

# Waveney District Council

## Statement of Accounts

### 2016-17



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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 31<sup>st</sup> March 2017. The Accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, commenced their audit of the Accounts on 31<sup>st</sup> July 2017. The audited Accounts together with Ernst and Young's Audit Result Report were presented to the Audit and Governance Committee on 14<sup>th</sup> September 2017.

Prior to approval, the draft Accounts were subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. For the 2016/17 financial year, the inspection period must include the first ten days of July and therefore the period commenced on 6<sup>th</sup> June 2017 and finished on 17<sup>th</sup> July 2017. From the 31<sup>st</sup> May 2017, the unaudited Accounts were available to the public on the Council's website.

The purpose of this Narrative Report is to provide an easily understandable guide to the most significant matters stated in the financial report. The change in reporting requirement was introduced in 2015/16 replacing and expanding upon on the Explanatory Foreword. It provides information about 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).



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

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

## 1. Introduction

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

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

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

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

The Narrative Report is structured as follows:

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

## 2. Key Facts about Waveney

Waveney is situated in north-east Suffolk and is the most easterly district in Britain. It adjoins Norfolk County, Great Yarmouth Borough and South Norfolk District Councils to the north, Mid Suffolk District Council to the west and Suffolk Coastal District Council to the south. The District covers 37,041 (370km<sup>2</sup>) hectares with a coastline of 26kms. It has a mix of urban and rural districts with Lowestoft, situated in the north-eastern corner of the District, being the largest town. There are four historic towns (Beccles, Bungay, Halesworth and Southwold) and a number of villages. It has a total population of 116,182 (48% male and 52% female)\* with 26% of the population being age 65+ and 17% between 0-15 years old.

# NARRATIVE REPORT

<p><b>Population</b> <b>116,182*</b></p>	<p><b>3,720 Business Enterprises<sup>+</sup></b> (Total 28,785 in Suffolk)</p>	<p><b>18.2% employed in distribution, hotels and restaurants*</b> (17.4% East of England / 18.3% England / 19.1% Suffolk)</p>	<p><b>Total number of crimes 8,818*</b> (38,179 in Suffolk County)</p>
<p><b>73.2% employment rate 16-64 years old*</b> (74.10% England)</p>	<p><b>Average Gross weekly (full time) earnings £449.70<sup>+</sup></b> (£541 National Average)</p>	<p><b>Jobs: 62.5% full time / 37.5% part time<sup>+</sup></b> (East: 67.5% full time / 32.5% part time)</p>	<p><b>4,048 Anti Social Behaviour incidents</b> (21,505 in Suffolk County)*</p>
<p><b>6.7% unemployment rate*</b> (4% East of England / 5.1% England)</p>	<p><b>21.1% of working age have NVQ4 and above<sup>+</sup></b> (33.6% East / 37.1% Gt Britain)</p>	<p><b>11.51% of properties Council Tax D</b> (14% in Suffolk County / 15.4% England)</p>	<p><b>Average price of house £177k<sup>#</sup></b> (England £218k)</p>

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

<sup>+</sup> Nomis – Official Labour Market Statistics

<sup>#</sup> Office of National Statistics – Median sale price

### 3. Key Facts about Waveney District Council

#### Political Structure

Waveney District Council is represented by 48 Councillors following the elections on 7 May 2015. Those Councillors will serve for four years and will represent five single-member wards, eleven two-member wards and seven three-member wards across the District – 23 Electoral wards in total.

The Conservatives have control of the Council with 27 Councillors; there are 20 Labour Councillors and there is one Green Councillor.

#### Shared Management Team and Shared Services Partnership

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

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

#### Strategic Management Team

Stephen Baker - Chief Executive and Head of Paid Service

Andy Jarvis - Strategic Director

Nick Khan - Strategic Director (joined July 2017)

#### Heads of Service

Homira Javadi - Chief Finance Officer & Section 151 Officer

Phil Gore - Head of Environmental Services & Port Health

Hilary Slater - Head of Legal & Democratic Services

Philip Ridley - Head of Planning & Coastal Management

Ann Carey - Head of ICT

Kerry Blair - Head of Operations

Darren Knight - Head of Customer Services

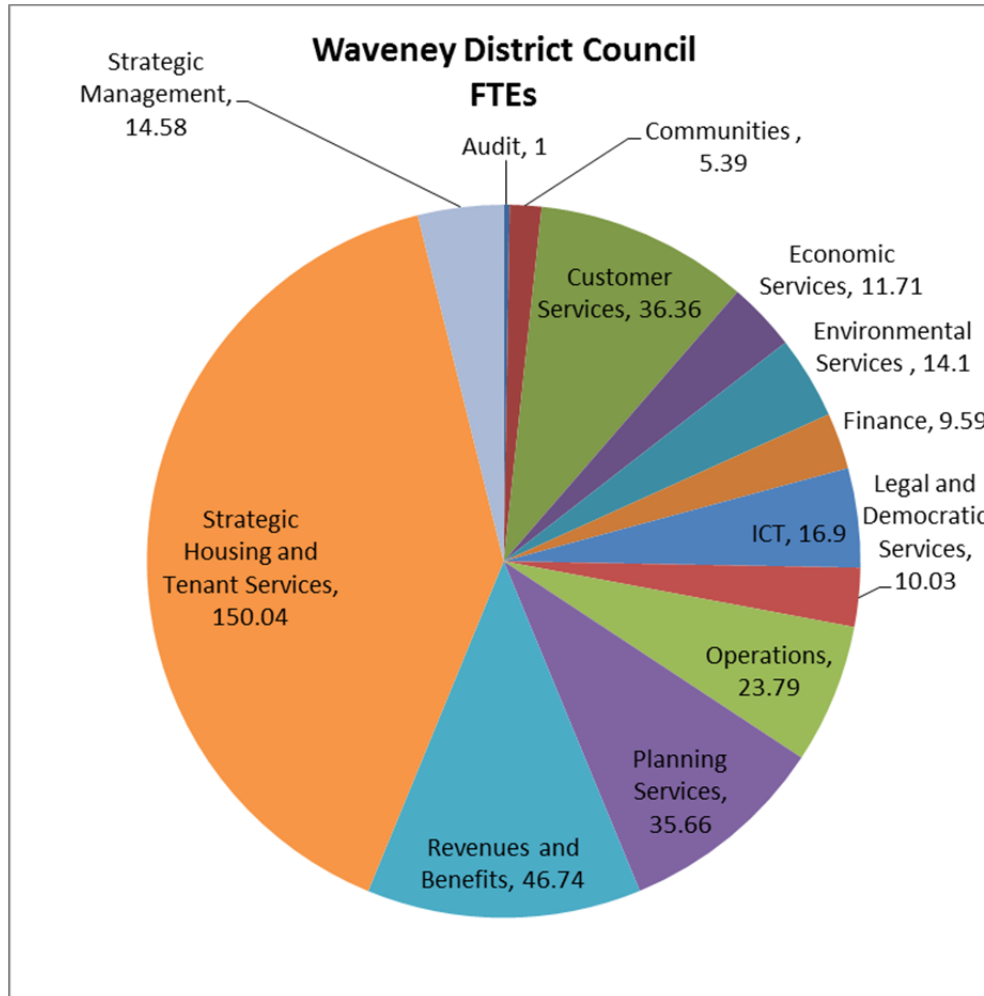
Paul Wood - Head of Economic Development & Regeneration

# NARRATIVE REPORT

Justin Hunt - Head of Housing Services  
Nicole Rickard - Head of Communities  
Siobhan Martin - Head of Internal Audit

## Staffing

The Council employs around 376 full time equivalent staff to deliver its services and priorities, as shown in the following chart:



## 4. East Suffolk Business Plan

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

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

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

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

## East Suffolk Means Business 2015-2023



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

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

## 5. Financial Performance 2016/17

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

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

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

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

**Business Rates Retention** - From April 2013, councils have been able to retain a proportion of the business rates generated within the district and benefit from business growth over the longer term. This local retention represents a considerable transfer of financial risk from central to local government. One of the key risks facing the Council is uncertainty regarding the new system, particularly in respect of further Government changes to the system; the proposed reset of the system in 2019; and developments in the local and national economy. Since the introduction of the new system, appeals, which can be backdated to 2010, have been a particular issue.

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



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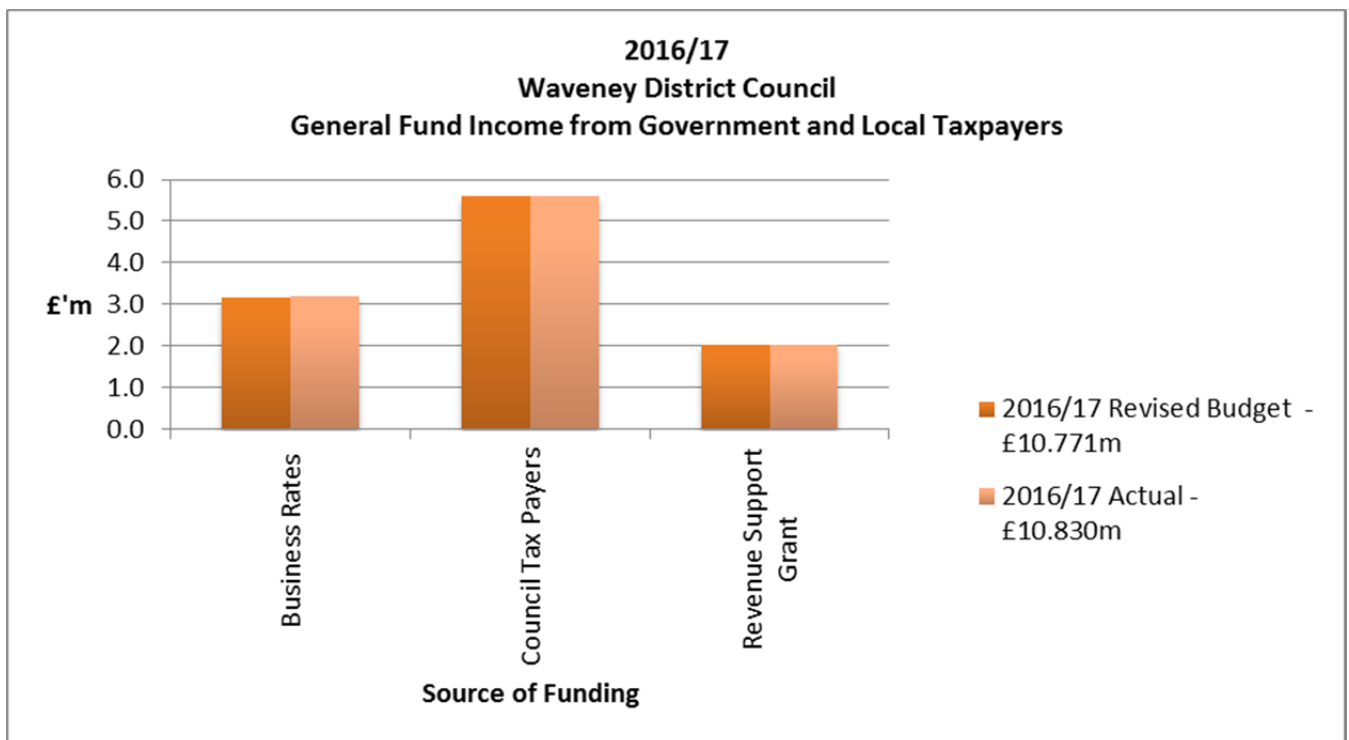
**New Homes Bonus** – As general government grant has reduced, the New Homes Bonus (NHB) - allocated to councils based on the building of new homes and bringing empty homes back into use – has become increasingly important as a source of funding to balance the budget. The Government has implemented changes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

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

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

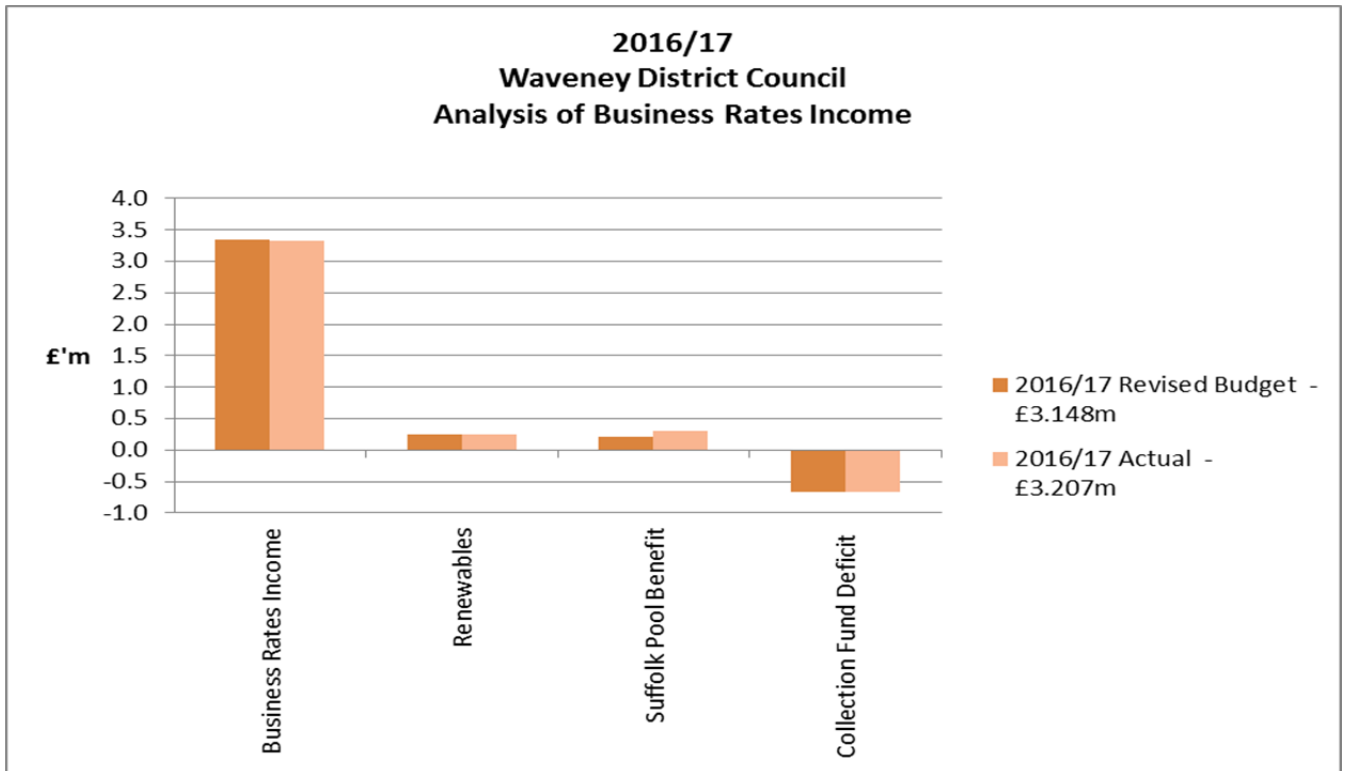
## 5.2 General Fund Income and Expenditure 2016/17

The General Fund is the main revenue fund from which the cost of the Council's services is met. The cost of services is the expenditure of the Council less income from fees and charges for services, specific grants from the Government and any funding from earmarked reserves. The Council's expenditure is financed by a general Government Grant known as the Revenue Support Grant (RSG) and income from Council Tax and Business Rates. Illustrated by the chart below, the total funding received by the Council in 2016/17 was £10.830m, against a revised budget of £10.771m.

