requiring Group Accounting, following a review against the guidance in the CIPFA Code. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.
- The nature of the accounting treatment in respect of the use of the Council's assets by Waveney Norse Limited has not been considered an embedded lease under IFRIC 4 as the Council retains ultimate control over those assets.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- As part of the National Non Domestic Rates (NNDR1) return in January 2017, the Council had to estimate the business rates income expected to be received in 2017/18 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance and trend analysis which was 3.28% of appeals that had been lodged with the Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015 or backdated to 1st April 2015 before 31st March 2017. Regarding purpose built GP surgeries, the provision for appeals is based on 65% of the appeal lodged. For 2017/18 liabilities created through the issuing of bills, 3.28% has been taken as the provision.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant & 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. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £225k (£69k council dwellings) for every year that useful lives had to be reduced. 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. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31st March 2018, the Council had a balance of sundry debtors of £6.594m. A review of significant balances suggested that an allowance for doubtful debts of £3.031m 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 an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.
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 Benefit paid in the year to the value of £31.044 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.	If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.
Business rates appeals	Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%). The current system is relatively new and changes have been made by the Government in a number of areas since its introduction, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. The Council makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term. The Council has to make a number of assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.	If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and Suffolk Coastal District Council in future years based on their distribution proportions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.	The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

5. Comprehensive Income and Expenditure Statement - material Items of income and expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

There is one item of expenditure to disclose within this note that is significant to the understanding of the Council's financial performance in relation to the Housing Revenue Account. Valuations of council dwellings and Housing Revenue Account garages has resulted in a £8.974m increase in asset value, which in turn, has caused total expenditure in the Housing Revenue Account to be reduced by £8.974m as the revaluation gains are shown as a negative figure within expenditure on the face of the Housing Revenue Account Income and Expenditure Statement. Total expenditure is £3.602m compared to £10.999m in 2016/17.

If the revaluation increase had been in line with the previous year's figure of £43k, then total expenditure this year for Housing Revenue Account would have been approximately £12.5m. As part of the rolling programme of valuations, 2017/18 was the first time the HRA garages had been revalued in five years and the majority of the valuation gain has come from the assets life's being re-evaluated and increased. Council dwelling valuation increases reflect the housing market for the local area.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2018, 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 2017/18 Accounts.

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

There is one non-adjusted Post Balance Sheet Events to disclose in relation to the decision made by Full Council at its 25th January 2017 meeting, along with Suffolk Coastal District Council at its 26th January 2017 meeting, to dissolve both Councils and create a new Council for East Suffolk from 1st April 2019.

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

On the 24th May 2018 the Order and Regulations became part of legislation and was available on www.legislation.gov.uk. From the 25th May 2018 until 6th May 2019, Suffolk Coastal District Council and Waveney District Council have entered a shadow period, in which a Shadow Authority and Shadow Executive will make decisions on behalf of East Suffolk Council until it comes into effect from 1st April 2019.

A shadow Authority means an authority being a local authority (with a limited powers) which will become a local authority on 1st April 2019 and will consist of the current 90 members of Suffolk Coastal and Waveney District Councils until the 2019 elections where the number of elected Members will reduce to 55 from 6th May 2019. The Shadow Authority must meet within 14 days of the Order becoming legislation and the first meeting of the Shadow Authority will be held on Monday 4th June 2018.

At its first meeting, the Shadow Authority must designate, on an interim basis, an officer of one of the District Council to be responsible for performing the duties of the interim Monitoring Officer, the interim Chief Finance Officer and the interim Head of Paid Services. The Shadow Authority may, at any time before the 1st April 2019, appoint a person to become, on and after that date:

- The East Suffolk Council's Head of Paid Service;
- That Council's Chief Finance Officer; and
- That Council's Monitoring Officer.

If the Shadow Authority does not appoint to the above positions before the 1st April 2019, the interim officers will take up those positions on a permanent basis for East Suffolk Council.

A Shadow Executive has the meaning given in Article 8(1) of the Order of 25th May 2018 which is a Leader and Cabinet and will consist of both current Leaders and Cabinet members of Suffolk Coastal and Waveney District Councils. At its first meeting, the Shadow Executive must elect a Leader and Deputy Leader from the Shadow Executive members.

The main functions of the Shadow Authority will be to prepare, keep under review and revise as necessary, an Implementation Plan which must include:

- such plans and timetables as are in its opinion necessary to secure the effective, efficient and timely discharge of its functions; and
- such budgets and plans as it considers necessary or desirable to facilitate the economic, effective, efficient and timely discharge, on or after 1st April 2019, of the functions that, before that date, are functions of the District Councils.

for the purposes of preparing, reviewing and revising the Implementation Plan and discharging its functions.

On the 1st April 2019, the Suffolk Coastal and Waveney districts are abolished as local government areas and the District Councils are wounded up and dissolved. All functions and duties will transfer across to East Suffolk Council, which will commence as a new non-metropolitan district council.

7. Note to the Expenditure and Funding Analysis

Adjustments for capital purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pensions adjustments

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

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

Other Differences

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

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

8. Expenditure and income analysed by nature

	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses	13,368	10,502
Other service expenses	50,338	56,671
Dereciation, amortisation, impairment	(1,624)	6,168
Interest payments	4,059	4,304
Precepts and levies	2,331	741
Council tax support grant to parish councils	318	321
Business rates tariff payment and levy	8,087	7,431
Gain or loss on the disposal of assets	6,642	(1,084)
Total expenditure	**83,519**	**85,054**
Income		
Fees, Charges and other service income	(65,261)	(71,330)
Interest and investment income	(332)	(743)
Income from council tax, non-domestic rates, district rate income	(19,626)	(17,765)
Government grants and contributions	(6,151)	(8,791)
Total income	**(91,370)**	**(98,629)**
Surplus or deficit on the provision of services	**(7,851)**	**(13,575)**

9. Movement In Reserves Statement - adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Account

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

	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
2016/17							
Adjustments Involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
- Charges for depreciation and impairment of non current assets	(3,208)	-	(3,125)	-	-	**(6,333)**	6,333
- Revaluation losses on Property, Plant and Equipment	208	43	-	-	-	**251**	(251)
- Movements in the market value of Investment Properties	495	-	-	-	-	**495**	(495)
- Amortisation of intangible assets	(63)	-	(24)	-	-	**(87)**	87
- Capital grants and contributions that have been applied to capital financing	586	405	-	-	-	**991**	(991)
- Revenue expenditure funded from capital under statute	(337)	-	-	-	-	**(337)**	337
- Revenue expenditure funded from section 106 receipts	(27)					**(27)**	27
- 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	(686)	(1,810)	-	-	-	**(2,496)**	2,496
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
- Statutory provision for the financing of capital investment	753	-	-	-	-	**753**	(753)
- Capital expenditure charged against the General Fund and HRA balances	672	4,401	-	-	-	**5,073**	(5,073)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,769	308	-	-	(3,077)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	947	**947**	(947)

	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
2016/17							
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	1,167	2,412	-	(3,579)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital	-	-	-	216	-	**216**	(216)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(14)	-	-	14	-	**-**	-
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(321)	-	-	321	-	**-**	-
Adjustments involving the Financial Instruments Adjustment Account:							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	38	-	-	-	-	**38**	(38)
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	(2,717)	(798)	-	-	-	**(3,515)**	3,515
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,044	503	-	-	-	**3,547**	(3,547)
Adjustments involving the Collection Fund Adjustment Account:							
- Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	338	-	-	-	-	**338**	(338)
Total Adjustments	**2,697**	**5,464**	**(3,149)**	**(3,028)**	**(2,130)**	**(146)**	**146**