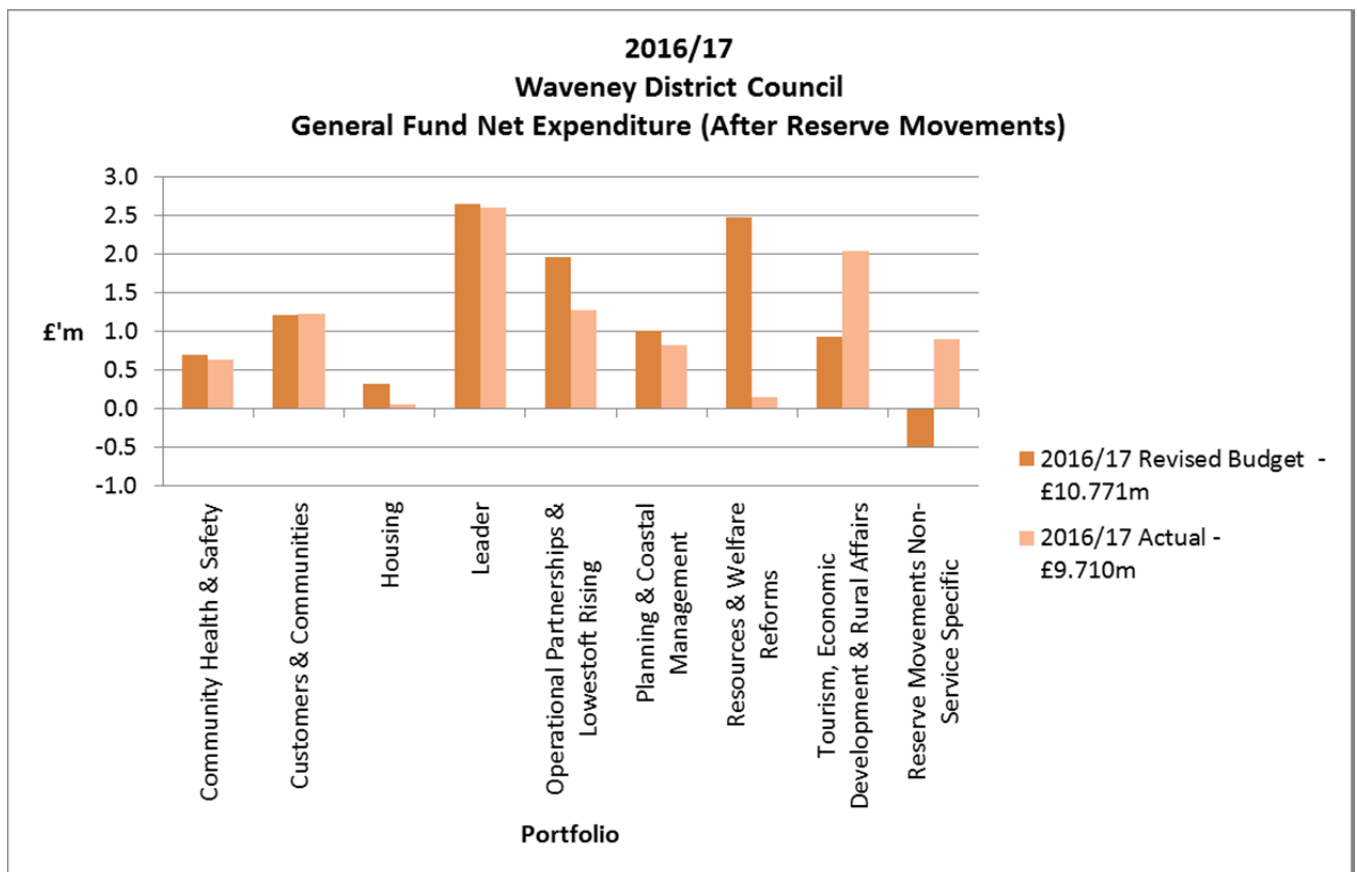


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Additional income of £0.059m was received from Business Rates due to an improved share of the Suffolk Pool Benefit by £0.081m net of a £0.022m increase in the levy payment. An analysis of the Business Rates income is shown below.



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



## 5.3 General Fund Outturn 2016/17

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

The Total Net Expenditure for 2016/17 was £9.710m, £1.061m less than the revised budget of £10.771m. With a total of £10.830m of Funding from Government and Local Tax Payers and after allowing for transfers to reserves, the Council had a balanced outturn position. The table below provides a high level summary of the key outcomes.

### Waveney District Council General Fund Outturn Summary 2016/17

Portfolio	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Actual 2016/17 £'000	Variance 2016/17 £'000
Community Health & Safety	640	697	638	(59)
Customers & Communities	1,267	1,209	1,222	13
Housing	342	328	65	(263)
Leader	2,738	2,650	2,603	(47)
Operational Partnerships	2,144	1,956	1,275	(681)
Planning & Coastal Management	1,092	1,014	816	(198)
Resources & Welfare Reforms	1,915	2,487	1,286	(1,201) *1
Tourism, Economic Development & Rural Affairs	1,510	937	1,978	1,041 *1
Reserve Movements Non-Service Specific	(823)	(507)	(173)	334
<b>Net Expenditure after Reserve Movements</b>	<b>10,825</b>	<b>10,771</b>	<b>9,710</b>	<b>(1,061)</b>
<b>Financed by Income from Government and Local Tax Payers</b>				
Council Tax Income	(5,605)	(5,605)	(5,605)	-
Business Rates Income	(3,202)	(3,148)	(3,207)	(59)
Revenue Support Grant	(2,018)	(2,018)	(2,018)	-
<b>Total Income from Government &amp; Local Taxpayers</b>	<b>(10,825)</b>	<b>(10,771)</b>	<b>(10,830)</b>	<b>(59)</b>
Transfer to In-Year Savings Earmarked Reserve				800
Transfer to Transformation Reserve				244
Transfer to Great Places Reserve				41
Carry Forward Requests (Moved to Specific Earmarked Reserve)*2				35
<b>2016/17 Net Outturn Position Deficit / (Surplus)</b>				<b>0</b>

\*1 Within Tourism, Economic Development & Rural Affairs there is the spend and reserve movements relating to the Enterprise Zone. The Business Rates income from the Enterprise Zone is accounted for within Resources & Welfare Reforms. This income amounts to £0.615m. For the 2016/17 variances on these Portfolios this needs to be taken into consideration. Within Tourism, Economic Development & Rural Affairs there is also the expenditure incurred for the Tidal surge in January 2017. This amounted to £104k and a claim has been submitted for this which is due to be received in 2017/18.

\*2 Carry Forward Requests for underspends in 2016/17 totalled £0.232m. These represent commitments made in 2016/17 but which have been delayed and there is insufficient budget in the following year to meet those commitments. Carry Forward Requests have been transferred to a specific earmarked reserve to enable closer monitoring of their use during 2017/18.

## NARRATIVE REPORT

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

### Waveney District Council General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

	£'000
<b><u>Community Health &amp; Safety</u></b>	
Anti Social Behaviour ,carry forward request to fund contribution towards the Police Athena platform	(4)
Emergency Planning costs associated with the Tidal Surge January 2017. A claim has been submitted to the Bellwin scheme	6
Food & Safety in-year staff vacancy savings, including contract staffing costs	(5)
saving on footway lighting utility costs	(12)
Licensing income better than anticipated	(20)
Transport costs underspent in the Licensing Team	(12)
Taxi Licensing - fewer DBS (Disclosure and Barring Service) checks and taxi inspections	(15)
Other minor variances	3
<b>Total Variance on Community Health &amp; Safety Portfolio</b>	<b>(59)</b>
<b><u>Customers &amp; Communities</u></b>	
Advanced grant payment to the CAB	50
Customer Services in-year staff vacancy savings, including contract staffing costs	(42)
Revenue grant carry forward request for digital inclusion project work	3
Revenue grant carry forward request to support Solutions pilot project	2
<b>Total Variance on Customers &amp; Communities Portfolio</b>	<b>13</b>
<b><u>Housing</u></b>	
Reduced take up of Homefinders scheme	(17)
Private Sector Housing in-year staff vacancy savings, including contract staffing costs	(10)
Additional Discretionary Housing Payment(DHP) grant claimed in 2016/17, due to higher take up	(25)
Net position between HB subsidy income and expenditure	(53)
Savings through the Anglia Revenue Partnership(ARP) service provision due to higher than expected income from the Enforcement service	(131)
HB Admin - software maintenance costs have reduced and postage is now re-directed to ARP	(11)
HB overpayments recovered, net of bad debt provision	(17)
Additional income from Private Sector Leasing properties, net of rent payable	(24)
Increase in bad debt provision for Private Sector leasing	22
Other minor variances	3
<b>Total Variance on Housing Portfolio</b>	<b>(263)</b>

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## Waveney District Council General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

	£'000
<b><u>Leader</u></b>	
In-year staff vacancy savings, including contract staffing costs	(15)
WDC In Touch magazine production costs	6
ICT partnership project, additional costs	11
Electoral Registration in-year staff vacancy savings, including contract staffing costs	(15)
Elections General Office expenses underspent, e.g. postage, printing and officer subsistence	(21)
IER Grant received	(131)
Transfer to IER reserve	140
Legal Services in-year staff vacancy savings, including contract staffing costs	(20)
Additional external Legal costs	23
Democratic Services	(18)
Other minor variances	(7)
<b>Total Variance on Leader Portfolio</b>	<b>(47)</b>
<b><u>Operational Partnerships</u></b>	
Improved performance on Car Parking income, across all areas - General, Season Tickets and Fixed Penalty Notices	(334)
Increased issue of Resident Parking permits during the year	(22)
Recycling Credits due to increased volume and price	(305)
Green Waste income due to higher take up of the scheme	(91)
Costs of changes to Car Parking Order 2016	17
Cemeteries income - demand lead	25
Environmental Protection underspend on consultancy	(9)
Underspend on utility costs at Markets	(9)
Public Conveniences internal recharge from Southwold Harbour	(10)
Green Bin Scheme costs (staffing, bank charges, printing)	42
Internal transfer of Southwold Harbour car parking income to Southwold Harbour	46
Saving on Britten Centre Car Park Service Charge	(17)
Other minor variances	(14)
<b>Total Variance on Operational Partnerships Portfolio</b>	<b>(681)</b>
<b><u>Planning &amp; Coastal Management</u></b>	
Planning Application fee income increased due to volume of applications	(170)
Planning & Building Control in-year staff vacancy savings, including contract staffing costs	(90)
Transfer to Planning & Building Control Reserve	65
Other minor variances	(3)
<b>Total Variance on Planning &amp; Coastal Management Portfolio</b>	<b>(198)</b>

## NARRATIVE REPORT

### Waveney District Council General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

#### **Resources & Welfare Reforms**

Saving on External Audit fees	(11)
Refund of bank charges relating to the period during the change over of banks	(21)
Underspend on maintenance and development costs of the Finance system	(28)
PWLB interest costs due to favourable changes to variable interest rates	(40)
Business Rates income ringfenced for the Enterprise Zone	(615)
HRA share of pension backfunding increased	(14)
Asset Management Legionella inspections	(20)
Term investments placed with an increased rate of return	(18)
Waveney Norse Profit share due to increased take on of third party work	(110)
NNDR S31 Small Business Rate Relief Accrual	(58)
Recovery of court costs (Council Tax income) was higher than expected	(36)
Reduced contribution from the HRA to Corporate & Democratic Core costs, but offset by saving on corporate bank charges (above)	20
Revenue costs of Mariners Street capital project	67
Asset Management project consultancy work	57
Increased utility costs at Rotterdam Road	19
Miscellaneous Property responsive maintenance	12
Internal Audit additional staffing costs due to in-year vacancies	32
Procurement in-year staff vacancy savings, including contract staffing costs	(46)
External recharging of provision of procurement support	(15)
Underspend on Capital programme being financed from revenue	(143)
Contingency	(135)
Council Tax Recovery in-year staff vacancy savings, including contract staffing costs	(29)
Housing Benefit in-year staff vacancy savings, including contract staffing costs	(10)
Counter Fraud in-year staff vacancy savings, including contract staffing costs	(48)
Other minor variances	(11)
<b>Total Variance on Resources &amp; Welfare Portfolio</b>	<b>(1,201)</b>

# NARRATIVE REPORT

## Waveney District Council General Fund Outturn 2016/17 Summary of Key Variances by Portfolio

### Tourism, Economic Development & Rural Affairs

Fewer Industrial Estate lets	16
Area Action Plan carry forward requests to support ongoing projects	(20)
Carry forward requests to support visitors information initiatives	(6)
Costs associated the Tidal Surge in January 2017. Claim has been submitted in 2017/18	104
Economic Development in-year staff vacancy savings, including contract staffing costs	(15)
Enterprise Zone spend and related reserve movement	795
Health & Safety project at the Southwold Caravan site	30
Planned static caravan sites have not yet been added to the Southwold site	75
Sentinel Leisure loss of income	13
Sentinel Management fee reduced due to living wage and pension costs	147
Additional fee for flood works at the Marina Theatre	12
Internal transfer of Southwold Harbour car parking income to Southwold Harbour	(46)
Saving on utility costs at Royal Plain	(10)
Additional rental income from Beach Shops & chalets and concessions	(18)
Other minor variances	(36)
<b>Total Variance on Tourism, Economic Development &amp; Rural Affairs Portfolio</b>	<b>1,041</b>

### Reserve Movements

Transfer to In-Year Savings Earmarked Reserve	800
Transfer to Transformation Reserve	244
Transfer to Great Places Reserve	41
Carry Forward Requests (Moved to Specific Earmarked Reserve)	35
Other Reserve Movements Non-Service Specific	334
	<b>1,454</b>

**Variance on Income from Government & Local Taxpayers** (59)

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

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

### Waveney District Council General Fund Outturn 2016/17

#### Summary of Key Variances

£'000

#### **Operational Efficiencies**

In-year staff vacancy savings, including contract staffing costs	(130)
Saving on External Audit fees	(11)
Refund of bank charges relating to the period during the change over of banks	(21)
Underspend on maintenance and development costs of the Finance system	(28)
PWLB interest costs due to favourable changes to variable interest rates	(40)
Economic Regeneration underspend on marketing, promotion & consultancy	(13)
Transport costs underspent in Building Control, Planning Development and Licensing Teams	(36)
Reduced take up of Homefinders scheme	(17)
Taxi Licensing - fewer DBS (Disclosure and Barring Service) checks and taxi inspections	(15)
HRA share of pension backfunding increased	(14)
Asset Management Legionella inspections	(20)
Savings through the Anglia Revenue Partnership(ARP) service provision due to higher than expected income from the Enforcement service	(131)
HB Admin - software maintenance costs have reduced and postage is now re-directed to ARP	(11)
Elections General Office expenses underspent, e.g. postage, printing and officer subsistence	(21)
Footway lighting utility costs	(12)
<b>Total Operational Efficiencies</b>	<b>(520)</b>

#### **Additional Income**

Additional Discretionary Housing Payment(DHP) grant claimed in 2016/17, due to higher take up	(25)
Net position between HB subsidy income and expenditure	(53)
Licensing income better than anticipated	(20)
Planning Application fee income increased due to volume of applications	(170)
Improved performance on Car Parking income, across all areas - General, Season Tickets and Fixed Penalty Notices	(334)
Increased issue of Resident Parking permits during the year	(22)
Recycling Credits due to increased volume and price	(305)
Green Waste income due to higher take up of the scheme	(91)
Term investments placed with an increased rate of return	(18)
Waveney Norse Profit share due to increased take on of third party work	(110)
Recovery of court costs (Council Tax income) was higher than expected	(36)
Southwold Harbour site rents and moorings due to increased volume	(29)
HB overpayments recovered, net of bad debt provision	(17)
Business Rate income due to improved share of Suffolk Pool Benefit and additional Section 31 Grant, net of additional levy	(117)
<b>Total Additional Income</b>	<b>(1,347)</b>



# NARRATIVE REPORT

## Waveney District Council General Fund Outturn 2016/17 Summary of Key Variances

	£'000
<b><u>Reduced Income</u></b>	
Planned static caravan sites have not yet been added to the Southwold site	75
Cemeteries income - demand lead	25
Sentinel Management fee reduced due to living wage and pension costs	147
Fewer Industrial Estate lets	16
<b>Total Reduced Income</b>	<b>263</b>
<b><u>Operational Requirements</u></b>	
Reduced contribution from the HRA to Corporate & Democratic Core costs, but offset by saving on corporate bank charges (above)	20
External Legal costs	24
Revenue costs of Mariners Street capital project	67
Asset Management project consultancy work	57
Health & Safety project at the Southwold Caravan site	30
Additional fee for flood works at the Marina Theatre	12
Parks & Gardens responsive maintenance	71
Increased utility costs at Rotterdam Road	19
New contribution to Coastal Protection East	24
Costs of changes to Car Parking Order 2016	17
Sentinel Leisure loss of income	13
Miscellaneous Property responsive maintenance	12
Other minor variances	12
Transfers from reserves not required due to additional income received in the year	141
<b>Total Operational Requirements</b>	<b>519</b>
Requested carry forward underspends in respect of delayed commitments in 2016/17	<b>(35)</b>
<b><u>Reserve Movements</u></b>	
Transfer to In-Year Savings Earmarked Reserve	800
Transfer to Transformation Reserve	244
Transfer to Great Places Reserve	41
Carry Forward Requests (Moved to Specific Earmarked Reserve)	35
	<b>1,120</b>
<b>2016/17 Outturn Position after Carry Forwards</b>	<b>0</b>

# NARRATIVE REPORT

## Housing Revenue Account (HRA)

The following table shows how the outturn on the HRA compares with the approved HRA original budget. The HRA is the statutory account to which the revenue costs of providing, maintaining and managing Council dwellings are charged. The HRA is financed by rents charged to tenants and charges for related services and facilities.