2017/18	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments Involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
- Charges for depreciation and impairment of non current assets	(2,818)	-	(3,306)	-	-	**(6,124)**	6,124
- Revaluation losses on Property, Plant and Equipment	(1,074)	8,974	-	-	-	**7,900**	(7,900)
- Movements in the market value of Investment Properties	(1)	-	-	-	-	**(1)**	1
- Amortisation of intangible assets	(72)	-	(6)	-	-	**(78)**	78
Expenditure capitalised under Approvals							
- Capital grants and contributions that have been applied to capital financing	340	47	-	-	-	**387**	(387)
- Revenue expenditure funded from capital under statute	(770)	-	-	-	-	**(770)**	770
- Revenue expenditure funded from section 106 receipts	(253)					**(253)**	253
- 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	(7,253)	(1,720)	-	-	-	**(8,973)**	8,973
Other Movements	(57)	-	-	-	-	**(57)**	57
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
- Statutory provision for the financing of capital investment	334	-	-	-	-	**334**	(334)
- Capital expenditure charged against the General Fund and HRA balances	478	3,636	-	-	-	**4,114**	(4,114)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,620	225	-	-	(2,845)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	987	**987**	(987)

2017/18	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Receipts Reserve:							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,379	-	(2,379)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital	-	-	-	2,423	-	**2,423**	(2,423)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(318)	-	-	318	-	**-**	-
Adjustments involving the Financial Instruments Adjustment Account:							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	85	-	-	-	-	**85**	(85)
Adjustments involving the Pensions Reserve:							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,645)	(1,457)	-	-	-	**(5,102)**	5,102
- Employer's pensions contributions and direct payments to pensioners payable in the year	2,989	790	-	-	-	**3,779**	(3,779)
Adjustments involving the Collection Fund Adjustment Account:							
- Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(185)	-	-	-	-	**(185)**	185
Total Adjustments	**(9,600)**	**12,873**	**(3,312)**	**362**	**(1,858)**	**(1,534)**	**1,534**

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

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2016/17 and 2017/18.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Actuarial Adjustments Reserve	**173**	-	-	**173**	(146)	323	**350**	To support any pressure on finances for redundancies / capital contributions to the Pension Fund as a result of the Council's progress with the Shared Services agenda.
Area Action Plan (AAP)	**-**	-	263	**263**	(96)	-	**167**	To Fund land investigative works covering the Area Action Plan in Lowestoft.
Business Rates Equalisation Reserve	**1,476**	-	-	**1,476**	-	274	**1,750**	To provide a source of finance to equalise the effect of changes in Business Rate income.
Backlog Repairs and Maintenance	**80**	-	-	**80**	-	-	**80**	To meet maintenance demands for corporate buildings.
Coastal Protection	**156**	-	-	**156**	-	-	**156**	To fund future Lowestoft coastal defence works.
Carry Forwards	**-**	-	35	**35**	(25)	169	**179**	Budget carry forward requests.
Community Development & Safety	**60**	(8)	46	**98**	(15)	19	**102**	Funding secured for prevention and activities work.
Community Health	**107**	(70)	-	**37**	(9)	-	**28**	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	**-**	-	685	**685**	(1)	-	**684**	To enable local community groups to deliver affordable housing units.
Conservation, Planning & Building Control	**402**	-	65	**467**	-	31	**498**	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.
Customer Services	**34**	-	-	**34**	-	122	**156**	To support projects requiring post implementation review which may incur consultancy fees and service review costs.
District Elections	**190**	(50)	60	**200**	-	60	**260**	To support costs of future elections.
Domestic Violence	**-**	-	-	**-**	-	49	**49**	Funding received to provide support to schemes supporting those affected by domestic violence.
Economic Regeneration	**64**	(117)	161	**108**	(74)	80	**114**	Funding to support business activities and the recovery of the Lowestoft Seafront following the December 2013 floods.
Enterprise Zone	**-**	(111)	718	**607**	(175)	161	**593**	Enterprise Zone income is generated through business rates from development which occurs within each zone. Waveney District Council is the collecting authority and by default the administrators of the funds.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Flood Prevention	**37**	(21)	5	**21**	-	-	**21**	Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Great Places	**-**	-	41	**41**	(14)	-	**27**	To fund new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Homelessness Prevention	**87**	(9)	9	**87**	(31)	117	**173**	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Housing Benefits Administration	**74**	-	71	**145**	-	46	**191**	To support the Anglia Revenues Partnership.
Housing Benefits Verification	**253**	-	-	**253**	(56)	-	**197**	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Housing Condition Survey	**30**	-	-	**30**	-	-	**30**	To meet the cost of the periodic survey of Private Sector Housing within the district.
Individual Electoral Registration	**-**	-	140	**140**	-	-	**140**	To meet the additional cost for administration of Individual Electoral Registration.
In-Year Contingency	**-**	-	-	**-**	-	200	**200**	To provide in-year contingency provision.
In-Year Savings	**500**	-	800	**1,300**	-	844	**2,144**	In-Year savings set aside to support future year budget gaps.
Key Capital Programme	**-**	-	-	**-**	-	100	**100**	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	**135**	-	-	**135**	-	73	**208**	To support the General Fund from losses in future Land Charges income.
Lowestoft Ogogo	**43**	(13)	-	**30**	-	40	**70**	Funding received to delivered the Lowestoft Ogogo project.
Major Projects	**313**	(297)	-	**16**	(16)	-	**-**	Funding to support projects and initiatives for the Area Action Plan in the Lake Lothing and outer harbour area.
MMI Reserve	**56**	-	-	**56**	-	-	**56**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
New Homes Bonus	**1,079**	-	-	**1,079**	-	-	**1,079**	To support economic development and business growth initiatives.
NNDR Administration	**14**	(14)	-	**-**	-	-	**-**	To support the Anglia Revenues Partnership.
Planning Policy	**235**	-	46	**281**	-	-	**281**	To support development work and audit of the Local Plan.
Planning & Building Control	**-**	-	-	**-**	-	15	**15**	To provide a source of finance for professional training and development needs of the service
Private Sector Housing	**15**	-	21	**36**	-	8	**44**	Grants repaid to be set aside for Empty Property/Home Improvement Initiatives.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Rent Guarantee Scheme	**30**	-	-	**30**	(20)	-	**10**	To provide a source of finance for landlord claims.
Short Life Assets	**360**	(655)	637	**342**	(458)	621	**505**	To fund the purchase of short life assets. In order to maintain the level of the Reserve any capital funding will be repaid from revenue budgets.
Southwold Beach Hut	**247**	(72)	-	**175**	-	-	**175**	Receipt of monies from letting of new Beach Hut sites in Southwold in 2014/15 approved to be used within Southwold.
Transformation	**332**	(58)	252	**526**	(130)	274	**670**	To provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets.
Total General Fund	**6,582**	**(1,495)**	**4,055**	**9,142**	**(1,266)**	**3,626**	**11,502**	

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
Housing Revenue Account:								
Hardship Reserve	**500**	-	-	**500**	-	-	**500**	Recognising the need to provide financial help to tenants who find themselves in financial hardship due to the welfare reforms.
Debt Repayment Reserve	**4,406**	-	904	**5,310**	-	3,690	**9,000**	To set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	**256**	-	-	**256**	-	-	**256**	To provide for potential impairment and revaluation losses to HRA assets due to current and future changes in Accounts and Audit Regulations.
MMI Reserve	**66**	-	-	**66**	-	-	**66**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development Reserve	**-**	-	-	**-**	-	1,000	**1,000**	To fund Housing development programme that has reprogrammed for later years
Total Housing Revenue Account	**5,228**	**-**	**904**	**6,132**	**-**	**4,690**	**10,822**	
Total	**11,810**	**(1,495)**	**4,959**	**15,274**	**(1,266)**	**8,316**	**22,324**	

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2017/18 £'000	2016/17 £'000
Parish Council precepts	2,307	716
Payments to the Government Housing Capital Receipts Pool	318	321
Gains/losses on the disposal of non current assets	6,642	(1,084)
Levies	24	25
Total	**9,291**	**(22)**

12. Comprehensive Income and Expenditure Statement - financing and investment income and expenditure

	2017/18 £'000	2016/17 £'000
Interest payable and similar charges	2,942	2,922
Net interest on the net defined benefit liability	986	1,187
Interest receivable and similar income	(250)	(248)
Income and expenditure in relation to investment properties and changes in their fair value	(266)	(728)
Other Investment Income	(10)	-
Total	**3,402**	**3,133**

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

	2017/18 £'000	2016/17 £'000
Council tax income	(8,054)	(6,248)
Non domestic rates	(11,259)	(11,221)
Tariff payment to Suffolk County Council	6,950	7,081
Share of (surplus)/deficit on collection fund	1,083	15
Share of pooling benefit with other Suffolk Councils	(313)	(296)
Levy payment to Suffolk Business Rates Pool	54	335
Non-ring fenced government grants	(3,897)	(5,386)
Capital grant and contributions	(2,254)	(3,405)
Total	**(17,690)**	**(19,125)**

14. Property, plant and equipment

Movements in 2017/18:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2017	187,849	58,359	11,155	31,792	2,814	494	1,231	1,618	**295,312**
Additions	2,649	107	521	103	-	65	3,915	906	**8,266**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,877	5,796	-	-	-	393	-	-	**9,066**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,170	(1,040)	-	-	-	(178)	-	-	**5,952**
Derecognition - Disposals	(1,518)	(36)	(79)	-	-	-	-	-	**(1,633)**
Derecognition - Other	(53)	(5,996)	-	(416)	(609)	(886)	-	-	**(7,960)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	201	-	-	**201**
Other movements in Cost or Valuation	693	(519)	74	(1,021)	-	631	(168)	311	**1**
At 31 March 2018	**199,667**	**56,671**	**11,671**	**30,458**	**2,205**	**720**	**4,978**	**2,835**	**309,205**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	2,276	7,307	13,012	-	-	-	-	**22,595**
Depreciation charge	2,860	1,212	1,110	904	-	38	-	-	**6,124**
Depreciation written out to the Revaluation Reserve	(1,065)	(1,982)	-	-	-	-	-	-	**(3,047)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,781)	(125)	-	-	-	(40)	-	-	**(1,946)**
Derecognition - Disposals	(13)	(22)	(75)	-	-	-	-	-	**(110)**
Derecognition - Other	(1)	(243)	-	(392)	-	(148)	-	-	**(784)**
Other movements in Depreciation and Impairment	-	(152)	(2)	(14)		153	14	-	**(1)**
At 31 March 2018	**-**	**964**	**8,340**	**13,510**	**-**	**2**	**14**	**-**	**22,831**
Net Book Value									
At 31 March 2018	**199,667**	**55,707**	**3,331**	**16,948**	**2,205**	**718**	**4,964**	**2,835**	**286,374**
At 31 March 2017	**187,849**	**56,083**	**3,848**	**18,780**	**2,814**	**494**	**1,231**	**1,618**	**272,717**

Comparative Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2016	186,992	53,799	10,792	30,651	2,819	2,390	713	731	**288,887**
Additions	3,736	323	980	1,140	-	80	1,194	897	**8,350**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	135	2,891	-	-	-	145	-	-	**3,171**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,114)	(60)	-	-	-	54	-	-	**(2,120)**
Derecognition - Disposals	(1,755)	(147)	(466)	-	(6)	(112)	-	-	**(2,486)**
Derecognition - Other	(3)	(49)	(152)	-	-	(137)	-	-	**(341)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(151)	-	-	**(151)**
Other movements in Cost or Valuation	858	1,602	1	1	1	(1,775)	(676)	(10)	**2**
At 31 March 2017	**187,849**	**58,359**	**11,155**	**31,792**	**2,814**	**494**	**1,231**	**1,618**	**295,312**
Accumulated Depreciation and Impairment									
At 1 April 2016	-	2,361	6,566	12,085	-	-	-	-	**21,012**
Depreciation charge	2,870	1,138	1,329	927	-	69	-	-	**6,333**
Depreciation written out to the Revaluation Reserve	(707)	(890)	-	-	-	(28)	-	-	**(1,625)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,150)	(221)	-	-	-	-	-	-	**(2,371)**
Derecognition - Disposals	(17)	(88)	(466)	-	-	-	-	-	**(571)**
Derecognition - Other	-	(29)	(122)	-	-	(31)	-	-	**(182)**
Other movements in Depreciation and Impairment	3	5	-	-	-	(10)	-	-	**(2)**
At 31 March 2017	**(1)**	**2,276**	**7,307**	**13,012**	**-**	**-**	**-**	**-**	**22,594**
Net Book Value									
At 31 March 2017	**187,850**	**56,083**	**3,848**	**18,780**	**2,814**	**494**	**1,231**	**1,618**	**272,718**
At 1 April 2016	**186,992**	**51,438**	**4,226**	**18,566**	**2,819**	**2,390**	**713**	**731**	**267,875**

Depreciation

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

	Estimated Life (Years)		Estimated Life (Years)
Council dwellings	35 to 60	Other land and buildings	30 to 60
HRA garages	5	Vehicles, plant and equipment	5 to 20
Infrastructure assets	40 to 60	Community assets	60
Other depreciating assets	40 to 60		

Fair Value Measurement of Surplus Assets

Fair Value Hierarchy - all the Councils' surplus assets have been assessed as having level 2 inputs as at 31st March 2018. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets was Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. The fair value of surplus assets as at 31st March 2018 was £718k (31st March 2017 was £423k).

Capital commitments – At 31st March 2018, the Council had no contractual commitments (nil in 2017/18).

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

Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations, with the exception of Council dwellings were carried out by the Council's in-house valuers. NPS Property Services Ltd carried out the beacon valuations of Council Dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The basis for valuation of non-current assets is set out in the Statement of Accounting Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2017/18 was:

- 30th September 2017 for assets measured at current value;
- 31st March 2018 for assets measured at fair value, social housing discount and those assets at risk of material movement in their valuation during the year.

	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 PPE £'000
Carried at historical cost	-	-	11,671	30,458	2,205	-	4,978	2,835	52,147
Value at current value as at:									
31 March 2018	199,667	27,341	-	-	-	505	-	-	227,513
31 March 2017	-	5,770	-	-	-	14	-	-	5,784
31 March 2016	-	16,162	-	-	-	-	-	-	16,162
31 March 2015	-	6,189	-	-	-	-	-	-	6,189
31 March 2014	-	1,209	-	-	-	201	-	-	1,410
Total Cost or Valuation	**199,667**	**56,671**	**11,671**	**30,458**	**2,205**	**720**	**4,978**	**2,835**	**309,205**

15. Investment properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2017/18	2016/17
	£'000	£'000
Rental income from investment properties	398	428
Direct operating expenses arising from investment properties	(131)	(195)
Net gain/(loss)	**267**	**233**

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	2,883	2,388
Net gains/losses from fair value adjustments	(1)	495
Balance at 31 March	**2,882**	**2,883**

Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31st March 2018 and as at 31st March 2017

Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

16. Financial instruments

Categories of financial instruments

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

	Long-term		Current	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables - Investments	**2,401**	10	**34,087**	39,105
Loans and receivables - Cash and cash equivalents	**-**	-	**8,189**	-
Total investments	**2,401**	10	**42,276**	39,105
Debtors				
Loans and receivables	299	494	610	5,598
Total included in debtors	**299**	494	**610**	5,598
Borrowings				
Financial liabilities at amortised cost	(87,734)	(87,895)	-	(3,000)
Total included in borrowings	**(87,734)**	(87,895)	**-**	(3,000)
Creditors				
Financial liabilities at amortised cost	(6,621)	(5,991)	(2,909)	(3,755)
Total creditors	**(6,621)**	(5,991)	**(2,909)**	(3,755)
Total Financial Instruments	**(91,655)**	(93,382)	**39,977**	37,948

Income, Expense, Gains and Losses

	2017/18			2016/17		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	**Total**	Financial Liabilities measured at amortised cost	Financial Assets - Loans and receivables	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	**2,942**	**-**	**2,942**	2,922	-	2,922
Total expense in Surplus or Deficit on the Provision of Services	**2,942**	**-**	**2,942**	2,922	-	2,922
Interest income	**-**	**(250)**	**(250)**	-	(248)	(248)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(250)**	**(250)**	-	(248)	(248)
Net gain / (loss) for the year	**2,942**	**(250)**	**2,692**	2,922	(248)	2,674

Fair Values of Assets and Liabilities

The financial assets and liabilities disclosed above are carried at cost as this is a reasonable approximation of fair value for the types of financial instruments held by the Council (mainly trade debtors and creditors and cash investments). The exception is Public Works Loan Board (PWLB) loans which are calculated using the premature repayment rate published by the PWLB on 31st March 2018. The fair values of all financial liabilities are provided below (additional information is provided in Note 35 to the Core Financial Statements regarding just PWLB).