The Housing Revenue Account has ended the year with a surplus of £1.949m, £1.019m more than the revised estimate of £0.930m.

After taking the surplus of £1.949m for the year into account, the HRA working balance is £7.247m at 31<sup>st</sup> March 2017 (31<sup>st</sup> March 2016 £5.298m).

The HRA working balance has been maintained at 34% of total income, which is 24% above the considered best practice limit (10%). It is forecasted to drop to 23% in 2017/18.

Waveney District Council Housing Revenue Account Outturn Summary 2016/17				
	2016/17 Original Budget £'000	2016/17 Revised Budget £'000	Outturn £'000	Variance £'000
<b>Income</b>				
Rents, Non-Rents and other Contributions	(18,779)	(20,155)	(20,169)	(14)
Service & Other Charges	(973)	(2,489)	(2,680)	(191)
Interest Income	(101)	(121)	(116)	5
<b>Total Income</b>	<b>(19,853)</b>	<b>(22,765)</b>	<b>(22,965)</b>	<b>(200)</b>
<b>Expenditure</b>				
Repairs & Maintenance	4,050	4,030	3,788	(242)
Supervision & Management	5,199	4,706	4,663	(43)
Property Charges	75	88	98	10
Movement in Bad Debt Provision	(3)	(600)	(574)	26
Capital Charges	3,401	3,401	3,871	470
Interest Charges	2,335	2,290	2,269	(21)
Revenue Contribution to Capital	4,632	5,420	4,401	(1,019)
Transfers to Earmarked Reserves	200	2,500	2,500	-
<b>Total Expenditure</b>	<b>19,889</b>	<b>21,835</b>	<b>21,016</b>	<b>(819)</b>
<b>Net movement on the HRA for the year</b>	<b>36</b>	<b>(930)</b>	<b>(1,949)</b>	<b>(1,019)</b>

The main reasons for the decrease in net expenditure of £1.019m between the revised budget and the outturn are analysed in the table below.

Waveney District Council Housing Revenue Account 2016/17 Summary of Key Variances		£'000
<b>Description</b>		
Re-phasing on the Housing Development programme		(676)
Re-phasing on Revenue and Capital maintenance programme of work		(368)
Additional income through Right to Buy sales* <sup>1</sup>		(196)
Material cost for Repair and Maintenance services		127
Movement on Gains and Losses		38
Reduced Bad Debt Provision savings		26
Other Minor Variances		30
<b>Total Variance to Revised Budget</b>		<b>(1,019)</b>

\*<sup>1</sup> This relates to revenue income under the Right to Buy scheme. This is made up of an allowance for admin costs and loss of rental income from Right to Buys.

# NARRATIVE REPORT

## 5.4 Summary Reserves and Balances Position

As per the Statement of Accounts the Deficit/ (Surplus) of Provision on Services for 2016/17 was a surplus of £7.010m. This represents the total transferred to Earmarked Reserves and Balances for the General Fund and HRA combined. This is illustrated in the table below.

<b>Waveney District Council</b>			
<b>Deficit/ (Surplus) of Provision on Services for 2016/17</b>			
<b>Portfolio</b>	<b>Actual After Reserve Movements 2016/17 £'000</b>	<b>Net Reserve Movement 2016/17 £'000</b>	<b>Actual Before Reserve Movements 2016/17 £'000</b>
Community Health & Safety	638	4	642
Customers & Communities	1,222	27	1,249
Housing (excluding HRA)	65	(1,039)	(974)
Leader	2,603	(99)	2,504
Operational Partnerships	1,275	-	1,275
Planning & Coastal Management	816	(111)	705
Resources & Welfare Reforms	1,286	14	1,300
Tourism, Economic Development & Rural Affairs	2,019	(451)	1,568
Reserve Movements Non-Service Specific	906	(906)	-
<b>Net Expenditure</b>	<b>10,830</b>	<b>(2,561)</b>	<b>8,269</b>
<b>Financed by Income from Government and Local Tax Payers</b>			
Council Tax Income			(5,605)
Business Rates Income			(3,207)
Revenue Support Grant			(2,018)
<b>Total Income from Government &amp; Local Taxpayers</b>			<b>(10,830)</b>
<b>General Fund Deficit/ (Surplus) of Provision on Services for 2016/17</b>			<b>(2,561)</b>
<b>HRA Deficit/ (Surplus) of Provision on Services for 2016/17</b>			<b>(4,449)</b>
<b>Deficit/ (Surplus) of Provision on Services for 2016/17 (as per the Statement of Accounts EFA)</b>			<b>(7,010)</b>
<b>Deficit/ (Surplus) of Provision on Services for 2016/17 Analysed as:</b>			<b>£'000</b>
<b>General Fund</b>			
Net Movement on General Fund Balance and Earmarked Reserves			(2,561)
<b>HRA</b>			
Net Movement on Earmarked Reserves			(2,500)
Transfer to HRA Working Balance			(1,949)
			<b>(7,010)</b>

In 2016/17 the Council was able to increase its General Fund Earmarked Reserves by £2.560m, from £6.582m as at 31<sup>st</sup> March 2016 to £9.142m as at 31<sup>st</sup> March 2017. This is split between Revenue Earmarked Reserves of £8.644m and Capital Earmarked Reserves of £0.498m.

As at 31<sup>st</sup> March 2017 the General Fund balance is maintained at a working balance of £4.160m. In its Medium Term Financial Strategy, the Council seeks to maintain a prudent General Fund balance level of around 3% to 5% of its budgeted gross expenditure.

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In 2016/17 the Council made a transfer of £2.500m to the HRA's Earmarked Reserve for Debt Repayment and the remaining balance on the Surplus of Provision on Services for the HRA (£1.949m) was added to the HRA's working balance, increasing this to £7.247m as at 31<sup>st</sup> March 2017.

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

Detail of movements on the Earmarked Reserves is shown in Note 10 to the Core Financial Statements and is summarised in the two tables below, one for the General Fund and one for the HRA.

<b>Waveney District Council</b>					
<b>Summary of General Fund Balance and Earmarked Reserves 2016/17</b>					
	Balance as at 31 March 2016 £`000	Transfer In 2016/17 £`000	Transfer Out 2016/17 £`000	Balance as at 31 March 2017 £`000	<i>Budgeted Balance as at 31 March 2017 £`000</i>
<b>Revenue Balances:</b>					
General Fund	4,159	1	-	4,160	4,159
<b>General Fund Balance</b>	<b>4,159</b>	<b>1</b>	<b>-</b>	<b>4,160</b>	<b>4,159</b>
<b>Revenue Earmarked Reserves</b>					
Business Rate Equalisation	1,476	-	-	1,476	1,415
Community Housing Fund	-	685	-	685	343
New Homes Bonus	1,079	-	-	1,079	1,079
In-Year Savings	500	800	-	1,300	500
Transformation	332	252	(58)	526	182
Carry Forwards	-	35	-	35	-
Enterprise Zone	-	718	(111)	607	143
Other Revenue Earmarked Reserves	2,679	928	(671)	2,936	2,217
<b>Total of Revenue Earmarked Reserves</b>	<b>6,066</b>	<b>3,418</b>	<b>(840)</b>	<b>8,644</b>	<b>5,879</b>
<b>Total of Capital Earmarked Reserves</b>	<b>516</b>	<b>637</b>	<b>(655)</b>	<b>498</b>	<b>338</b>
<b>Total Earmarked Reserves</b>	<b>6,582</b>	<b>4,055</b>	<b>(1,495)</b>	<b>9,142</b>	<b>6,217</b>

The total of Earmarked Reserves as at 31<sup>st</sup> March 2017 is £2.925m higher than forecast as included in the February 2017 Budget Report. Reserve movements including in the outturn position and which were notably different from budget are highlighted below;

- £0.800m transferred to the In-Year Savings Reserve.
- An additional transfer to the Transformation Reserve of £0.244m.
- An additional £0.343m was transferred to the Community Housing Fund. This was further funding received from DCLG to support initiatives in tackling the problem of high levels of second homeownership.
- An additional £0.464m was transferred to the Enterprise Zone Reserve. This is Enterprise Zone income generated through business rates from development which occurs within each zone. Waveney District Council is the collecting authority and by default the administrator of the funds.
- £0.263m has been received from the Homes & Communities Agency (HCA) to fund land investigative works covering the Area Action Plan in Lowestoft. This has been placed in the Area Action Plan Reserve.
- Due to underspend on the capital programme for vehicles and IT, the use of the Capital Earmarked Reserve was less than budgeted by £0.160m.

## NARRATIVE REPORT

The following table summarises the HRA balance and Earmarked Reserves.

<b>Waveney District Council</b>					<i>Budgeted</i>
<b>Summary of HRA Balance and Earmarked Reserves 2016/17</b>					<i>Balance as</i>
	Balance as		Transfer	Balance as	<i>at 31</i>
	at 31	Transfer In	Out	at 31	<i>March</i>
	March 2016	2016/17	2016/17	March 2017	<i>2017</i>
	£'000	£'000	£'000	£'000	<i>£'000</i>
HRA Working Balance	5,298	1,949	-	7,247	6,228
<b>HRA Working Balance</b>	<b>5,298</b>	<b>1,949</b>	<b>-</b>	<b>7,247</b>	<b>6,228</b>
<b>HRA Earmarked Reserves</b>					
Debt Repayment Reserve	4,406	2,500	-	6,906	6,906
Hardship Reserve	500	-	-	500	500
MMI Reserve	66	-	-	66	66
Impairment/Revaluation Reserve	256	-	-	256	256
<b>Total of Revenue Earmarked Reserves</b>	<b>5,228</b>	<b>2,500</b>	<b>-</b>	<b>7,728</b>	<b>7,728</b>
<b>Capital Earmarked Reserves</b>					
Major Repairs Reserve	12,639	3,148	-	15,787	<b>16,022</b>
<b>Total Earmarked Reserves</b>	<b>17,867</b>	<b>5,648</b>	<b>-</b>	<b>23,515</b>	<b>23,750</b>

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

<b>Waveney District Council</b>		
<b>Summary of Reserves</b>		
	As at 31 March	As at 31 March
	2017	2016
	£'000	£'000
<b>Useable Reserves</b>		
<i>Held for Revenue Purposes</i>		
<u>General Fund</u>		
Fund Balance	(4,160)	(4,159)
Earmarked Reserves	(8,644)	(6,066)
<u>Housing Revenue Account</u>		
Fund Balance	(7,247)	(5,298)
Earmarked Reserves	(7,728)	(5,228)
<u>Held for Capital Purposes</u>		
Major Repairs Reserve	(15,787)	(12,638)
Capital Receipts Reserve	(5,276)	(3,844)
Earmarked Reserves	(498)	(516)
Capital Grants Unapplied	(3,617)	(1,487)
	<b>(52,957)</b>	<b>(39,236)</b>
<b>Unusable Reserves</b>	<b>(122,913)</b>	<b>(121,683)</b>
<b>Total Council Reserves</b>	<b>(175,870)</b>	<b>(160,919)</b>

# NARRATIVE REPORT

## 5.5 Capital

Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The following tables show the outturn results for both the General Fund and HRA Capital Programmes in 2016/17 against the original budget approved by Full Council in January 2016, and the revised budget approved by Full Council in January 2017.

<b>Waveney District Council</b>				
<b>General Fund Capital Expenditure &amp; Financing 2016/17</b>				
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>
<b>General Fund Capital Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Portfolio</b>				
Leader	100	170	93	(77)
Community Health	30	30	22	(8)
Operational Partnerships	1,067	2,601	1,241	(1,360)
Planning & Coastal Management	2,200	1,642	1,130	(512)
Resources & Welfare Reforms	350	677	247	(430)
<b>Total General Fund Capital Expenditure</b>	<b>3,747</b>	<b>5,120</b>	<b>2,733</b>	<b>(2,387)</b>
<b>Total General Fund Capital Financing</b>				
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Internal Borrowing	992	2,240	1,591	(649)
Government Grants and Third Party Contributions	2,150	1,551	470	(1,081)
Revenue / Revenue Reserves	605	815	672	(143)
Capital Receipts	-	514	-	(514)
<b>Total General Fund Capital Financing</b>	<b>3,747</b>	<b>5,120</b>	<b>2,733</b>	<b>(2,387)</b>

The General Fund Capital expenditure outturn was £2.387m below the revised budget for 2016/17. Variance details are set out below.

<b>Waveney District Council</b>	
<b>General Fund Capital Programme 2016/17</b>	
<b>Summary of Key Variances</b>	
	<b>£'000</b>
<b>Leader</b>	
IT projects to be delivered in 2017/18 (Procurement delays)	(77)
<b>Community Health &amp; Safety</b>	
Efficiency saving on delivery of street lighting	(8)
<b>Operational Partnerships &amp; Lowestoft Rising</b>	
Mariners Street to be delivered in 2017/18	(636)
Ferry Road to be delivered in 2017/18	(284)
Lowestoft beach huts deferred until 2017/18	(165)
Car park ticket machines installation cost 2017/18	(81)
Other minor variances	(79)
Car park refurbishment deferred until 2017/18	(65)
Triangle Market to be transferred to Town Council 2017/18	(50)
	<b>(1,360)</b>
<b>Planning &amp; Coastal Management</b>	
Tidal Barrier re-phasing to 2017/18	(512)
<b>Resources &amp; Welfare Reforms</b>	
Investment property purchase delayed	(300)
Other minor variances	(130)
	<b>(430)</b>
<b>Total Variance to Revised Budget</b>	<b>(2,387)</b>

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The following table shows the Housing Capital Programme outturn results for 2016/17 against the revised budget and also how the 2016/17 Housing Capital Programme was financed.

<b>Waveney District Council</b>				
<b>Housing Capital Programme 2016/17</b>				
	<b>Original Budget 2016/17 £'000</b>	<b>Revised Budget 2016/17 £'000</b>	<b>Actual 2016/17 £'000</b>	<b>Variance 2016/17 £'000</b>
<b>HRA Capital Expenditure</b>				
Housing Repairs	3,785	3,845	3,379	(466)
Housing Development	4,347	2,956	2,254	(702)
Housing Improvement	516	663	336	(327)
<b>Total HRA Capital Expenditure</b>	<b>8,648</b>	<b>7,464</b>	<b>5,969</b>	<b>(1,495)</b>
<b>HRA Capital Financing</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Receipt	-	989	715	(274)
Grants and Contributions	1,516	1,054	853	(201)
Revenue / Revenue Reserves	7,132	5,421	4,401	(1,020)
<b>Total HRA Capital Financing</b>	<b>8,648</b>	<b>7,464</b>	<b>5,969</b>	<b>(1,495)</b>

The HRA Capital expenditure outturn was £1.495m below the revised budget for 2016/17. Variance details are set out below.