	2017/18		**2016/17**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Financial liabilities at amortised cost	**(97,264)**	**(109,900)**	(100,641)	(123,250)
Loans and receivables	**45,586**	**45,586**	45,207	45,207

17. Debtors

	2017/18	**2016/17**
	£'000	**£'000**
Central Government bodies	1,006	769
Other Local Authorities	1,402	1,325
NHS bodies	16	8
Council Taxpayers	1,588	1,354
Other entities and individuals	6,594	6,244
Prepayments	273	216
Total	**10,879**	**9,916**
less Bad Debt Impairment Provisions:		
Council Taxpayers	(755)	(662)
Other service debtors	(3,031)	(2,789)
Total	**7,093**	**6,465**

18. Creditors

	2017/18	2016/17
	£'000	£'000
Central Government bodies	2,165	2,806
Other Local Authorities	3,510	2,693
Public corporations and trading funds	-	32
Other entities and individuals	2,814	2,986
Receipts in Advance	1,197	1,202
Total	**9,686**	**9,719**

19. Provisions

	Other	Business Rates Appeals	Total
	£'000	£'000	£'000
Long Term Provisions			
Balance at 1 April 2017	**16**	**1,245**	**1,261**
Additional provisions made in 2017/18	**-**	**738**	**738**
Amounts used in 2017/18	**-**	**(173)**	**(173)**
Unused amounts reversed in 2017/18	**-**	**(250)**	**(250)**
Balance at 31 March 2018	**16**	**1,560**	**1,576**

Outstanding Legal Cases

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

Provisions

As part of the Business Rates Retention scheme, the Council is required to maintain a provision for its share of the business rates appeals provision shown within the Collection Fund. The appeals provision relates to those appeals that have been registered with the Valuation Office. The total appeals provision in the Collection Fund is £3.900m, of which the Council's share is 40%.

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

20. Grant income

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

	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
Non-ringfenced grants:		
Revenue Support Grant	(1,296)	(2,018)
New Homes Bonus	(1,234)	(1,709)
Community Housing Fund	-	(685)
Business Rates Reliefs	(1,356)	(962)
Other Non-ringfenced grants	(11)	(12)
Capital grants and contributions:		
Tidal barrier funding	-	(1,500)
Lowestoft Ness regeneration	(501)	-
Coastal protection	(450)	-
Community Infrastructure Levy	(547)	(645)
Homes and Communities Agency	(225)	(308)
s106 contributions	(300)	(77)
Other capital grants and contributions	(231)	(875)
Total	**(6,151)**	**(8,791)**
Credited to Services		
Housing Benefits Subsidy	(30,640)	(36,213)
Benefits Administration Grant	(584)	(690)
Disabled Facilities Grants	(978)	(663)
Discretionary Housing Payments Grant	(264)	(195)
Other Grants	(676)	(481)
Total	**(33,142)**	**(38,242)**

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

	2017/18 £'000	2016/17 £'000
Capital Grants Receipts in Advance (Short-Term)		
s106 Contributions	191	215
DEFRA - Coastal Change Pathfinder Grant	427	427
Housing related Grants	132	132
Coast Protection Grants	115	162
Total	**865**	**936**
Capital Grants Receipts in Advance (Long-Term)		
s106 Contributions	677	834
Total	**677**	**834**

21. Unusable Reserves

	2017/18 £'000	2016/17 £'000
Revaluation Reserve	(35,687)	(27,349)
Available for Sale Financial Instruments Reserve	109	-
Capital Adjustment Account	(138,304)	(134,642)
Financial Instruments Adjustment Account	809	894
Pensions Reserve	36,093	39,363
Collection Fund Adjustment Account	365	180
Total Unusable Reserves	**(136,615)**	**(121,554)**

Revaluation Reserve

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

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

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

	2017/18 £'000	2016/17 £'000
Balance at 1 April	**(27,349)**	**(23,156)**
Upward revaluation of assets	(12,950)	(5,504)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	838	708
Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services	**(12,112)**	**(4,796)**
Difference between fair value depreciation and historical cost depreciation	575	430
Accumulated gains on assets sold or scrapped	3,199	173
Amount written off to the Capital Adjustment Account	**3,774**	**603**
Balance at 31 March	**(35,687)**	**(27,349)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

	2017/18 £'000	2016/17 £'000
Balance at 1 April	**-**	**-**
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	109	-
Balance at 31 March	**109**	**-**

Capital Adjustment Account

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

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

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**(134,642)**	**(134,591)**
Non Material Prior Period Adjustment	47	-
	(134,595)	**(134,591)**
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	6,125	6,332
- Revaluation losses on Property, Plant and Equipment	(7,900)	(251)
- Amortisation of intangible assets	78	86
- Revenue expenditure funded from capital under statute	770	337
- Revenue expenditure funded from section 106 receipts	253	27
- 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	8,973	2,496
Adjusting amounts written out of the Revaluation Reserve:		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(575)	(430)
- Amounts written out on disposal of assets	(3,199)	(173)
Net written out amount of the cost of non current assets consumed in the year	**4,525**	**8,424**
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	(2,470)	(216)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	(89)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(988)	(947)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(334)	(753)
- Application of grants to capital financing from Receipts in Advance	(387)	(902)
- Capital expenditure charged against the General Fund and HRA balances	(4,115)	(5,073)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1	(495)
Other Movements	59	-
Balance at 31 March	**(138,304)**	**(134,642)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**894**	**930**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(85)	(36)
Balance at 31 March	**809**	**894**

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.

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**39,363**	**34,616**
Remeasurements of the net defined benefit liability / (asset)	(4,593)	4,779
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	5,102	3,515
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,779)	(3,547)
Balance at 31 March	**36,093**	**39,363**

Collection Fund Adjustment Account

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**180**	**518**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	185	(338)
Balance at 31 March	**365**	**180**

22. Southwold Harbour Undertaking

The Council maintains a separate account within the Comprehensive Income and Expenditure Statement for the Southwold Harbour Undertaking, in accordance with the Pier and Harbour Orders (Elgin and Lossiemouth and Southwold) Confirmation Act, 1933. A summary of the transactions on this account is detailed below:

Revenue Account	2017/18	2016/17
	£'000	£'000
Income	(297)	(281)
Expenditure	223	146
(Surplus) / Deficit for the Year	**(74)**	**(135)**

Non-Current Assets	Public Conveniences	Harbour	Total
	2017/18	2017/18	2017/18
Gross Book Value	£'000	£'000	£'000
Balance 1 April 2017	**296**	**6,585**	**6,881**
Additions	-	11	11
Other Movements	-	(7)	(7)
Balance 31 March 2018	**296**	**6,589**	**6,885**
Depreciation			
Balance 1 April 2017	**12**	**1,323**	**1,335**
Depreciation Charge	5	142	147
Balance 31 March 2018	**17**	**1,465**	**1,482**
Net Book Value			
Balance 1 April 2017	**284**	**5,262**	**5,546**
Balance 31 March 2018	**279**	**5,124**	**5,403**

23. Members' allowances

There are 48 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2017/18	2016/17
	£'000	£'000
Basic, Attendance and Special Responsibility Allowances	**334**	250
Subsistence and Expenses	**13**	14
Total	**347**	**264**

24. External Audit costs

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

	2017/2018 £'000	2016/2017 £'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	54	57
Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	1	-
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	14	17
Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year	7	-
Total	**76**	**74**

25. Related parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31st March 2018 are shown in Note 20.

Suffolk Coastal District Council

Waveney District Council and Suffolk Coastal District Council have formally agreed that both Councils are each other preferred partners for shared services, and with effect from 1st October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Suffolk Coastal DC is disclosed in the Narrative Report and note 26 to the Core Financial Statements.

Suffolk County Council

Transactions included income and expenditure, precept payments and Business Rates pooling (Collection Fund statement), pension payments (Note 29), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.104m with a year-end debtor of £0.148m (2016/17 £1.131m with a year-end debtor of £0.063m).

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 2017/18 is shown in note 23. The Council also made payments in 2017/18 totalling £0.033m (£14k in 2016/17) to other organisations in which Members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

Levies paid to other Authorities

Rivers and Drainage Authorities £24k (£24k in 2016/17) as shown in note 11.

Waveney Norse Ltd

As part of the contract with Waveney Norse Ltd, two Council employees, Andrew Jarvis (Strategic Director) and Kerry Blair (Head of Operations, are named as Directors of Waveney Norse Ltd due to their representation of the Council’s interests through the Partnership Board. Kerry Blair became a Director on 12th October 2016 when Arthur Charvonia (Strategic Director & Monitoring Officer) resigned on the same date.

26. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2017/18 or 2016/17.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensation for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total including Pension Contributions £	Additional Council Pension Contributions £
Strategic Director (Part Year)	**2017/18**	**71,540**	**-**	**-**	**71,540**	**14,551**	**86,091**	**-**
	2016/17	-	-	-	-	-	-	-
Strategic Director & Monitoring Officer (Part Year)	**2017/18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016/17	69,830	-	-	69,830	11,002	80,832	-
Head of Housing Operations & Landlord Services (Part Year)	**2017/18**	**67,269**	**-**	**30,780**	**98,049**	**14,991**	**113,040**	**-**
	2016/17	71,255	-	-	71,255	11,401	82,656	-
Head of ICT Services	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Customer Services	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Communities	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Operations	**2017/18**	**62,430**	**-**	**-**	**62,430**	**5,957**	**68,387**	**-**
	2016/17	36,555	-	-	36,555	-	36,555	-

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

Remuneration band	**2017/18** Number of employees		**2016/17** Number of employees	
	Total	**Left in Year**	**Total**	**Left in Year**
£55,000 - £59,999	**-**	**-**	**1**	**1**
£65,000 - £69,999	**1**	**1**	-	**-**
	1	**1**	**1**	**1**

The above numbers include officers who were made redundant voluntarily during the 2017/18 and 2016/17 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers.

With effect from 1st October 2010 the Council, in conjunction with its Preferred Partner, Suffolk Coastal District Council, appointed a new shared senior management team. This has since been extended to include majority of the staff as part of the shared services. The postholders continue to be employed by the council which employed them prior to the introduction of the shared Senior Management Team. Eight of the Senior Management Team are employed by Suffolk Coastal District Council (SCDC) and their remuneration, in the format of the table above, is disclosed in that Council's Statement of Accounts and an extract is provided below. The Chief Executive is the Head of Paid Service and paid a nominal fee by the Council, although employed by Suffolk Coastal DC.

Extract from Note 24 of Suffolk Coastal District Council's 2017/18 Statement of Accounts.

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compensation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total Including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Chief Executive	**2017/18**	**130,634**	-	-	**130,634**	**29,654**	**160,288**	-
	2016/17	129,341	-	-	129,341	21,471	150,812	-
Strategic Director	**2017/18**	**91,115**	-	-	**91,115**	**21,021**	**112,136**	-
	2016/17	90,199	-	-	90,199	15,220	105,419	-
Chief Finance Officer	**2017/18**	**72,835**	-	-	**72,835**	**16,533**	**89,368**	-
	2016/17	72,114	-	-	72,114	11,971	84,085	-
Head of Internal Audit	**2017/18**	**62,430**	-	-	**62,430**	**14,172**	**76,602**	-
	2016/17	61,812	-	-	61,812	10,261	72,073	-
Head of Planning Services & Coastal Management	**2017/18**	**72,835**	-	-	**72,835**	**16,533**	**89,368**	-
	2016/17	72,114	-	-	72,114	11,971	84,085	-
Head of Legal and Democratic Services	**2017/18**	**72,835**	-	-	**72,835**	**16,533**	**89,368**	-
	2016/17	69,538	-	-	69,538	11,543	81,081	-
Head of Environmental Services and Port Health	**2017/18**	**72,835**	-	-	**72,835**	**16,533**	**89,368**	-
	2016/17	69,538	-	-	69,538	11,543	81,081	-
Head of Economic Development and Economic Services	**2017/18**	**62,430**	-	-	**62,430**	**14,172**	**76,602**	-
	2016/17	61,812	-	-	61,812	10,261	72,073	-

In addition other transactions are disclosed in Note 25, Related Parties.

Exit packages

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

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
£							**£**	£
0 to 20,000	**-**	7	**1**	3	**1**	**10**	**6,920**	54,622
20,001 to 40,000	**-**	-	**1**	-	**1**	**-**	**32,584**	-
40,001 to 60,000	**1**	-	**-**	-	**1**	**-**	**42,440**	-
60,001 to 80,000	**1**	-	**-**	-	**1**	**-**	**77,980**	-
80,001 to 100,000	**1**	-	**-**	-	**1**	**-**	**92,379**	-
TOTAL	**3**	7	**2**	3	**5**	10	**252,303**	54,622

The total cost in the above table covers exit packages (also know as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial years. The figures exclude payments made for ill-health retirements, of which there were two at a cost of £21k (2016/17 - two at a cost of £144k) as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

27. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2017/18 £'000	2016/17 £'000 (Restated)
Opening Capital Financing Requirement	**114,703**	**114,188**
Capital investment		
Property, Plant and Equipment*	8,266	8,350
Investment Properties*	-	-
Intangible Assets	91	53
Cost of Asset Disposals	-	13
Capital Prepayment	(39)	(285)
Revenue Expenditure Funded from Capital under Statute	1,023	364
Total Capital Investment	**9,341**	**8,495**
Sources of finance		
Capital receipts	2,470	216
Government grants and other contributions	1,375	1,938
Direct revenue contributions	4,115	5,073
Minimum Revenue Provision	334	753
Closing Capital Financing Requirement	**115,750**	**114,703**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,047	515
Increase/(decrease) in Capital Financing Requirement	**1,047**	**515**

* These figures match to the Additions lines in Notes 14 and 15 detailing movements on the non-current assets.

Prior Period Adjustment: The opening balance as at 1st April 2016 has been restated from £106.226 million (as reported in the Audited 2016/17 Statement of Accounts) to £114.188 million as disclosed above. The reason for this prior period adjustment is that during the audit of the 2017/18 capital financing requirement, it was identified that the figures disclosed did not agree back to the balance sheet movement of those items used in the capital financing requirements calculation.

Investigation by Officers identified that back in 2012/13, when the finance lease for Waterlane Leisure Centre was brought into the Statement of Accounts as a prior period adjustment, the total of the finance lease, which was £7.639 million, was incorrectly included within the 'Source of finance' as an 'Asset acquired under a finance lease' instead of just the minimum revenue provision charge for the year.

In addition to the finance lease error, other immaterial differences totalling £323k were identified in previous years and these have also been corrected as at 1st April 2016.

28. Leases

Disclosures as Lessee

Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2017 are carried as property, plant and equipment in the Balance Sheet at the following net amounts below:

	2017/18	2016/17
	£'000	£'000
Other Land and Buildings	13,070	10,589
	13,070	**10,589**

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

	2017/18	2016/17
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
- current	245	228
- non current	6,621	6,866
Finance costs payable in future years	4,824	5,326
Minimum lease payments	**11,690**	**12,420**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Not later than one year	731	731	245	228
Later than one year and not later than five years	2,922	2,922	1,164	1,087
Later than five years	8,036	8,767	5,457	5,779
	11,689	**12,420**	**6,866**	**7,094**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents payable by the Council under finance leases for 2017/18 and 2016/17.

In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing.

Operating Leases

The Council has no material operating leases as a lessee.

Disclosures as Lessor

Finance Leases

The Council has no material finance leases as a lessor.

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services, etc.; or
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2017/18	2016/17
	£'000	£'000
Not later than one year	**697**	696
Later than one year and not later than five years	**2,698**	2,718
Later than five years	**21,624**	18,811
	25,019	**22,225**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under operating leases for 2017/18 and 2016/17.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

29. Pensions

Pension costs are accounted for in accordance with the accounting standard IAS19. 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, it is only the actual payments that impact on the accounts, and are shown in the Movement in Reserves Statement.