<b>Waveney District Council</b>	
<b>Housing Capital Programme 2016/17</b>	
<b>Summary of Key Variances</b>	
	<b>£'000</b>
<b>Housing Repairs</b>	
Re-roofing rephased to 2017/18	(127)
Reconversions rephased to 2017/18	(121)
Central Heating/Boilers rephased to 2017/18	(75)
Heat metering rephased to 2017/18	(70)
Other minor variations	(73)
	<b>(466)</b>
<b>Housing Development</b>	
Delay in new development site (Lowestoft)	(459)
Delay in new development site (Bungay)	(206)
Delay in new development site (Southwold)	(86)
Other minor variations	49
	<b>(702)</b>
<b>Housing Improvement</b>	
Grant expenditure re-phased to 2017/18	(327)
	<b>(327)</b>

The statutory limit on the Council's borrowing for capital purposes at 31<sup>st</sup> March 2017 was £122m (£34.7m General Fund and £87.3m HRA). This remained unchanged from 2015/16. During 2016/17 the Council did not undertake any new external borrowing. External borrowing outstanding as at 31<sup>st</sup> March 2017 amounted to £90.895m (£13.489m General Fund and £77.406m HRA) which was a £0.16m reduction on the balance of £91.055m at 31<sup>st</sup> March 2016. Within the total loan portfolio, £3m was treated as short term borrowing as repayment is due within one year and £87.895m was treated as long term borrowing (repayment is in excess of one year). See Notes 16 and 35 to the Core Financial Statements for further information.

## 5.6 Collection Fund

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

### Council Tax

Council Tax income finances the expenditure of Suffolk County Council, the Police and Crime Commissioner for Suffolk, Waveney District Council and its Town and Parish Councils. The Council Tax Collection Fund made an in-year deficit of £0.925m during 2016/17 (£1.068m surplus in 2015/16). The reason for an overall in-year deficit position for 2016/17 is due to a higher apportionment of the previous year's surplus. The in-year deficit is apportioned between Waveney District Council, Suffolk County Council and the Police and Crime Commissioner for Suffolk in proportion to their respective Council Tax precept demands in the year. The Council share of the deficit is £0.091m (£120k share of the surplus in 2015/16).

### Business Rates

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

Each year, the Council has to make a number of assumptions in January to produce the National Non Domestic Rate (NNDR1) return, which provides an estimate for the year ahead. Key assumptions in arriving at the estimated amounts include the value of outstanding appeals and forecasts of growth or reduction in the business rates base of the area. The bulk of Business Rates entries in the General Fund Revenue Account in 2016/17 are determined by the original NNDR1 form for the year. In general, variances in the level of rating income during the year, for whatever reason, are reflected in the Collection Fund surplus or deficit that is charged to the General Fund in future years. If variances are identified in January when the NNDR 1 for the following year is completed, then these will be reflected in the estimated Collection Fund surplus or deficit for that year. If further variances emerge on the end of year NNDR3 form, then these will be reflected in a further surplus or deficit figure with a two year time lag, i.e. in the 2018/19 General Fund Revenue Account in respect of the 2016/17 NNDR3. Only a few items in the General Fund Revenue Account vary in 2016/17 as a result of NNDR3 actual figures, such as the Levy (the mount paid to Government), and Pooling Benefit from the Suffolk Business Rates Pool (see below)

In order to reduce the amounts paid as Levies, all of the Suffolk councils have entered a pooling arrangement allowing them to retain a larger proportion of growth by reducing their individual rate of levy. For 2016/17, the benefit to the Council of participating in the Suffolk Business Rates Pool was £0.296m.

## 5.7 Assets and Liabilities

Net assets have increased by £14.951m during the year from £160.919m to £175.870m. This is summarised in the table below.

<b>Waveney District Council</b>		
<b>Summary of Net Assets</b>		
	<b>As at 31 March 2017</b>	<b>As at 31 March 2016</b>
	<b>£'000</b>	<b>£'000</b>
Long Term Assets	278,385	271,261
Current Assets	47,358	34,328
Current Liabilities	(13,655)	(12,683)
Long Term Liabilities	(136,218)	(131,987)
<b>Net Assets</b>	<b>175,870</b>	<b>160,919</b>

Significant changes contributing to this net position are as follows:

- Long term assets have increased by £7.124m and this relates to increases in property, plant and equipment through additions and increases in valuation.
- Current assets has increased by £13.030m, with the increase being caused by short term investments (£2.981m more invested), cash and cash equivalents (£9.343m which is caused by £4m of underspend on the capital programme, additional grant income of £3.3m for large capital programme & community



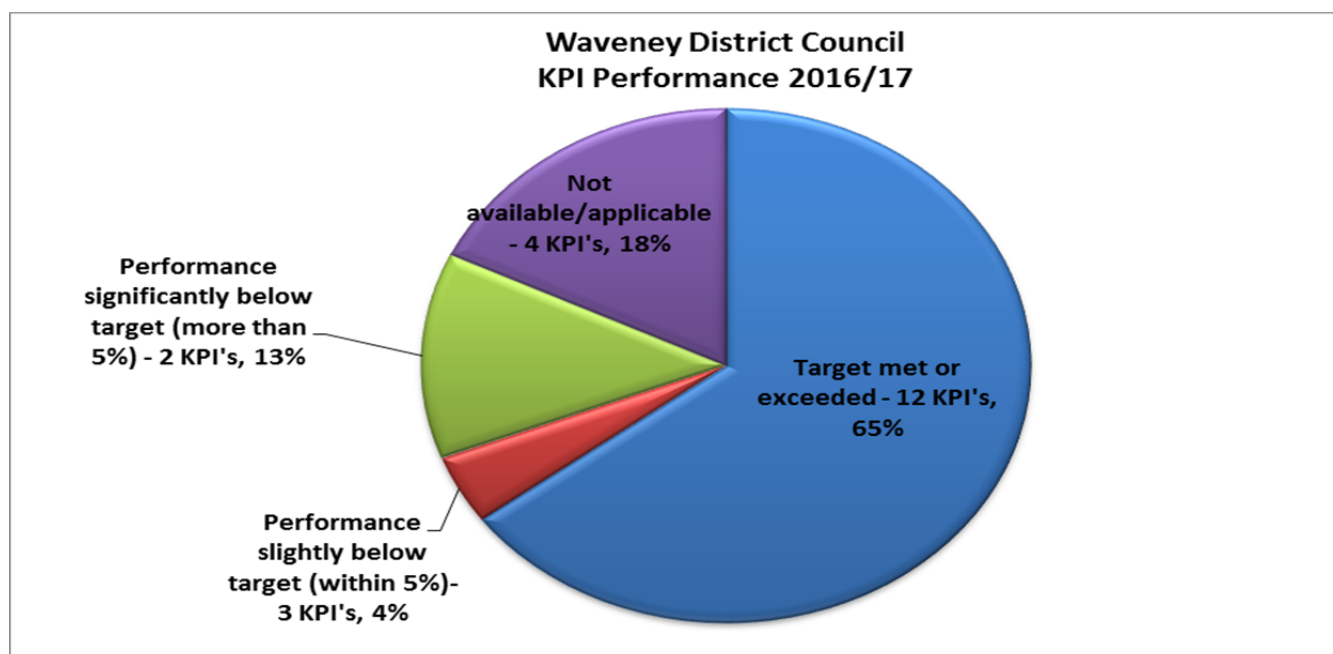
infrastructure levy and timing on payments to creditors which are £1.758m higher this year) and short term debtors of £976k.

- As mentioned above, short term creditors have increased by £1.758m, causing current liabilities to increase by £972k, when netted off by the reduction in short term capital grant receipts in advance of £786k.
- Pension Liability within long term liabilities has increased by £4.747m, which comes about following the triennial review being completed during 2016/17. Statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. Detailed information on the performance of the Pension Fund is set out in Note 29 to the Core Financial Statements.

## 6. Non-Financial Performance 2016/17

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

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



In 2016/17 there was a total of 23 KPIs being monitored and performance for 2016/17 is illustrated in the chart below.

### Enabling Communities

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

#### Highlights

- 42.46% household waste sent for recycling and composting (target: 40.65%)
- 84% of homeless decisions made within 33 days (target: 82%)
- 1005 fly tipping incidents reported (target: 900) and 220 fly tipping enforcement notices issued
- 804,531 leisure participation for all sites (target: 782,050)
- 88 affordable homes completed (target 100).

### Economic Growth

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

#### Highlights

- 92.67% (253) minor planning applications determined in 8 weeks (target: 65%)

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- 93.10% (27 of 29) major planning applications determined in 13 weeks (target: 60%)
- 95.59% (599 of 626) other planning applications determined in 8 weeks (target: 80%)
- 583 businesses supported in 2016/17 (target: 242)
- 18 business creations supported (target: 11)
- 264 net dwellings completed (target: 180) and 396 dwellings in construction at the end of the year
- 96.67% food hygiene rating (3-5 food rating)
- £39,402.11 income generated through Enterprise Zone sites (target: £0.035m).

### Financial Self-Sufficiency

*“Driving down costs and becoming even more business-like and entrepreneurial in our approach.”*

### Highlights

- 461,818 visits to the East Suffolk website
- Sickness absence continues to be below national level. In 2016/17 5.14 days/shifts lost per FTE (target: 6.8 days)
- 7.4 days to process Housing Benefit new claims (within 8 day target)
- 5 Local Government Ombudsman complaints in the year
- 139,559 calls answered.

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

### 7.1 General Fund – Future Budget Plans

Overall the Council’s budget requirement, the net cost of services to be met from Revenue Support Grant, Business Rates Retention, Council Taxes and the forecast Collection Fund surplus will be £10.071 million in 2017/18. This represents a headline decrease of £0.754m or 7% over the budget for 2016/17 of £10.825 million. Set out in the table below is the budget by Portfolio as approved by Full Council in February 2017. The table shows the budget for 2017/18 together with the MTFS forecasts for 2018/19 to 2020/21.

<b>Waveney District Council</b>				
<b>General Fund Revenue Budget Summary 2017/18 - 2020/21</b>				
	<b>Budget</b>	<b>MTFS</b>	<b>MTFS</b>	<b>MTFS</b>
	<b>2017/18</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
		<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Health & Safety	682	702	713	718
Customers & Communities	374	379	384	386
Housing	1,247	1,832	1,853	1,864
Leader	1,357	1,341	1,391	1,348
Operational Partnerships	2,449	2,480	2,705	2,884
Planning & Coastal Management	3,170	3,525	3,814	3,842
Resources & Welfare Reforms	(1,319)	(312)	(354)	(124)
Tourism, Economic Development & Rural Affairs	2,111	1,807	1,592	1,646
<b>Budget Requirement</b>	<b>10,071</b>	<b>11,754</b>	<b>12,098</b>	<b>12,564</b>
<b>Financed by Income from Government and Local Tax Payers</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Council Tax Income	(5,698)	(5,819)	(6,037)	(6,264)
Business Rates Income	(3,077)	(3,755)	(3,863)	(3,974)
Revenue Support Grant	(1,296)	(836)	(323)	(323)
<b>Total Income from Government &amp; Local Taxpayers</b>	<b>(10,071)</b>	<b>(10,410)</b>	<b>(10,223)</b>	<b>(10,561)</b>
<b>Budget Shortfall / (Surplus)</b>	<b>-</b>	<b>1,344</b>	<b>1,875</b>	<b>2,003</b>

# NARRATIVE REPORT

The reasons for the reduction in the 2017/18 net budget required compared to 2016/17 are summarised below.

<b>Waveney District Council</b>	
<b>General Fund Movements 2016/17 to 2017/18</b>	
	<b>£'000</b>
<b>Budget Requirement 2016/17</b>	<b>10,825</b>
<b>Key Movements</b>	
Community Investment	122
Operational Requirement - Staffing	545
Operational Requirement	528
National Policy	598
Corrections to Baseline	190
Operational Efficiency	(1,206)
Partnerships	(86)
Additional Income	(1,074)
Community Governance Arrangements	(1,000)
Movements in Reserves*	629
<b>Budget Requirement 2017/18</b>	<b>10,071</b>

\* The 2016/17 budget included a transfer from the Business Rates Equalisation Reserve of £0.880m.

The Government's Spending Review, carried out during 2015, and the 2016/17 Local Government Finance Settlement, indicated a clear change in Government policy towards council tax. Rather than a continued emphasis on restriction and freezing of tax levels, council tax is now allowed to increase at above inflation levels in order to address priority spending areas. This has been reflected in the relaxation of referendum limits – all Shire District Councils are now able to increase council tax by a maximum of £5 rather than 2%. For 2017/18, the Council approved an increase in the Band D Council Tax from £152.46 to £157.41, an increase of 3.25%.

The Local Government Finance Settlement also contained substantial reductions in Government grant funding, with Revenue Support Grant being reduced from £2.018m in 2016/17 to £1.296m in 2017/18, a reduction of 36%.

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

## 7.2 HRA – Future Budget Plans

Set out below is the HRA budget approved in January 2017 for the next four years. The Council will continue to monitor its budgets and the 30 year Financial Business Plan to enable any potential future savings to be identified. The HRA budget will be updated again in the autumn of 2017.

# NARRATIVE REPORT

## Waveney District Council HRA Budget Summary 2017/18 - 2020/21

	Budget 2017/18 £'000	MTFS Forecast 2018/19 £'000	MTFS Forecast 2019/20 £'000	MTFS Forecast 2020/21 £'000
<b>Income</b>				
Dwelling Rent	(18,872)	(18,863)	(18,729)	(18,971)
Non-Dwelling Rent	(176)	(178)	(180)	(182)
Service & Other Charges	(1,337)	(1,348)	(1,358)	(1,369)
Interest Income	(81)	(96)	(106)	(128)
<b>Total Income</b>	<b>(20,466)</b>	<b>(20,485)</b>	<b>(20,373)</b>	<b>(20,650)</b>
<b>Expenditure</b>				
Repairs & Maintenance	3,620	3,703	3,741	3,820
Supervision & Management	4,525	4,522	4,582	4,618
Property Charges	90	90	92	93
Adjustment to Bad Debt Provision	(21)	-	(4)	8
Interest Charges	2,305	2,305	2,280	2,280
Capital Charges	3,564	3,655	3,712	3,713
Revenue Contribution to Capital	6,830	3,977	3,849	3,822
Transfer to Earmarked Reserves	2,000	2,000	2,000	2,000
<b>Total Expenditure</b>	<b>22,913</b>	<b>20,252</b>	<b>20,252</b>	<b>20,354</b>
<b>Movement in the HRA balance</b>	<b>2,447</b>	<b>(233)</b>	<b>(121)</b>	<b>(296)</b>
<b>HRA balance carried forward (forecast)</b>	<b>(4,800)</b>	<b>(5,033)</b>	<b>(5,154)</b>	<b>(5,450)</b>

### 7.3 Capital Programme – Future Years

Capital expenditure plans for the General Fund over the next four years and how they are to be financed are detailed in the table below.

## Waveney District Council General Fund Capital Programme 2017/18 - 2020/21

General Fund Capital Expenditure Portfolio	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Leader	79	25	200	100
Community Health	30	30	30	30
Operational Partnerships	970	575	550	550
Planning & Coastal Management	2,643	9,350	11,600	11,795
Resources & Welfare Reforms	612	340	445	101
<b>Total General Fund Capital Expenditure</b>	<b>4,334</b>	<b>10,320</b>	<b>12,825</b>	<b>12,576</b>
	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>General Fund Capital Financing</b>				
Grants and Contributions	2,181	8,950	11,200	11,395
Revenue and Revenue Reserves	534	550	700	600
Borrowing	1,619	820	925	581
<b>Total General Fund Capital Financing</b>	<b>4,334</b>	<b>10,320</b>	<b>12,825</b>	<b>12,576</b>

HRA Capital expenditure and financing plans over the next four years are shown below.