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long-term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £36.093m in 2017/18 (2016/17 was £39.363m). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

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

Participation in the pension scheme

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

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

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

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

Transactions relating to post employment benefits

Retirement benefits are reported in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund and Housing Revenue Account 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:

	Local Government Pension Scheme	
	2017/18	**2016/17**
Comprehensive Income and Expenditure Statement	**£'000**	**£'000**
Cost of Services:		
- Current service cost	4,021	2,294
- Past Service cost	95	34
Financing and investment income and expenditure:		
- Net interest expense	986	1,187
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,102	3,515
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(1,711)	(15,446)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(1,387)
- Actuarial gains and losses arising on changes in financial assumptions	(2,805)	23,566
- Other	-	(1,801)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(4,516)	4,932
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(5,102)	(3,515)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	3,856	3,700

Pensions assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£'000	£'000
Present value of the defined benefit obligation	(158,814)	(157,940)
Fair value of plan assets	122,721	118,577
Net liability arising from defined benefit obligation	**(36,093)**	**(39,363)**

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£'000	£'000
Opening fair value of scheme assets	118,577	100,468
Interest Income	2,956	3,499
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	1,711	15,446
Contributions from employer	3,856	3,700
Contributions by employees into the scheme	608	581
Benefits paid	(4,987)	(5,117)
Closing fair value of scheme assets	**122,721**	**118,577**

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

	Local Government Pension Scheme	
	2017/18	2016/17
	£'000	£'000
Opening balance 1 April	157,940	135,084
Current service cost	4,021	2,294
Interest cost	3,942	4,686
Contributions from scheme participants	608	581
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(1,387)
- Actuarial gains / losses arising from changes in financial assumptions	(2,805)	23,566
- Other	-	(1,801)
Past service costs	95	34
Benefits paid	(4,987)	(5,117)
Closing balance at 31 March	**158,814**	**157,940**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	**Fair Value of Scheme Assets**	
	2017/18	**2016/17**
	£'000	**£'000**
Equity instruments:		
- Consumer	8,890	10,364
- Manufacturing	3,152	3,219
- Energy and Utilities	1,858	2,161
- Financial Institutions	4,094	4,039
- Health and Care	1,903	3,378
- Information Technology	3,587	4,234
- Other	1,282	1,475
	24,766	28,870
Debt Securities:		
- Corporate (Investment Grade)	29,749	17,321
- UK Government	4,666	5,008
	34,415	22,329
Private Equity (Non-active Market)	4,423	3,825
Real Estate:		
- UK Property	11,897	11,045
Investment Funds & Unit Trusts:		
- Equities	28,454	35,505
- Bonds	-	-
- Hedge Funds	5,004	3,618
- Commodities	-	-
- Infrastructure (Non-active Market)	3,200	2,704
- Other (Non-active Market - 2017/18 - 2,458 (2016/17 - 1,776))	9,292	8,204
	45,950	50,031
Derivatives:		
- Foreign exchange	(5)	35
Cash and cash equivalents	1,275	2,443
Total Assets (Non-active Market 2017/18 - 10,081 (2016/17 - 8,305))	122,721	118,577

Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2016/17
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	**21.9**	**21.9**
- Women	**24.4**	**24.4**
Longevity at 65 for future pensioners:		
- Men	**23.9**	**23.9**
- Women	**26.4**	**26.4**
Rate of inflation	**2.4%**	**2.4%**
Rate of increase in salaries	**2.7%**	**2.7%**
Rate of increase in pensions	**2.4%**	**2.4%**
Rate for discounting scheme liabilities	**2.6%**	**2.5%**

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

Sensitivity Analysis

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

Change in assumptions at 31 March 2018	Approx. increase in Employers Liability	Approx. amount £'000
0.5% decrease in Real Discount Rate	9%	14,606
0.5% increase in the Salary Increase Rate	1%	1,813
0.5% increase in the Pension Increase Rate	8%	12,615

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

Impact on the Council's Cash Flows

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.662m in contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years 2017/18 (16.7 years 2016/17).

30. Contingent liabilities

At 31st March 2018, the Council had the following material contingent liabilities:

a) With effect from 1st April 2011, the Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a management agreement. In the event that the Trust default on the agreement, the Council would be responsible for the continuation of payments to a third party in respect of funding works carried out to leisure facilities. Disclosure on this matter has been restricted due to the commercially sensitive nature of the transaction.

31. Contingent assets

As 31st March 2018, the Council had no material contingent assets.

32. Nature and extent of risks arising from financial instruments

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

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

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

Credit risk

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

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

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

Financial Asset Category	Criteria	Maximum Investment
Deposits with UK Banks	Short Term	£15m (£20m group)
	Long Term: A- Rated	
	Access to Government Credit	
Deposits with Building Societies	Short Term	£15m
	Value of Assets: Top 5	
Money Market Fund Deposits	AAA Rated	£8m
Deposits with Non-UK Banks	Short Term	£3m (max 15% of holdings)

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £20 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2018 that this was likely to crystallise.

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£'000	%	%	£'000	£'000
Deposits with banks and other financial institutions	42,276	-	-	-	-
Customers	4,796	10	20	959	1,098
				959	1,098

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

The Council does not generally allow credit for customers, such that only £160,900 of general debt out of a total debt of £4,796,629 has been outstanding for more than three months. Within the total debt classified as receivable from customers £3,162,419 relates to Housing Benefit overpayments of which £3,038,651 has been outstanding for more than three months.

	2017/18	2016/17
	£,000	£,000
Less than three months	1,597	1,752
Three to six months	163	425
Six months to one year	273	542
More than one year	2,763	2,771
	4,796	5,490

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The risk strategy is that the profile of debt maturity should fall within the following parameters:

Maturity of Fixed Rate Debt:	Upper Limit	Lower Limit	Actual 31/03/18
	%	%	%
Under 12 months (see note below)	50%	0%	0%
12 months and within 24 months	50%	0%	0%
24 months and within 5 years	75%	0%	1%
5 years and within 10 years	75%	0%	18%
10 years and within 20 years	75%	0%	30%
20 years and above	100%	0%	51%

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of any fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Council only undertakes borrowing in conjunction with the advice of specialist Treasury Management consultants. Borrowing is taken at rates and maturity periods considered favourable in the context of interest rate projections and the Council's underlying need to borrow. Investments are made with a range of counter-parties meeting the specified criteria, with a rolling programme of maturities. The Council aims to achieve maximum interest returns but only where commensurate with minimising liquidity and credit risks. The security of public money is paramount.

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

As an indication of the degree of risk associated with interest rates, if average rates in 2017/18 had been 1% higher with all other variables held constant, the financial effect would have been:

	£'000
Increase in interest payable on variable rate borrowings	203
Increase in interest receivable on variable rate investments	(64)
Increase in government grant receivable for financing costs	(14)
Impact on Surplus or Deficit on the Provision of Services	125
Share of overall impact debited to the HRA	60

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

Price risk and foreign exchange risk

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

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

33. Interests in companies and other entities

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

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

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Waveney Norse Limited, an Associate of which the Council owns a 19.9% share.

Waveney Norse Limited

In 2008/09, Waveney District Council entered into an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including Refuse, Cleansing and Maintenance. A new company, Waveney Norse Ltd, was formed to deliver this service.

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

Waveney Norse Ltd prepared its accounts for 1st April 2018, a day after Waveney District Council, which is within the permissible period for consolidation, subject to there being no significant movements within that period. Therefore for both the current accounts and the comparative figures no adjustment has been made to the accounts of Waveney Norse Ltd to make it co-terminus with Waveney District Council. The Group Accounts are included in this document as additional columns to Waveney District Council’s Primary Statements, showing the extent of the Council's 19.9% interest in Waveney Norse Ltd.