# NARRATIVE REPORT

## Waveney District Council HRA Capital Programme 2017/18 - 2020/21

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>HRA Capital Expenditure</b>				
Housing Repairs	3,117	3,492	2,462	2,422
Housing Development	14,782	5,842	4,484	2,000
Housing Improvement	663	663	663	663
<b>Total HRA Capital Expenditure</b>	<b>18,562</b>	<b>9,997</b>	<b>7,609</b>	<b>5,085</b>
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>HRA Capital Financing</b>				
Grants and Contributions	2,148	1,003	1,533	663
HRA Reserves	9,584	5,017	2,227	600
Housing Revenue Account	6,830	3,977	3,849	3,822
<b>Total HRA Capital Financing</b>	<b>18,562</b>	<b>9,997</b>	<b>7,609</b>	<b>5,085</b>

### 7.4 Economic and Public Finances Outlook

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

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

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

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

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

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

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

The introduction of the Local Business Rates Retention System in 2013/14, together with the government's programme of fiscal consolidation since 2010, have combined to both reduce the quantum of funding available to the Council, and to shift the balance of funding significantly away from central to local sources. The 2016/17 settlement continued and accelerated this process, and was characterised by the following key points:

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

### 7.5 Overall Financial Position

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

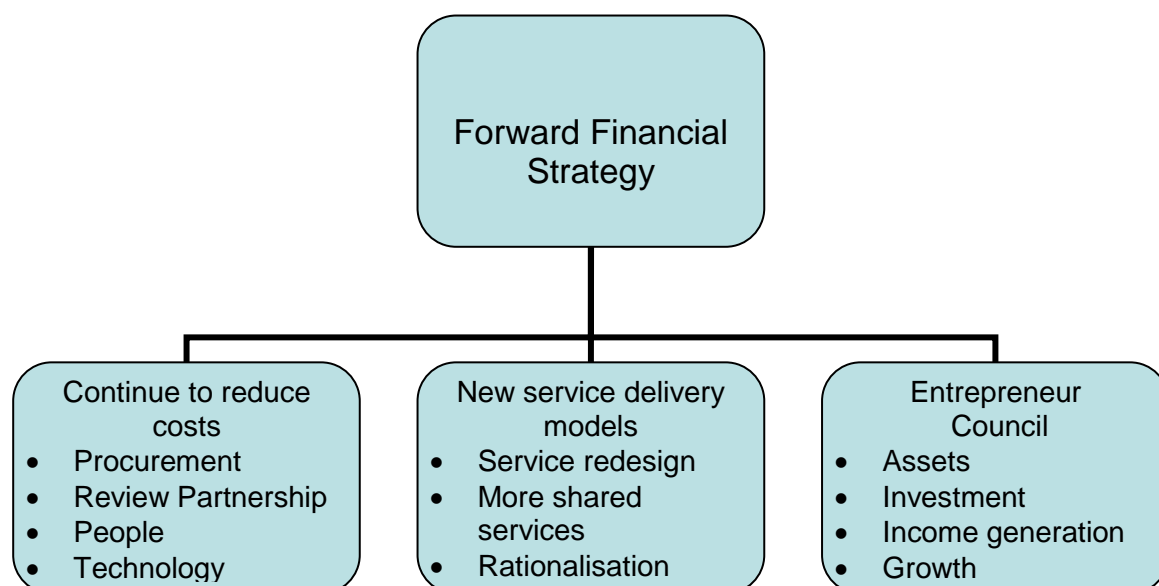
The Government has announced proposals for Councils to retain all locally raised business rates in 2019/20, and to end the distribution of core grant from central Government. These proposals are subject to development by the Government in consultation with local government stakeholders. Significant changes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

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

Major influences on the Council’s financial position include:

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

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



## 8. Strategic Partnerships

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

Waveney District Council and Suffolk Coastal District Council have formally agreed that both councils are each others preferred partner for shared services, whilst not excluding partnership working with any other organisation. With effect from 1<sup>st</sup> October 2010, the councils implemented a shared joint management structure to run services for both councils. Further details on the staffing costs of each council are disclosed in Note 26 to the Core Financial Statements. The councils have now submitted a proposal to the Secretary of State to create a new single district council for East Suffolk with effect from April 2019.

During 2016/17, the Council also undertook a Community Governance Review of the unparished areas of Lowestoft, which resulted in the establishment of the new parish councils of Lowestoft Town Council and Oulton Broad Parish Council in April 2017. A range of assets and services were also transferred to the new councils, principally parks and open spaces.

With effect from 1<sup>st</sup> April 2011, the Council transferred the management and operation of its leisure operations to the then newly formed Sentinel Leisure Trust. Seven volunteers have been appointed as Trustees and Directors of the Trust and are joined by two Council representatives on the Board. The Council has granted a 15 year partnership management agreement with the Trust. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease. (See Note 35 to the Core Financial Statements-Contingent Liabilities for further information).

From December 2011, the Council also transferred the management and operation of the Marina Theatre to the Marina Theatre Trust. The Trust currently has a Board that consists of six members of the public, one representative of The Friends of the Theatre and two places for the Council's nominated representatives. The Council has granted a contract for the management of the Theatre to the Marina Theatre Trust for an initial period of 15 years, with the Council retaining the right to extend or terminate upon expiry of this term. Within the Partnership Agreement is the service fee set at £150k per year for the first five years, then to review subsequent service fees for each five year period. Equipment will be loaned to the Trust and title will remain with the Council.

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

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<b>Joint Arrangements:</b>	
<b>Suffolk Coastal and Waveney District Councils.</b>	Shared services to manage and deliver services jointly for both Councils.
<b>Emergency Services - Joint Emergency Planning Unit</b>	Provides Emergency Planning services for Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Waveney and Suffolk Coastal District Councils.
<b>Internal Audit service.</b>	Internal Audit partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.
<b>Anglia Revenues Partnership.</b>	Provision of Revenues and Benefits services for Breckland, East Cambridgeshire, Fenland, Forest Heath, St. Edmundsbury, Suffolk Coastal, and Waveney District Councils.
<b>East Suffolk Partnership</b>	Provides local strategic junction for East Suffolk region and is a partnership of all public, voluntary and private sector partners.
<b>New Anglia Local Enterprise Partnership</b>	The New Anglia LEP works with businesses and public sector partners, to help grow jobs in Norfolk and Suffolk.
<b>Coastal Partnership East</b>	Joint provision of Coastal services along the East Anglia coastline, comprising Waveney, North Norfolk, Great Yarmouth, and Suffolk Coastal councils.
<b>Building Control</b>	Building Control partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.
<b>Third Parties:</b>	
<b>Lowestoft Rising</b>	A place based approach to Suffolk's second largest town, which ensures services are delivered in the interests of the place and local people by Waveney District Council, Suffolk County Council, Office of the Police and Crime Commissioner for Suffolk, Great Yarmouth and Waveney CCG and Community Action Suffolk.
<b>Norfolk County Council - Norse Commercial Services Limited (NCS) and its subsidiaries.</b>	Waste Control, Sports Grounds, Cemeteries, Parking, Parks and Open Spaces, Public Conveniences, CCTV, Beach Management, Waste Management and other Operational Services.
<b>Sentinel Leisure Trust</b>	Leisure and Culture portfolio
<b>Marina Theatre Trust</b>	Management and operation of Marina Theatre, Lowestoft

### 9. Explanation of the Financial Statements

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

The Council's Statement of Accounts consists of:

Core Statements:

- **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council in the year in a format compliant with CIPFA's Code of Practice, International Financial Reporting Standards (IFRS) and UK Generally Accepted Accounting Principles (UK GAAP).
- **Movement in Reserves Statement** – this statement (with corresponding balances shown for 2015/16) shows the movement in the year on the different reserves held by the Council analysed in to "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.



- **Balance Sheet** – shows the Council’s balances and reserves and long-term indebtedness at the financial year end, and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements:

- **Housing Revenue Account (HRA) Income and Expenditure Account** – reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the Local Government and Housing Act 1989.
- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for Waveney District Council as a billing authority to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates (NDR) and Council Tax, and illustrates the way in which these have been distributed to Central Government, Suffolk County Council, the Police and Crime Commissioner for Suffolk and to the Council’s General Fund.
- **Statement of Responsibilities for the Statement of Accounts** - this outlines the responsibilities of the Council and the Chief Finance Officer, with respect to the Statement of Accounts.
- **Group Accounts** – it has been determined that the Council must complete Group Accounts because of its Associate relationship with Waveney Norse Limited. Details are set out in Note 33 to the Core Financial Statements (Interests in Companies).

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

### Changes to the Statement of Accounts

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

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

In addition, the Chief Finance Officer has determined that materiality in relation to preparing the Statement of Accounts equates to 2% of Gross Expenditure at Total Cost of Services level within the Comprehensive Income and Expenditure Statement (£73,342,000). This means that disclosures in relation to amounts below £1,466,840 have not been provided.

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

- The Accounts and Audit (England) Regulations 2015 came into force on 1st April 2015 and require all Local Authorities to have published a statement setting out the period for the exercise of public rights giving notification that the single period of 30 working days has commenced in which any rights of objection, inspection and questioning of the local auditor must take place. The public inspection period must include the first ten working days in July. From 2017/18 onwards the Regulations also change the date for signing and dating the Statement of Accounts from 30th June to 31st May, and the date for approval and publication from 30th September to 31st July. In order to prepare for compliance with this revised timetable the Council implemented an accelerated closure of accounts process for the 2016/17 Accounts, although for 2016/17 the signing and approving dates continue to be as follows:
  - the Chief Finance Officer must, no later than 30<sup>th</sup> June immediately following the end of a financial year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the Council at the end of the financial year to which it relates and of the Council’s income and expenditure for the year.
  - No later than 30<sup>th</sup> September in the year following the financial year to which the statement relates the Council must:
    - consider, (either by way of a committee, or by the members meeting as a whole), the Statement of Accounts;

- following that consideration, approve the Statement of Accounts by a resolution of that committee or meeting;
  - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting, at which that approval was given; and
  - publish the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 20(2) of the Local Audit and Accountability Act 2014.
- The Chief Finance Officer must re-certify the presentation of the Statement of Accounts before the Council approves it.
  - The Council must keep copies of the Statement of Accounts with any auditor opinion for purchase by any person on payment of a reasonable sum.

### Accounting Policies

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

### Further Information and Translation Services

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

Financial Services, Corporate Performance and Risk Management  
Waveney District Council  
Riverside  
4 Canning Road  
Lowestoft  
Suffolk, NR33 0EQ

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

# STATEMENT OF RESPONSIBILITIES

## The Council's Responsibilities

The Council is required to:

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

Councillor S Woods

Chairman of Audit & Governance Committee, Waveney District Council – 25<sup>th</sup> September 2017

## The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code).

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- 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 31<sup>st</sup> March 2017 and its income and expenditure for the year ending on that date.



Homira Javadi (CPFA, FCCA, ACCA)

Chief Finance Officer – 25<sup>th</sup> September 2017

## EXPENDITURE AND FUNDING ANALYSIS

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

Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2016/17 (Note 7)				Net Expenditure Chargeable to GF & HRA Balances £'000		Net Expenditure in the Comprehensive Income & Expenditure Statement £'000	2015/16 (Note 7)				Net Expenditure Chargeable to GF & HRA Balances £'000
	Adjustments between the Funding & Accounting Basis							Adjustments between the Funding & Accounting Basis				
	Capital £'000	Pensions £'000	Other £'000	Total Adj £'000				Capital £'000	Pensions £'000	Other £'000	Total Adj £'000	
427	(3)	26	-	23	450	Communities	363	(8)	26	-	18	381
875	-	104	-	104	979	Customer Services	987	-	102	-	102	1,089
1,133	(115)	53	-	(62)	1,071	Economic Development and Regeneration	904	(106)	55	-	(51)	853
681	-	70	-	70	751	Environmental Services and Port Health	749	-	77	-	77	826
137	(7)	2,151	-	2,144	2,281	Financial Services, Corporate Performance and Risk Management	121	(6)	1,998	-	1,992	2,113
(43)	327	55	-	382	339	Housing Operations and Landlord Services	309	243	55	-	298	607
(9,961)	43	503	-	546	(9,415)	Housing Revenue Account	(12,716)	4,145	433	-	4,578	(8,138)
778	(127)	59	-	(68)	710	ICT Services	589	(135)	56	-	(79)	510
214	-	5	-	5	219	Internal Audit	117	-	4	-	4	121
581	(1)	40	-	39	620	Legal and Democratic Services	1,054	(1)	53	-	52	1,106
5,343	(1,982)	88	-	(1,894)	3,449	Operations	8,306	(3,824)	80	-	(3,744)	4,562
1,583	(856)	160	-	(696)	887	Planning and Coastal Management	1,718	(951)	163	-	(788)	930
302	-	144	-	144	446	Revenue and Benefits	270	-	134	-	134	404
389	-	88	-	88	477	Senior and Corporate Management	210	-	88	-	88	298
<b>2,439</b>	<b>(2,721)</b>	<b>3,546</b>	<b>-</b>	<b>825</b>	<b>3,264</b>	<b>Cost of Services</b>	<b>2,981</b>	<b>(643)</b>	<b>3,324</b>	<b>-</b>	<b>2,681</b>	<b>5,662</b>
(22)	(527)	-	-	(527)	(549)	Other Operating Expenditure	820	75	-	-	75	895
3,133	6,038	(3,515)	-	2,523	5,656	Financing and Investment Income and Expenditure	5,919	2,731	(4,159)	-	(1,428)	4,491
(19,125)	3,405	-	339	3,744	(15,381)	Taxation and Non-Specific Grant Income	(16,718)	2,268	-	(659)	1,609	(15,109)
<b>(13,575)</b>	<b>6,195</b>	<b>31</b>	<b>339</b>	<b>6,565</b>	<b>(7,010)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(6,998)</b>	<b>4,431</b>	<b>(835)</b>	<b>(659)</b>	<b>2,937</b>	<b>(4,061)</b>
					(21,267)	Opening General Fund and HRA Balance						(17,206)
					(7,010)	Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(4,061)
					<b>(28,277)</b>	<b>Closing General Fund and HRA Balance at 31 March*</b>						<b>(21,267)</b>

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

## 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	
	Gross Expenditure	2016/17 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2015/16 Gross Income £'000	Net Expenditure £'000	2016/17 Net Expenditure £'000	2015/16 Net Expenditure £'000
<b>Cost of Services</b>								
Communities	527	(100)	427	552	(189)	363	427	363
Customer Services	947	(72)	875	997	(10)	987	875	987
Economic Development and Regeneration	1,227	(94)	1,133	1,543	(639)	904	1,133	904
Environmental Services and Port Health	717	(36)	681	786	(37)	749	681	749
Financial Services, Corporate Performance and Risk Management	593	(456)	137	542	(421)	121	137	121
Housing Operations and Landlord Services	1,114	(1,157)	(43)	1,171	(862)	309	(43)	309
Housing Revenue Account	10,999	(20,960)	(9,961)	7,448	(20,164)	(12,716)	(9,961)	(12,716)
ICT Services	778	-	778	596	(7)	589	778	589
Internal Audit	217	(3)	214	121	(4)	117	214	117
Legal and Democratic Services	966	(385)	581	1,304	(250)	1,054	581	1,054
Operations	12,283	(6,940)	5,343	14,647	(6,341)	8,306	5,343	8,306
Planning and Coastal Management	2,911	(1,328)	1,583	2,950	(1,232)	1,718	1,583	1,718
Revenue and Benefits	39,643	(39,341)	302	43,285	(43,015)	270	302	270
Senior and Corporate Management	420	(31)	389	342	(132)	210	389	210
<b>Total Cost of Services</b>	<b>73,342</b>	<b>(70,903)</b>	<b>2,439</b>	<b>76,284</b>	<b>(73,303)</b>	<b>2,981</b>	<b>2,439</b>	<b>2,981</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
	2016/17			2015/16			2016/17	2015/16
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
<b>Total Cost of Services</b>	73,342	(70,903)	2,439	76,284	(73,303)	2,981	2,439	2,981
<b>Other Operating Expenditure (note 11)</b>			(22)			820	(22)	820
<b>Financing and Investment Income and Expenditure (note 12)</b>			3,133			5,919	3,133	5,919
<b>Taxation and Non-Specific Grant Income (note 13)</b>			(19,125)			(16,718)	(19,125)	(16,718)
<b>(Surplus) or Deficit on Provision of Services</b>			<u>(13,575)</u>			<u>(6,998)</u>	<u>(13,575)</u>	<u>(6,998)</u>
Share of (Surplus)/Deficit on the Provision of services by Associate (note 33)			-			-	(75)	(83)
Tax expenses of Associate (note 33)			-			-	19	17
<b>(Surplus)/Deficit</b>			<u>(13,575)</u>			<u>(6,998)</u>	<u>(13,631)</u>	<u>(7,064)</u>
Surplus or deficit on revaluation of non-current assets (note 21)			(4,796)			(7,310)	(4,796)	(7,310)
Remeasurement of the net defined benefit liability / (asset) (note 21)			4,779			(13,586)	4,779	(13,586)
<b>Other Comprehensive Income and Expenditure</b>			<u>(17)</u>			<u>(20,896)</u>	<u>(17)</u>	<u>(20,896)</u>
<b>Total Comprehensive Income and Expenditure</b>			<u>(13,592)</u>			<u>(27,894)</u>	<u>(13,648)</u>	<u>(27,960)</u>

## 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	Earmarked General Fund Reserves	Earmarked Housing Revenue Account	Earmarked Housing Revenue Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2015</b>	<b>(4,016)</b>	<b>(5,318)</b>	<b>(4,008)</b>	<b>(3,864)</b>	<b>(9,368)</b>	<b>(2,561)</b>	<b>(799)</b>	<b>(29,934)</b>	<b>(103,090)</b>	<b>(133,024)</b>	<b>(199)</b>	<b>(133,223)</b>
<b><u>Movement in reserves during 2015/16</u></b>												
(Surplus) or deficit on provision of services	3,038	-	(10,036)	-	-	-	-	(6,998)	-	<b>(6,998)</b>	-	<b>(6,998)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(20,896)	<b>(20,896)</b>	-	<b>(20,896)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>3,038</b>	<b>-</b>	<b>(10,036)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,998)</b>	<b>(20,896)</b>	<b>(27,894)</b>	<b>-</b>	<b>(27,894)</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)	-	-	-	-	-	-	-	-	-	-	(66)	<b>(66)</b>
<b>Net (Increase) / Decrease before Transfers</b>	<b>3,038</b>	<b>-</b>	<b>(10,036)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,998)</b>	<b>(20,896)</b>	<b>(27,894)</b>	<b>(66)</b>	<b>(27,960)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)												
	(4,445)	-	7,382	-	(3,270)	(1,283)	(688)	(2,304)	2,304	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,407)</b>	<b>-</b>	<b>(2,654)</b>	<b>-</b>	<b>(3,270)</b>	<b>(1,283)</b>	<b>(688)</b>	<b>(9,302)</b>	<b>(18,592)</b>	<b>(27,894)</b>	<b>(66)</b>	<b>(27,960)</b>
Transfer to / from Earmarked Reserves (note 10)	1,264	(1,264)	1,364	(1,364)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(143)</b>	<b>(1,264)</b>	<b>(1,290)</b>	<b>(1,364)</b>	<b>(3,270)</b>	<b>(1,283)</b>	<b>(688)</b>	<b>(9,302)</b>	<b>(18,592)</b>	<b>(27,894)</b>	<b>(66)</b>	<b>(27,960)</b>
<b>Balance at 31 March 2016 carry forward</b>	<b>(4,159)</b>	<b>(6,582)</b>	<b>(5,298)</b>	<b>(5,228)</b>	<b>(12,638)</b>	<b>(3,844)</b>	<b>(1,487)</b>	<b>(39,236)</b>	<b>(121,682)</b>	<b>(160,918)</b>	<b>(265)</b>	<b>(161,183)</b>

## MOVEMENT IN RESERVES STATEMENT

	General Fund	Earmarked General Fund	Earmarked Housing Revenue Account	Earmarked Housing Revenue Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Council's share of Reserves of Associate	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2016 brought forward</b>	<b>(4,159)</b>	<b>(6,582)</b>	<b>(5,298)</b>	<b>(5,228)</b>	<b>(12,638)</b>	<b>(3,844)</b>	<b>(1,487)</b>	<b>(39,236)</b>	<b>(121,682)</b>	<b>(160,918)</b>	<b>(265)</b>	<b>(161,183)</b>
<b><u>Movement in reserves during 2016/17</u></b>												
(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)
<b>Total Comprehensive Income and Expenditure</b>	<b>(5,258)</b>	<b>-</b>	<b>(8,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,575)</b>	<b>(17)</b>	<b>(13,592)</b>	<b>-</b>	<b>(13,592)</b>
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate (note 33)	-	-	-	-	-	-	-	-	-	-	(56)	(56)
<b>Net (Increase) / Decrease before Transfers</b>	<b>(5,258)</b>	<b>-</b>	<b>(8,317)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,575)</b>	<b>(17)</b>	<b>(13,592)</b>	<b>(56)</b>	<b>(13,648)</b>
Adjustments between accounting basis and funding basis under regulations (note 9)	2,697	-	5,464	-	(3,149)	(3,028)	(2,130)	(146)	146	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,561)</b>	<b>-</b>	<b>(2,853)</b>	<b>-</b>	<b>(3,149)</b>	<b>(3,028)</b>	<b>(2,130)</b>	<b>(13,721)</b>	<b>129</b>	<b>(13,592)</b>	<b>(56)</b>	<b>(13,648)</b>
Transfer to / from Earmarked Reserves (note 10)	2,560	(2,560)	904	(904)	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(1)</b>	<b>(2,560)</b>	<b>(1,949)</b>	<b>(904)</b>	<b>(3,149)</b>	<b>(3,028)</b>	<b>(2,130)</b>	<b>(13,721)</b>	<b>129</b>	<b>(13,592)</b>	<b>(56)</b>	<b>(13,648)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>(4,160)</b>	<b>(9,142)</b>	<b>(7,247)</b>	<b>(6,132)</b>	<b>(15,787)</b>	<b>(6,872)</b>	<b>(3,617)</b>	<b>(52,957)</b>	<b>(121,553)</b>	<b>(174,510)</b>	<b>(321)</b>	<b>(174,831)</b>



## BALANCE SHEET

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

	Note	Authority		Group	
		2016/17 £'000	2015/16 £'000	2016/17 £'000	2015/16 £'000
Property, Plant and Equipment	14	272,718	267,875	272,718	267,875
Investment Property	15	2,883	2,388	2,883	2,388
Heritage Assets		495	495	495	495
Intangible Assets		163	198	163	198
Long Term Investments	16	10	-	10	-
Investment in Associate	33	-	-	321	265
Long Term Debtors	16	757	305	757	305
<b>Long Term Assets</b>		<b>277,026</b>	<b>271,261</b>	<b>277,347</b>	<b>271,526</b>
Short Term Investments		24,101	21,120	24,101	21,120
Current Assets held for sale		205	476	205	476
Inventories		72	71	72	71
Short Term Debtors	17	6,465	5,489	6,465	5,489
Cash and Cash Equivalents	Cash Flow	16,515	7,172	16,515	7,172
<b>Current Assets</b>		<b>47,358</b>	<b>34,328</b>	<b>47,358</b>	<b>34,328</b>
Short Term Borrowing	16	(3,000)	(3,000)	(3,000)	(3,000)
Short Term Creditors	18	(9,719)	(7,961)	(9,719)	(7,961)
Short Term Capital Grants Receipts in Advance	20	(936)	(1,722)	(936)	(1,722)
<b>Current Liabilities</b>		<b>(13,655)</b>	<b>(12,683)</b>	<b>(13,655)</b>	<b>(12,683)</b>
Long Term Creditors	34	(6,865)	(7,094)	(6,865)	(7,094)
Long Term Provisions	19	(1,261)	(1,508)	(1,261)	(1,508)
Long Term Borrowing	16 + 35	(87,895)	(88,055)	(87,895)	(88,055)
Long Term Capital Grants Receipts in Advance	20	(834)	(714)	(834)	(714)
Other Long Term Liabilities - Pension Liability	29	(39,363)	(34,616)	(39,363)	(34,616)
<b>Long Term Liabilities</b>		<b>(136,218)</b>	<b>(131,987)</b>	<b>(136,218)</b>	<b>(131,987)</b>
<b>Net Assets</b>		<b>174,511</b>	<b>160,919</b>	<b>174,832</b>	<b>161,184</b>
<u>Capital Reserves</u>					
Capital Receipts Reserve		(6,872)	(3,844)	(6,872)	(3,844)
Capital Grants Unapplied		(3,617)	(1,487)	(3,617)	(1,487)
Major Repairs Reserve		(15,787)	(12,638)	(15,787)	(12,638)
Share of Reserves of Associate	33	-	-	(321)	(265)
<u>Revenue Reserves</u>					
General Fund					
- Fund Balance		(4,160)	(4,159)	(4,160)	(4,159)
- Earmarked Reserves		(9,142)	(6,582)	(9,142)	(6,582)
Housing Revenue Account					
- Fund Balance		(7,247)	(5,298)	(7,247)	(5,298)
- Earmarked Reserves		(6,132)	(5,228)	(6,132)	(5,228)
<b>Usable reserves</b>		<b>(52,957)</b>	<b>(39,236)</b>	<b>(53,278)</b>	<b>(39,501)</b>
Unusable reserves	21	(121,554)	(121,683)	(121,554)	(121,683)
<b>Total Reserves</b>		<b>(174,511)</b>	<b>(160,919)</b>	<b>(174,832)</b>	<b>(161,184)</b>

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

25<sup>th</sup> September 2017

## CASH FLOW STATEMENT

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

	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on the provision of services	(13,575)	(6,998)
Adjust net surplus or deficit on the provision of services for non cash movements:		
- Depreciation and Amortisation of Non Current Assets	(6,418)	(6,510)
- Impairment and Downward valuations	251	2,354
- Change in Creditors	(324)	(954)
- Change in Debtors	355	(768)
- Change in Inventory	-	(3)
- Pension Liability	32	(835)
- Movement in Provisions	247	(683)
- Carrying value of Non-Current Assets disposed	(2,496)	(1,821)
- Movement in Investment Property Values	495	(1,932)
	<b>(7,858)</b>	<b>(11,152)</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,633	4,827
<b>Net cash flows from Operating Activities</b>	<b>(13,800)</b>	<b>(13,323)</b>
Investing Activities:		
- Purchase of property, plant and equipment, investment property and intangible assets	8,596	10,215
- Purchase of short-term and long-term investments	29,010	19,000
- Other payments for investing activities		80
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,309)	(2,105)
- Proceeds from short-term and long-term investments	(26,000)	(9,010)
- Other receipts from investing activities	(3,402)	(1,836)
	<b>4,895</b>	<b>16,344</b>
Financing Activities:		
- Cash receipts of short- and long-term borrowing	-	2,515
- Other receipts from financing activities	(811)	5
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	213	199
- Repayments of short- and long-term borrowing	160	-
	<b>(438)</b>	<b>2,719</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(9,343)</b>	<b>5,740</b>
Cash and cash equivalents at the beginning of the reporting period	(7,172)	(12,912)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(16,515)</b>	<b>(7,172)</b>
- Cash held by officers	2	2
- Short-term deposits	15,004	6,153
- Bank current account	1,509	1,017
<b>Sub-Total - Cash and Cash Equivalents</b>	<b>16,515</b>	<b>7,172</b>
- Other bank balances (overdrafts)	-	-
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>16,515</b>	<b>7,172</b>

## 1. Accounting policies

### a) General principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31<sup>st</sup> March 2017. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £1.467m 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The discount rate employed for the 2016/17 accounts is 2.5% which is derived from a Corporate bond yield curve constructed from yields on high quality bonds based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price;
  - unquoted securities - professional estimate;
  - unitised securities - current bid price; and
  - property - market value.

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

(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 23<sup>rd</sup> May 2008 and began trading on 1<sup>st</sup> 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 2016/17 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Group Accounting information for Waveney Norse Limited is based on their financial results at their accounting date of 2<sup>nd</sup> April 2017. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

### k) 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) Jointly controlled assets

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### m) 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).



## NOTES TO THE CORE FINANCIAL STATEMENTS

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.

#### **n) 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.

#### **o) 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 or liability.

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

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

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

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

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

#### **p) Property, plant and equipment**

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

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 2016/17 is 1<sup>st</sup> April 2016, with the exception of council dwellings whose effective date of revaluation is 31<sup>st</sup> March 2017. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

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

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

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

### Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 1<sup>st</sup> April in that year. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

#### Provisions

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

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

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

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

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

#### Contingent liabilities

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

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

#### Contingent assets

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

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

### r) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance 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.

## s) 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.

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

## 3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 2016/17. 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 2016, the Council had to estimate the business rates income expected to be received in 2016/17 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance which was 5% of appeals that had been lodged with the Valuation Office, backdated

## NOTES TO THE CORE FINANCIAL STATEMENTS

to 1<sup>st</sup> April 2010 where an appeal was lodged before 31<sup>st</sup> March 2015, otherwise backdated to 1<sup>st</sup> April 2015. Regarding purpose built GP surgeries, the provision for appeals is based on 65% of the appeal lodged.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, plant & equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £109k (£65k council dwellings and £44k other buildings) for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p>
Pensions liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, they are complex and inter related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.</p>
Arrears	<p>At 31<sup>st</sup> March 2017, the Council had a balance of sundry debtors of £6.244m. A review of significant balances suggested that an allowance for doubtful debts of £2.789m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.</p>
Housing benefit subsidy	<p>In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £36.7 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>	<p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.</p>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business rates appeals	<p>Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%).</p> <p>The current system is relatively new and changes have been made by the Government in a number of areas since its introduction, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. The Council makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term.</p> <p>The Council has to make a number of assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.</p>	<p>If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and Suffolk Coastal District Council in future years based on their distribution proportions.</p>
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for <i>similar</i> assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk.</p> <p>However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer).</p> <p>Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 14 and 15 below.</p>	<p>The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.</p>

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

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

There are no items of income or expenditure to disclose within this note that are significant to the understanding of the Council's financial performance.

## 6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 25<sup>th</sup> September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusted Post Balance Sheet Events for the 2016/17 Accounts.