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

a) The registered name of the Company is Waveney Norse Limited;

b) Nature of the business - the principal activity of Waveney Norse Ltd is that of refuse, cleansing and maintenance services;

c) The immediate parent undertaking is Norse Commercial Services Limited;

d) The ultimate parent undertaking is Norse Group Limited;

e) Waveney Norse Ltd’s ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share of Norse Group Limited;

f) Waveney District Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 19.9% share of Waveney Norse Ltd and also receives a 50-50 profit / loss share at year-end;

g) Waveney Norse Ltd’s contribution to its pension scheme is treated as if they are contributions to a defined contribution scheme. Waveney Norse Lts pays a set contribution over the life of the Agreement, with any increase or decrease in funding being met by the Council.

h) Payments made to Waveney Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of Waveney District Council. Total payments to Waveney Norse Ltd were £6.721m in 2017/18 (£7.409m in 2016/17) and included in the Accounting Statements as follows:

	2017/18	2016/17
	£'000	£'000
Housing Operations and Landlord Services	**627**	614
Legal and Democratic Services	**9**	9
Operations	**6,074**	6,775
Planning and Coastal Management	**11**	11
	6,721	7,409

i) Details of Waveney Norse Limited's draft annual financial results to 1st April 2018 are set out below. Previous year's figures are based on audited accounts.

	2018 Waveney Norse	2018 Council Investment (19.9%)	2017 Waveney Norse	2017 Council Investment (19.9%)
	£000	£000	£000	£000
Current Assets				
Stock	**314**	**62**	67	13
Debtors	**2,661**	**530**	3,727	742
Cash at Bank	**5**	**1**	4	1
Gross Assets	**2,980**	**593**	3,798	756
Creditors falling due within one year	**(1,057)**	**(210)**	(2,182)	(434)
Net Assets / Shareholder's Funds	**1,923**	**383**	1,616	322
Turnover	**9,085**	**1,808**	9,154	1,822
Profit on ordinary activity before taxatior	**368**	**73**	377	75
Tax on profit on ordinary activity	**(62)**	**(12)**	(93)	(19)
Profit for the Financial Period	**306**	**61**	284	56
Tax components included in the above figures are as follows:	**£000**	**£000**	£000	£000
Debtors				
- Deferred Tax asset	**37**	**7**	20	4
Creditors falling due within one year				
- Corporation Tax	**81**	**16**	89	18
Tax on profit on ordinary activity				
- Current Tax	**(79)**	**(16)**	(100)	(20)
- Deferred Tax	**17**	**3**	7	1
	(62)	**(13)**	(93)	(19)

Other Partnerships

Sentinel Leisure Trust

With effect from 1st April 2011 the Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. Seven volunteers were initially appointed as Trustees and Directors of the new Trust and were joined by two Council representatives on the Board. The Council have granted a 15 year partnership management agreement with Sentinel. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease.

Marina Theatre Trust

From 1st April 2017, as part of the Reorganisation Order which established Lowestoft Town Council, the District Council transferred to Lowestoft Town Council the Partnership Agreement with the Marina Theatre Trust which consists of a service fee set at £150k per year, along with the Marina Theatre building and equipment. The Trust currently has a Board that consists of six members of the public and two places for the Council's nominated representatives, but these have been transferred to Lowestoft Town Council.

34. Long term creditors

	2017/18 £'000	2016/17 £'000
Finance Leases	6,621	6,865
Receipts in Advance	76	-
	6,697	**6,865**

35. Longer term borrowings

		2017/18 £'000	2016/17 £'000
Analysis by Lender:			
	Public Works Loan Board	**87,734**	87,895
Analysis by Maturity:			
	Repayable within		
	2 years	**10,000**	-
	2 to 5 years	**11,286**	21,286
	5 to 10 years	**12,000**	12,000
	over 10 years	**54,448**	54,609
		87,734	87,895
Fair Value of PWLB Loans at the year-end		**100,370**	110,504

During 2017/18, the Council paid back the £3m of Local Authority Borrowing and therefore nothing is included within Short-Term Borrowings in the Balance Sheet (2016/17 £3m).

<u>Self Financing the HRA from 1st April 2012</u>

As part of the introduction of Self Financing of the HRA from 1st April 2012, the Council made a payment of £68.286 million to the Department of Communities and Local Government (DCLG) in order to "buy out" the Council's HRA from a negative Housing Subsidy position. In order to fund this repayment on 28th March 2012 the Council borrowed £68.286 million from the Public Works Loans Board over a range of different maturity dates, as set out below:

Loan Amount £ million	Loan Type	Number of Years	Interest Rate %
10.286	Variable	10	0.55
10.000	Fixed	15	3.01
10.000	Fixed	20	3.30
10.000	Fixed	24	3.42
10.000	Fixed	27	3.47
10.000	Fixed	29	3.49
8.000	Fixed	30	3.50
68.286			

The £68.286m is included within the total of £87.734m Public Works Loan Board detailed above.

36. Long term investments

During the financial year, the Council invested £2.5m in the CCLA LAMIT Property Fund. As part of the investment, an element is used to fund legal costs and Stamp Duty Land Tax, which equated to £109k (which can be seen on the face of the Comprehensive Income and Expenditure Statement, reducing the investment to £2.391m. The Council receives dividend on the investment and the principal invested is also expected to appreciate in value in future years. The Council also has £10k invested in ARP Trading Ltd, which was the only long term investment during 2016/17.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	HRA Note	2017/18 £'000	2016/17 £'000
Income			
Gross rental income:			
- Dwelling rents		(18,851)	(19,274)
- Non-dwelling rents		(205)	(183)
Charges for services and facilities		(1,243)	(1,211)
Lease holders charges for services and facilities		(27)	(9)
Contributions towards expenditure		(161)	(191)
Reimbursement of costs		(196)	(92)
Total income		**(20,684)**	**(20,960)**
Expenditure			
Repairs, maintenance and management:			
- Repairs and maintenance		4,164	3,874
- Supervision and management		3,631	3,194
- Special Services		1,354	1,143
- Redundancy and associated pension costs		-	143
Rents, rates and other charges		70	98
Movement in the allowance for bad debts		25	(574)
Depreciation of HRA non-current assets:			
- Dwellings	8	2,860	2,870
- Other assets	8	452	279
Revaluation & impairment of HRA non-current assets		(8,974)	(43)
Debt management costs	4	20	15
Total expenditure		**3,602**	**10,999**
Net expenditure or (income) of HRA services as included in the whole authority CIES		**(17,082)**	**(9,961)**
- HRA share of Corporate and Democratic Core		63	52
Net expenditure or (income) of HRA services		**(17,018)**	**(9,909)**
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(660)	(607)
- Interest payable and similar charges	4	2,245	2,269
- Pension Cost Contribution		581	757
- HRA interest and similar income	4	(128)	(115)
- HRA Capital Grants & Contributions		(272)	(712)
(Surplus) or deficit for the year on HRA services		**(15,252)**	**(8,317)**

HOUSING REVENUE ACCOUNT

		2017/18		2016/17
		£'000		£'000
Movement on the HRA Statement				
HRA balance brought forward		**(7,247)**		**(5,298)**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(15,252)		(8,317)	
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)	12,873		5,464	
Net (increase) or decrease before transfers to or from reserves	**(2,379)**		**(2,853)**	
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)	4,690		904	
(Increase) or decrease in year on the HRA		**2,310**		**(1,949)**
Balance on the HRA at the end of the year		**(4,937)**		**(7,247)**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Dwelling rents and charges for services and facilities

The account shows the rent and charges for services and facilities due in the year after allowing for voids and other losses in collection. 2017/18 is a 52 week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation. They also include charges to tenants for central heating servicing.

	2017/18	2016/17
Average dwelling rent per week (£)	81.47	82.76
Arrears at 31 March (£'000)	936	746
Arrears at 31 March as % of the gross income collectable	4.7%	3.8%
Provision for bad debts at 31 March (£'000)	690	666

2. Major repairs reserve

	2017/18	2016/17
	£'000	£'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below;		
MRR opening balance	15,787	12,638
Amounts transferred to the MRR during the year	3,312	3,149
MRR closing balance	**19,099**	**15,787**

Under Self-Financing accumulated depreciation is transferred into the MRR where is it ring-fenced to be used to repay the principal elements of HRA debt as well as to finance new capital expenditure. Movements and balances on the MRR are also detailed in the Movement in Reserves Statement and Note 9 to the Core Statements.