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

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

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

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

## 7. Note to the Expenditure and Funding Analysis

### Adjustments for capital purposes

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

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net change for the pensions adjustments

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

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



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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

	2016/17 £'000	2015/16 £'000
<b>Expenditure</b>		
Employee benefits expenses	10,502	10,906
Other service expenses	56,671	61,236
Derecognition, amortisation, impairment	6,168	6,088
Interest payments	4,304	4,684
Precepts and levies	741	591
Council tax support grant to parish councils	321	323
Business rates tariff payment and levy	7,431	7,022
Gain or loss on the disposal of assets	(1,084)	(94)
<b>Total expenditure</b>	<b>85,054</b>	<b>90,756</b>
<b>Income</b>		
Fees, Charges and other service income	(71,330)	(73,762)
Interest and investment income	(743)	(239)
Income from council tax, non-domestic rates, district rate income	(17,765)	(15,507)
Government grants and contributions	(8,791)	(8,246)
<b>Total income</b>	<b>(98,629)</b>	<b>(97,754)</b>
<b>Surplus or deficit on the provision of services</b>	<b>(13,575)</b>	<b>(6,998)</b>

## 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves						Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>2015/16</b>							
<b>Adjustments Involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Charges for depreciation and impairment of non current assets	(3,176)	-	(3,246)	-	-	<b>(6,422)</b>	6,422
- Revaluation losses on Property, Plant and Equipment	(1,791)	4,145	-	-	-	<b>2,354</b>	(2,354)
- Movements in the market value of Investment Properties	(1,932)	-	-	-	-	<b>(1,932)</b>	1,932
- Amortisation of intangible assets	(64)	-	(24)	-	-	<b>(88)</b>	88
- Revenue expenditure funded from capital under statute	(420)	-	-	-	-	<b>(420)</b>	420
- 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	(458)	(1,363)	-	-	-	<b>(1,821)</b>	1,821
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>							
- Statutory provision for the financing of capital investment	1,070	-	-	-	-	<b>1,070</b>	(1,070)
- Capital expenditure charged against the General Fund and HRA balances	493	3,388	-	-	-	<b>3,881</b>	(3,881)
<b>Adjustment involving the Capital Grants Unapplied Account:</b>							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,931	-	-	-	(2,931)	-	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,243	<b>2,243</b>	(2,243)

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2015/16</b>							
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	300	1,596	-	(1,896)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	290	-	<b>290</b>	(290)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(323)	-	-	323	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- 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	35	-	-	-	-	<b>35</b>	(35)
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,342)	(817)	-	-	-	<b>(4,159)</b>	4,159
- Employer's pensions contributions and direct payments to pensioners payable in the year	2,891	433	-	-	-	<b>3,324</b>	(3,324)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(659)	-	-	-	-	<b>(659)</b>	659
<b>Total Adjustments</b>	<b>(4,445)</b>	<b>7,382</b>	<b>(3,270)</b>	<b>(1,283)</b>	<b>(688)</b>	<b>(2,304)</b>	<b>2,304</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>2016/17</b>							
<b>Adjustments involving the Capital Receipts Reserve:</b>							
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,167	2,412	-	(3,579)	-	-	-
- Use of the Capital Receipts Reserve to finance new capital	-	-	-	216	-	<b>216</b>	(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	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>							
- 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	-	-	-	-	<b>38</b>	(38)
<b>Adjustments involving the Pensions Reserve:</b>							
- Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,717)	(798)	-	-	-	<b>(3,515)</b>	3,515
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,044	503	-	-	-	<b>3,547</b>	(3,547)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
- Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	338	-	-	-	-	<b>338</b>	(338)
<b>Total Adjustments</b>	<b>2,697</b>	<b>5,464</b>	<b>(3,149)</b>	<b>(3,028)</b>	<b>(2,130)</b>	<b>(146)</b>	<b>146</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

This note sets out the amounts set aside from the General Fund 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 2015/16 and 2016/17.

	Balance 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance 31 March 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance 31 March 2017	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>General Fund:</b>								
Actuarial Adjustments Reserve	173	-	-	173	-	-	173	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	To Fund land investigative works covering the Area Action Plan in Lowestoft.
Business Rates Equalisation Reserve	1,192	-	284	1,476	-	-	1,476	To provide a source of finance to equalise the effect of changes in Business Rate income.
Backlog Repairs and Maintenance	120	(40)	-	80	-	-	80	To meet maintenance demands for corporate buildings.
Capital Reserve	-	-	-	-	-	-	-	To provide an additional source of finance for unspecified capital investment plans.
Coastal Protection	156	-	-	156	-	-	156	To fund future Lowestoft coastal defence works.
Carry Forwards	-	-	-	-	-	35	35	Budget carry forward requests.
Community Development & Safety	70	(10)	-	60	(8)	46	98	Funding secured for prevention and activities work.
Community Health	-	-	107	107	(70)	-	37	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	-	-	-	-	-	685	685	To enable local community groups to deliver affordable housing units.
Conservation, Planning & Building Control	381	-	21	402	-	65	467	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.
Customer Services	34	-	-	34	-	-	34	To support projects requiring post implementation review which may incur consultancy fees and service review costs.
District Elections	190	-	-	190	(50)	60	200	To support costs of future elections.
Economic Regeneration	81	(17)	-	64	(117)	161	108	Funding to support business activities and the recovery of the Lowestoft Seafront following the December 2013 floods.
Enterprise Zone	-	-	-	-	(111)	718	607	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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance 31 March 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance 31 March 2017	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>General Fund:</b>								
Flood Prevention	146	(109)	-	37	(21)	5	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	To fund new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Housing Benefits Administration	74	-	-	74	-	71	145	To support the Anglia Revenues Partnership.
Housing Benefits Verification	200	-	53	253	-	-	253	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	To meet the additional cost for administration of Individual Electoral Registration.
In-Year Savings	-	-	500	500	-	800	1,300	In-Year savings set aside to support future year budget gaps.
Land Charges	33	-	102	135	-	-	135	To support the General Fund from losses in future Land Charges income.
Lowestoft Ogogo	-	-	43	43	(13)	-	30	Funding received to delivered the Lowestoft Ogogo project.
Major Projects	198	(67)	182	313	(297)	-	16	Funding to support projects and initiatives for the Area Action Plan in the Lake Lothing and outer harbour area.
MMI Reserve	42	-	14	56	-	-	56	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
New Homes Bonus	997	-	82	1,079	-	-	1,079	To support economic development and business growth initiatives.
NNDR Administration	14	-	-	14	(14)	-	-	To support the Anglia Revenues Partnership.
Planning Policy	126	-	109	235	-	46	281	To support development work and audit of the Local Plan.
Private Sector Housing	-	-	15	15	-	21	36	Grants repaid to be set aside for Empty Property/Home Improvement Initiatives.
Rent Guarantee Scheme	30	-	-	30	-	-	30	To provide a source of finance for landlord claims.
Homelessness Prevention	77	(4)	14	87	(9)	9	87	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Short Life Assets	327	(494)	527	360	(655)	637	342	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	-	-	247	(72)	-	175	Receipt of monies from letting of new Beach Hut sites in Southwold in 2014/15 approved to be used within Southwold.



## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance 31 March 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance 31 March 2017	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>General Fund:</b>								
Transformation	380	(48)	-	332	(58)	252	526	To provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets.
<b>Total General Fund</b>	<b>5,318</b>	<b>(789)</b>	<b>2,053</b>	<b>6,582</b>	<b>(1,495)</b>	<b>4,055</b>	<b>9,142</b>	
	Balance 1 April 2015	Transfers Out 2015/16	Transfers In 2015/16	Balance 31 March 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance 31 March 2017	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Housing Revenue Account:</b>								
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	3,056	-	1,350	4,406	-	904	5,310	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	52	-	14	66	-	-	66	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
<b>Total Housing Revenue Account</b>	<b>3,864</b>	<b>-</b>	<b>1,364</b>	<b>5,228</b>	<b>-</b>	<b>904</b>	<b>6,132</b>	
<b>Total</b>	<b>9,182</b>	<b>(789)</b>	<b>3,417</b>	<b>11,810</b>	<b>(1,495)</b>	<b>4,959</b>	<b>15,274</b>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	2016/17 £'000	2015/16 £'000
Parish Council precepts	716	568
Payments to the Government Housing Capital Receipts Pool	321	323
Gains/losses on the disposal of non current assets	(1,084)	(94)
Levies	25	23
<b>Total</b>	<b>(22)</b>	<b>820</b>

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

	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	2,922	3,040
Net interest on the net defined benefit liability	1,187	1,501
Interest receivable and similar income	(248)	(241)
Income and expenditure in relation to investment properties and changes in their fair value	(728)	1,619
<b>Total</b>	<b>3,133</b>	<b>5,919</b>

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

	2016/17 £'000	2015/16 £'000
Council tax income	(6,248)	(5,836)
Non domestic rates	(11,221)	(10,532)
Tariff payment to Suffolk County Council	7,081	7,022
Share of (surplus)/deficit on collection fund	15	937
Share of pooling benefit with other Suffolk Councils	(296)	(76)
Levy payment to Suffolk Business Rates Pool	335	12
Non-ring fenced government grants	(5,386)	(5,961)
Capital grant and contributions	(3,405)	(2,284)
<b>Total</b>	<b>(19,125)</b>	<b>(16,718)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Property, plant and equipment

Movements in 2016/17:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2016	186,992	53,799	10,792	30,651	2,819	2,390	713	731	<b>288,887</b>
Additions	3,736	323	980	1,140	-	80	1,194	897	<b>8,350</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	135	2,891	-	-	-	145	-	-	<b>3,171</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,114)	(60)	-	-	-	54	-	-	<b>(2,120)</b>
Derecognition - Disposals	(1,755)	(147)	(466)	-	(6)	(112)	-	-	<b>(2,486)</b>
Derecognition - Other	(3)	(49)	(152)	-	-	(137)	-	-	<b>(341)</b>
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(151)	-	-	<b>(151)</b>
Other movements in Cost or Valuation	858	1,602	1	1	1	(1,775)	(676)	(10)	<b>2</b>
<b>At 31 March 2017</b>	<b>187,849</b>	<b>58,359</b>	<b>11,155</b>	<b>31,792</b>	<b>2,814</b>	<b>494</b>	<b>1,231</b>	<b>1,618</b>	<b>295,312</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2016	-	2,362	6,565	12,085	-	-	-	-	<b>21,012</b>
Depreciation charge	2,870	1,138	1,329	927	-	69	-	-	<b>6,333</b>
Depreciation written out to the Revaluation Reserve	(707)	(890)	-	-	-	(28)	-	-	<b>(1,625)</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,150)	(221)	-	-	-	-	-	-	<b>(2,371)</b>
Derecognition - Disposals	(17)	(88)	(466)	-	-	-	-	-	<b>(571)</b>
Derecognition - Other	-	(29)	(122)	-	-	(31)	-	-	<b>(182)</b>
Other movements in Depreciation and Impairment	3	4	1	-	-	(10)	-	-	<b>(2)</b>
<b>At 31 March 2017</b>	<b>(1)</b>	<b>2,276</b>	<b>7,307</b>	<b>13,012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,594</b>
<b>Net Book Value</b>									
<b>At 31 March 2017</b>	<b>187,850</b>	<b>56,083</b>	<b>3,848</b>	<b>18,780</b>	<b>2,814</b>	<b>494</b>	<b>1,231</b>	<b>1,618</b>	<b>272,718</b>
<b>At 31 March 2016</b>	<b>186,992</b>	<b>51,437</b>	<b>4,227</b>	<b>18,566</b>	<b>2,819</b>	<b>2,390</b>	<b>713</b>	<b>731</b>	<b>267,875</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Comparative Movements in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2015	182,302	45,652	10,717	28,442	2,791	1,327	4,726	356	276,313
Additions	3,005	678	952	2,355	28	-	1,851	-	8,869
Revaluation increases/(decreases) recognised in the Revaluation Reserve	730	4,894	-	-	-	634	-	-	6,258
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,831	(2,748)	-	-	-	607	-	(22)	(332)
Derecognition - Disposals	(871)	(301)	(351)	-	-	-	-	-	(1,523)
Derecognition - Other	(5)	(127)	(622)	-	-	-	-	-	(754)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	100	-	-	100
Other movements in Cost or Valuation	-	5,751	96	(146)	-	(278)	(5,864)	397	(44)
<b>At 31 March 2016</b>	<b>186,992</b>	<b>53,799</b>	<b>10,792</b>	<b>30,651</b>	<b>2,819</b>	<b>2,390</b>	<b>713</b>	<b>731</b>	<b>288,887</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2015	-	1,929	6,150	11,200	-	86	-	-	19,365
Depreciation charge	2,795	1,377	1,294	916	-	41	-	-	6,423
Depreciation written out to the Revaluation Reserve	(478)	(433)	-	-	-	(120)	-	-	(1,031)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,313)	(370)	-	-	-	(7)	-	-	(2,690)
Derecognition - Disposals	(4)	(35)	(323)	-	-	-	-	-	(362)
Derecognition - Other	-	(74)	(556)	-	-	-	-	-	(630)
Other movements in Depreciation and Impairment	-	(32)	-	(31)	-	-	-	-	(63)
<b>At 31 March 2016</b>	<b>-</b>	<b>2,362</b>	<b>6,565</b>	<b>12,085</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,012</b>
<b>Net Book Value</b>									
<b>At 31 March 2016</b>	<b>186,992</b>	<b>51,437</b>	<b>4,227</b>	<b>18,566</b>	<b>2,819</b>	<b>2,390</b>	<b>713</b>	<b>731</b>	<b>267,875</b>
<b>At 1 April 2015</b>	<b>182,302</b>	<b>43,723</b>	<b>4,567</b>	<b>17,242</b>	<b>2,791</b>	<b>1,241</b>	<b>4,726</b>	<b>356</b>	<b>256,948</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Depreciation

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

	Estimated Life (Years)		Estimated Life (Years)
Council dwellings	35 to 50	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 31<sup>st</sup> March 2017. 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 authority's area. The fair value of surplus assets as at 31<sup>st</sup> March 2017 was £423k (31<sup>st</sup> March 2016 was £2.224m).

**Capital commitments** – At 31<sup>st</sup> March 2017, the Council had no contractual commitments (nil in 2016/17).

**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. The effective date of valuation is 1<sup>st</sup> April in the year of account, with the exception of Council Dwellings, which are valued at the 31<sup>st</sup> March 2017. 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.

	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
Carried at historical cost	-	75	11,155	31,792	2,797	-	1,231	940	47,990
Value at current value as at:									
31 March 2017	187,849	24,611	-	-	-	423	-	-	212,883
31 March 2016	-	16,072	-	-	-	68	-	259	16,399
31 March 2015	-	7,290	-	-	-	3	-	-	7,293
31 March 2014	-	3,785	-	-	17	-	-	409	4,211
31 March 2013	-	6,526	-	-	-	-	-	10	6,536
<b>Total Cost or Valuation</b>	<b>187,849</b>	<b>58,359</b>	<b>11,155</b>	<b>31,792</b>	<b>2,814</b>	<b>494</b>	<b>1,231</b>	<b>1,618</b>	<b>295,312</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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:

	2016/17	2015/16
	£'000	£'000
Rental income from investment properties	428	457
Direct operating expenses arising from investment properties	(195)	(144)
<b>Net gain/(loss)</b>	<b>233</b>	<b>313</b>

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:

	2016/17	2015/16
	£'000	£'000
Balance at 1 April	2,388	4,320
Net gains/losses from fair value adjustments	495	(1,932)
<b>Balance at 31 March</b>	<b>2,883</b>	<b>2,388</b>

### 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 31<sup>st</sup> March 2017 and as at 31<sup>st</sup> March 2016

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	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	10	-	39,105	27,273
<b>Total investments</b>	<b>10</b>	<b>-</b>	<b>39,105</b>	<b>27,273</b>
<b>Debtors</b>				
Loans and receivables	494	28	5,598	5,991
<b>Total included in debtors</b>	<b>494</b>	<b>28</b>	<b>5,598</b>	<b>5,991</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(87,895)	(88,055)	(3,000)	(3,000)
<b>Total included in borrowings</b>	<b>(87,895)</b>	<b>(88,055)</b>	<b>(3,000)</b>	<b>(3,000)</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	(5,991)	(7,094)	(3,755)	(5,301)
<b>Total creditors</b>	<b>(5,991)</b>	<b>(7,094)</b>	<b>(3,755)</b>	<b>(5,301)</b>
<b>Total Financial Instruments</b>	<b>(93,382)</b>	<b>(95,121)</b>	<b>37,948</b>	<b>24,963</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Income, Expense, Gains and Losses

	2016/17			2015/16		
	Financial Liabilities measured at amortised cost £'000	Financial Assets: Loans and receivables £'000	Total £'000	Financial Liabilities measured at amortised cost £'000	Financial Assets - Loans and receivables £'000	Total £'000
Interest expense	2,922	-	2,922	3,040	-	3,040
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>2,922</b>	<b>-</b>	<b>2,922</b>	<b>3,040</b>	<b>-</b>	<b>3,040</b>
Interest income	-	(248)	(248)	-	(241)	(241)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(248)</b>	<b>(248)</b>	<b>-</b>	<b>(241)</b>	<b>(241)</b>
<b>Net gain / (loss) for the year</b>	<b>2,922</b>	<b>(248)</b>	<b>2,674</b>	<b>3,040</b>	<b>(241)</b>	<b>2,799</b>

## 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 31<sup>st</sup> March 2017. 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).