3. Capital receipts – disposal of council dwellings

	2017/18	2016/17
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	30	27
- Value of disposals under Right to Buy (£'000)	2,012	1,655
Value of capital receipts from the disposal of other HRA land, houses and property	537	1,471

4. Capital related charges

	2017/18	2016/17
	£'000	£'000
Depreciation charge	3,312	3,149
Debt management expenses	20	15
Interest payable	2,204	2,228
Premium charges for early repayment of debt	41	41
Interest income on notional cash balances	(128)	(93)
Discounts for early repayment of debt	-	(23)

5. Housing stock

	2017/18	2016/17
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,467	4,492
Add: new build/purchases/additions	3	11
Less: sales	(33)	(35)
Less: properties lost to conversion, disposal and deletion	(2)	(1)
Closing stock of dwellings	**4,435**	**4,467**
Analysis of closing stock numbers:		
Houses	2,029	2,059
Bungalows	1,211	1,185
Flats	1,195	1,223
	4,435	**4,467**

6. Capital expenditure

	2017/18 £'000	2016/17 £'000
Dwellings	2,547	4,089
Dwelling acquisitions	25	195
Other Land and Buildings	1,298	21
Vehicles	114	150
IT Infrastructure	53	-
Assets Under Construction	2,340	1,177
Capital Prepayment	1	1
	6,378	**5,633**
Financed by:		
Usable capital receipts	2,470	715
Revenue contributions	3,636	4,401
Grants and contributions	272	517
	6,378	**5,633**

7. Non-current assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1st April in the financial year and the closing Balance Sheet value as at 31st March is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	2017/18	2016/17
	£'000	£'000
Council dwellings	199,667	187,850
Other land and buildings	5,734	2,270
Vehicles, plant, furniture and equipment	426	1,613
Surplus assets not held for sale	-	3
Land Awaiting Development	2,307	517
Assets Under Construction	2,519	944
Assets held for sale	4	4
Total Balance Sheet value of HRA non-current assets (PPE)	**210,657**	**193,201**
Intangibles	46	167
Total Balance Sheet value of HRA non-current assets	**210,703**	**193,368**
Dwellings - Vacant Possession Value	494,343	494,343

Vacant possession value and Balance Sheet value of council dwellings within the HRA show the economic cost to Government of providing council housing at less than market rents.

8. Depreciation

The depreciation charge for the year, for all of the HRA's non-current assets are disclosed as follows:

	2017/18	2016/17
	£'000	£'000
Council dwellings	2,860	2,870
Other land and buildings	260	20
Vehicles, plant, furniture and equipment	187	235
Total charge for depreciation within the HRA (PPE)	**3,307**	**3,125**
Intangibles	6	24
Total charge for depreciation within the HRA	**3,313**	**3,149**

9. Revaluation and impairment charges

The 2017/18 financial results include £8.974m credit (2016/17 £43k credit) for Revaluation Gains against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

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

	Notes	2017/18		2016/17	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
Income					
Income from council tax	1	-	(58,072)	-	(54,450)
Transfer from General Fund - council tax benefits		-	(3)	-	20
Income from business rates	2	(25,205)	-	(27,020)	-
Transitional protection payments		(2,475)	-	-	-
		(27,680)	**(58,075)**	**(27,020)**	**(54,430)**
Expenditure					
Precepts, demands and shares:					
- Central Government		13,274	-	13,423	-
- Suffolk County Council		2,655	42,163	2,685	40,660
- Police and Crime Commissioner for Suffolk		-	6,300	-	6,137
- Waveney District Council		11,090	7,915	11,220	6,129
Transitional protection payments		1,939	-	32	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		55	26	99	135
- Increase / (decrease) in bad debt provision		382	678	13	430
- Increase / (decrease) in provision for appeals		790	-	(618)	-
- Cost of collection allowance		202	-	204	-
Apportionment of previous years surplus / (deficit)					
- Central Government		(1,208)	-	(821)	-
- Suffolk County Council		(241)	587	(164)	1,437
- Police and Crime Commissioner for Suffolk		-	89	-	217
- Waveney District Council		(966)	89	(657)	210
		27,972	**57,847**	**25,416**	**55,355**
(Surplus) / deficit for year	3	**292**	**(228)**	**(1,604)**	**925**
Balance brought forward - (surplus) / deficit		1,187	(1,170)	2,791	(2,095)
Balance carry forward - (surplus) / deficit		**1,479**	**(1,398)**	**1,187**	**(1,170)**

NOTES TO THE COLLECTION FUND

1. Income from council tax

Council tax is set to meet the demands of Suffolk County Council, The Police and Crime Commissioner for Suffolk, Waveney 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.

	2017/18	2016/17
	£	£
The average Band D Council Tax set was:	**1,582.51**	1,495.67
The Council estimated its Tax Base for 2017/18 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	16,478	10,985
B	13,784	10,721
C	9,584	8,519
D	5,981	5,981
E	2,891	3,534
F	958	1,384
G	532	887
H	31	62
	50,239	42,073
Less: local council tax reduction scheme		(5,812)
provision for bad and doubtful debts (1.75%)		(635)
Tax Base 2017/18 (Band D equivalents)		35,626

2. Business rates

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

	2017/18	2016/17
The rateable value at 31 March was	**£77.3m**	£71.3m
The multiplier was	**47.9p**	49.7p

3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2017/18	2016/17
	£'000	£'000
Council Tax		
Suffolk County Council	**(155)**	724
Police and Crime Commissioner for Suffolk	**(23)**	110
Waveney District Council	**(50)**	91
Total Council Tax	**(228)**	925
Business Rates		
Central Government	**146**	(802)
Suffolk County Council	**29**	(160)
Waveney District Council	**117**	(642)
Total Business Rates	**292**	(1,604)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVENEY DISTRICT COUNCIL

Opinion

We have audited the financial statements of Waveney District Council for the year ended 31st March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

Authority and Group Movement in Reserves Statement,

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- The related notes 1 to 36 to the Authority and Group Statement of Accounts including the Expenditure and Funding Analysis on page 23,
- Housing Revenue Account and the related notes 1 to 9,
- Collection Fund Income and Expenditure Account and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council and Group as at 31st March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Statement of Accounts 2017/18 set out on pages 3 to 21, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2018.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities set out on page 22, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Waveney District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Waveney District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2018.

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

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

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

Certificate

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

Use of our report

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

Kevin Suter (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Luton

30th July 2018

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

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

GLOSSARY OF FINANCIAL TERMS

Accounting Period

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

Accounting Policies

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

Accruals

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

Business Rates (Non Domestic Rates)

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Receipts

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

Capital Receipts Reserve

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

CIPFA (Chartered Institute of Public Finance and Accounting)

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

Collection Fund

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

Community Assets

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

Community Charge

The system of local taxation prior to council tax.

Contingent Liabilities

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

Contingent Assets

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Base

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

Council Tax Benefit

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

Creditors

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

Debt

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

Debtors

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

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Earmarked Reserves

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

General Fund

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

Government Grants

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

Heritage Assets

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

Housing Advances

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

Housing Benefit

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

Housing Revenue Account (HRA)

The statutory account to which are charged the revenue costs of providing, maintaining and managing Council owned dwellings. These are financed by rents charged to tenants and subsidies received from the government. (See later paragraph on self-financing HRA).

Impairment

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

Infrastructure Assets

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

International Financial Reporting Standards

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

Leasing or Leases

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

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

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

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

Net Book Value

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

Non-Current Assets

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

Net Realisable Value

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

Operational assets

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

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Public Works Loan Board

A Government agency which provides longer-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

Rateable Value

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

Reserves

Reserves are, reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

Revenue Support Grant

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

Section 151 Officer

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

Self-Financing for the HRA

The self-financing HRA commenced on 1st April 2012 and is based on authorities "buying" themselves out of a negative housing subsidy position. This involves the Council no longer paying into housing subsidy and in return the Council's debt is adjusted upwards to an appropriate level. It is a once and for all settlement between central and local Government, after which all responsibility for maintaining social housing will rest with the Council.

Statement of Standard Accounting Practice (SSAP)

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

The Code

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

Trading Accounts

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

Usable Capital Receipts

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

UK GAAP

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

Valuation Loss

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

Value Added Tax (VAT)

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

Abbreviations used in the Accounts

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