	2016/17		2015/16	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities at amortised cost	(100,641)	(123,250)	(103,450)	(120,696)
Loans and receivables	45,207	45,207	33,292	33,292

## 17. Debtors

	2016/17 £'000	2015/16 £'000
Central Government bodies	769	1,016
Other Local Authorities	1,325	1,305
NHS bodies	8	11
Council Taxpayers	1,354	722
Other entities and individuals	6,244	5,587
Prepayments	216	415
<b>Total</b>	<b>9,916</b>	<b>9,056</b>
<b>less Bad Debt Impairment Provisions:</b>		
Council Taxpayers	(662)	(496)
Other service debtors	(2,789)	(3,071)
<b>Total</b>	<b>6,465</b>	<b>5,489</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Creditors

	2016/17	2015/16
	£'000	£'000
Central Government bodies	2,806	1,141
Other Local Authorities	2,693	2,297
Public corporations and trading funds	32	-
Other entities and individuals	2,986	3,179
Receipts in Advance	1,202	1,344
<b>Total</b>	<b>9,719</b>	<b>7,961</b>

### 19. Provisions

	Other	Business Rates Appeals	Total
	£'000	£'000	£'000
<u>Long Term Provisions</u>			
<b>Balance at 1 April 2016</b>	<b>16</b>	<b>1,492</b>	<b>1,508</b>
Additional provisions made in 2016/17	-	1,027	1,027
Amounts used in 2016/17	-	(391)	(391)
Unused amounts reversed in 2016/17	-	(883)	(883)
<b>Balance at 31 March 2017</b>	<b>16</b>	<b>1,245</b>	<b>1,261</b>

#### 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 £3.111m, 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 31<sup>st</sup> March 2015 otherwise appeals lodged after that date could only be backdated until 1<sup>st</sup> April 2015, which resulted in a large number of late appeals. The Business Rates appeal provision above incorporates all appeals lodged with the Valuation Office by 31<sup>st</sup> March 2017, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2016/17.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. Grant income

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

	2016/17 £'000	2015/16 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
<u>Non-ringfenced grants:</u>		
Revenue Support Grant	(2,018)	(2,849)
New Homes Bonus	(1,709)	(1,544)
Community Housing Fund	(685)	-
Business Rates Reliefs	(962)	(1,493)
Other Non-ringfenced grants	(12)	(75)
<u>Capital grants and contributions:</u>		
Tidal barrier funding	(1,500)	-
Environment Agency - Lowestoft South Beach	-	(1,704)
Community Infrastructure Levy	(645)	-
Homes and Communities Agency	(308)	-
Other capital grants and contributions	(952)	(582)
<b>Total</b>	<b>(8,791)</b>	<b>(8,247)</b>
<b>Credited to Services</b>		
Housing Benefits Subsidy	(36,213)	(39,635)
Benefits Administration Grant	(690)	(762)
Disabled Facilities Grants	(663)	(663)
East Coast Carbon Efficiency Grant	-	(62)
Lowestoft Seafront Regeneration/Scores Projects	-	(50)
Other Grants	(676)	(604)
<b>Total</b>	<b>(38,242)</b>	<b>(41,776)</b>

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:

	2016/17 £'000	2015/16 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	215	176
Mortgage Rescue Scheme	25	430
DEFRA - Coastal Change Pathfinder Grant	427	427
Housing related	107	107
Coast Protection	162	582
<b>Total</b>	<b>936</b>	<b>1,722</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
s106 Contributions	834	714
<b>Total</b>	<b>834</b>	<b>714</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 21. Unusable Reserves

	2016/17	2015/16
	£'000	£'000
Revaluation Reserve	(27,349)	(23,156)
Capital Adjustment Account	(134,642)	(134,591)
Financial Instruments Adjustment Account	894	930
Pensions Reserve	39,363	34,616
Collection Fund Adjustment Account	180	518
<b>Total Unusable Reserves</b>	<b>(121,554)</b>	<b>(121,683)</b>

### Revaluation Reserve

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

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

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

	2016/17	2015/16
	£'000	£'000
<b>Balance at 1 April</b>	<b>(23,156)</b>	<b>(17,036)</b>
Upward revaluation of assets	(5,504)	(8,067)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	708	757
<b>Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services</b>	<b>(4,796)</b>	<b>(7,310)</b>
Difference between fair value depreciation and historical cost depreciation	430	696
Accumulated gains on assets sold or scrapped	173	494
<b>Amount written off to the Capital Adjustment Account</b>	<b>603</b>	<b>1,190</b>
<b>Balance at 31 March</b>	<b>(27,349)</b>	<b>(23,156)</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or 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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>(134,591)</b>	<b>(134,246)</b>
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
- Charges for depreciation and impairment of non current assets	6,332	6,422
- Revaluation losses on Property, Plant and Equipment	(251)	(2,354)
- Amortisation of intangible assets	86	88
- Revenue expenditure funded from capital under statute	337	420
- Revenue expenditure funded from section 106 receipts	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	2,496	1,821
<u>Adjusting amounts written out of the Revaluation Reserve:</u>		
- Amortisation of Revaluation Reserve	(430)	(696)
- Amounts written out on disposal of assets	(173)	(494)
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>8,424</b>	<b>5,207</b>
<u>Capital financing applied in the year:</u>		
- Use of Capital Receipts Reserve to finance new capital expenditure	(216)	(290)
- 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	(947)	(2,243)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(753)	(1,070)
- Application of grants to capital financing from Receipts in Advance	(902)	-
- Capital expenditure charged against the General Fund and HRA balances	(5,073)	(3,881)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(495)	1,932
<b>Balance at 31 March</b>	<b>(134,642)</b>	<b>(134,591)</b>

### 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.

	2016/17 £'000	2015/16 £'000
<b>Balance at 1 April</b>	<b>930</b>	<b>965</b>
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	(36)	(35)
<b>Balance at 31 March</b>	<b>894</b>	<b>930</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2016/17	2015/16
	£'000	£'000
<b>Balance at 1 April</b>	<b>34,616</b>	<b>47,367</b>
Remeasurements of the net defined benefit liability / (asset)	4,779	(13,586)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,515	4,159
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,547)	(3,324)
<b>Balance at 31 March</b>	<b>39,363</b>	<b>34,616</b>

### Collection Fund Adjustment Account

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

	2016/17	2015/16
	£'000	£'000
<b>Balance at 1 April</b>	<b>518</b>	<b>(141)</b>
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(338)	659
<b>Balance at 31 March</b>	<b>180</b>	<b>518</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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:

<b><u>Revenue Account</u></b>	<b>2016/17</b>	<b>2015/16</b>	
	<b>£'000</b>	<b>£'000</b>	
Income	(281)	(221)	
Expenditure	146	198	
(Surplus) / Deficit for the Year	<b>(135)</b>	<b>(23)</b>	
<b><u>Non-Current Assets</u></b>			
	<b>Public Conveniences</b>	<b>Harbour</b>	<b>Total</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Gross Book Value</b>			
Balance 1 April 2016	<b>296</b>	<b>5,088</b>	<b>5,384</b>
Additions	-	43	43
Other Movements	-	1,454	1,454
Balance 31 March 2017	<b>296</b>	<b>6,585</b>	<b>6,881</b>
<b>Depreciation</b>			
Balance 1 April 2016	<b>6</b>	<b>315</b>	<b>321</b>
Depreciation Charge	6	142	148
Other Movements	-	866	866
Balance 31 March 2017	<b>12</b>	<b>1,323</b>	<b>1,335</b>
<b>Net Book Value</b>			
Balance 1 April 2016	<b>290</b>	<b>4,773</b>	<b>5,063</b>
Balance 31 March 2017	<b>284</b>	<b>5,262</b>	<b>5,546</b>

## 23. Members' allowances

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Basic, Attendance and Special Responsibility Allowances	<b>250</b>	291
Subsistence and Expenses	<b>14</b>	14
Total	<b>264</b>	<b>305</b>

## 24. External Audit costs

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	57	57
Fees payable to the Ernst and Young LLP for the certification of grant claims and	17	15
<b>Total</b>	<b>74</b>	<b>72</b>

## 25. Related parties

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

### Central Government

Central Government has 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 31<sup>st</sup> March 2017 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 1<sup>st</sup> October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with 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 £1.131m with a year-end debtor of £0.063m (2015/16 £1.508m with a year-end debtor of £0.087m).

### Members and Chief Officers

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in note 23. The Council also made payments in 2016/17 totalling £14k (£39k in 2015/16) 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 (£23k in 2015/16) 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 12<sup>th</sup> October 2016 when Arthur Charvonia (Strategic Director & Monitoring Officer) resigned on the same date.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2016/17 or 2015/16.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensation for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total including Pension Contributions £	Additional Council Pension Contributions £
Strategic Director & Monitoring Officer (Part Year)	2016/17	69,830	-	-	69,830	11,002	80,832	-
	2015/16	96,505	-	-	96,505	15,051	111,556	-
Head of Housing Operations & Landlord Services	2016/17	71,255	-	-	71,255	11,401	82,656	-
	2015/16	32,011	-	-	32,011	5,122	37,133	-
Head of ICT Services	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	61,895	-	-	61,895	11,434	73,329	-
Head of Customer Services	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	57,762	-	-	57,762	9,271	67,033	-
Head of Communities	2016/17	61,812	-	-	61,812	9,890	71,702	-
	2015/16	54,324	-	-	54,324	8,692	63,016	-
Head of Commercial Partnerships and Strategic Commissioning	2016/17	36,555	-	-	36,555	-	36,555	-
	2015/16	30,897	-	-	30,897	4,943	35,840	-

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	2016/17		2015/16	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£55,000 - £59,999	1	1	-	-
£60,000 - £64,999	-	-	1	1
£65,000 - £69,999	-	-	2	2
	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>

The above numbers include officers who were made redundant voluntarily during the 2016/17 and 2015/16 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers.

## NOTES TO THE CORE FINANCIAL STATEMENTS

With effect from 1<sup>st</sup> 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 2016/17 Statement of Accounts.

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compensation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total Including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Chief Executive	<b>2016/17</b>	<b>129,341</b>	-	-	<b>129,341</b>	<b>21,471</b>	<b>150,812</b>	-
	2015/16	128,061	-	-	128,061	21,258	149,319	-
Strategic Director	<b>2016/17</b>	<b>90,199</b>	-	-	<b>90,199</b>	<b>15,220</b>	<b>105,419</b>	-
	2015/16	87,597	-	-	87,597	14,788	102,385	-
Chief Finance Officer	<b>2016/17</b>	<b>72,114</b>	-	-	<b>72,114</b>	<b>11,971</b>	<b>84,085</b>	-
	2015/16	73,622	-	-	73,622	12,221	85,843	-
Head of Internal Audit	<b>2016/17</b>	<b>61,812</b>	-	-	<b>61,812</b>	<b>10,261</b>	<b>72,073</b>	-
	2015/16	62,857	-	-	62,857	10,434	73,291	-
Head of Planning Services & Coastal Management	<b>2016/17</b>	<b>72,114</b>	-	-	<b>72,114</b>	<b>11,971</b>	<b>84,085</b>	-
	2015/16	71,776	-	-	71,776	11,915	83,691	-
Head of Legal and Democratic Services	<b>2016/17</b>	<b>69,538</b>	-	-	<b>69,538</b>	<b>11,543</b>	<b>81,081</b>	-
	2015/16	68,768	-	-	68,768	11,415	80,183	-
Head of Environmental Services and Port Health	<b>2016/17</b>	<b>69,538</b>	-	-	<b>69,538</b>	<b>11,543</b>	<b>81,081</b>	-
	2015/16	70,261	-	-	70,261	11,666	81,927	-
Head of Community and Economic Services	<b>2016/17</b>	<b>61,812</b>	-	-	<b>61,812</b>	<b>10,261</b>	<b>72,073</b>	-
	2015/16	64,395	-	-	64,395	10,696	75,091	-

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



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Exit packages

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

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
£							£	£
0 to 20,000	7	9	3	1	10	10	54,622	64,787
20,001 to 40,000	-	1	-	-	-	1	-	25,323
<b>TOTAL</b>	<b>7</b>	<b>10</b>	<b>3</b>	<b>1</b>	<b>10</b>	<b>11</b>	<b>54,622</b>	<b>90,110</b>

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 £144k (2015/16 - three at a cost of £105k) as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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.

	2016/17	2015/16
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>106,226</b>	<b>104,558</b>
<i>Capital investment</i>		
Property, Plant and Equipment*	8,350	8,869
Investment Properties*	-	-
Intangible Assets	53	55
Cost of Asset Disposals	13	-
Capital Prepayment	(285)	(192)
Revenue Expenditure Funded from Capital under Statute	364	420
<b>Total Capital Investment</b>	<b>8,495</b>	<b>9,152</b>
<i>Sources of finance</i>		
Capital receipts	216	290
Government grants and other contributions	1,938	2,243
Direct revenue contributions	5,073	3,881
Minimum Revenue Provision	753	1,070
<b>Closing Capital Financing Requirement</b>	<b>106,741</b>	<b>106,226</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	515	1,668
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>515</b>	<b>1,668</b>

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

### 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 1<sup>st</sup> April 2016 are carried as property, plant and equipment in the Balance Sheet at the following net amounts below:

	2016/17	2015/16
	£'000	£'000
Other Land and Buildings	10,589	9,399
	<b>10,589</b>	<b>9,399</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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:

	2016/17	2015/16
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
- current	228	213
- non current	6,866	7,094
Finance costs payable in future years	5,326	5,843
Minimum lease payments	<b>12,420</b>	<b>13,150</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Not later than one year	731	731	228	213
Later than one year and not later than five years	2,922	2,922	1,087	1,016
Later than five years	8,767	9,497	5,779	6,079
	<b>12,420</b>	<b>13,150</b>	<b>7,094</b>	<b>7,308</b>

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 2016/17 and 2015/16.

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:

	2016/17	2015/16
	£'000	£'000
Not later than one year	696	710
Later than one year and not later than five years	2,718	2,056
Later than five years	18,811	23,600
	<b>22,225</b>	<b>26,366</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under operating leases for 2016/17 and 2015/16.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 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 £39.363m in 2016/17 (2015/16 was £34.616m). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

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

#### Participation in the pension scheme

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

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

#### Transactions relating to post employment benefits

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme	
	2016/17 £'000	2015/16 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<i>Cost of Services:</i>		
- Current service cost	2,294	2,594
- Past Service cost	34	64
<i>Financing and investment income and expenditure:</i>		
- Net interest expense	1,187	1,501
<i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	3,515	4,159
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	(15,446)	1,585
- Actuarial gains and losses arising on changes in demographic assumptions	(1,387)	-
- Actuarial gains and losses arising on changes in financial assumptions	23,566	(12,791)
- Other	(1,801)	(2,129)
<i>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</i>	4,932	(13,335)
<i>Movement in Reserves Statement:</i>		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(3,515)	(4,159)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- Employers' contributions payable to scheme	3,700	3,575

### Pensions assets and liabilities recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(157,940)	(135,084)
Fair value of plan assets	118,577	100,468
<b>Net liability arising from defined benefit obligation</b>	<b>(39,363)</b>	<b>(34,616)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Local Government Pension Scheme	
	2016/17	2015/16
	£'000	£'000
Opening fair value of scheme assets	100,468	99,489
Interest Income	3,499	3,174
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	15,446	(1,585)
Contributions from employer	3,700	3,575
Contributions by employees into the scheme	581	557
Benefits paid	(5,117)	(4,742)
Closing fair value of scheme assets	<b>118,577</b>	<b>100,468</b>

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

	Local Government Pension Scheme	
	2016/17	2015/16
	£'000	£'000
Opening balance 1 April	135,084	146,856
Current service cost	2,294	2,594
Interest cost	4,686	4,675
Contributions from scheme participants	581	557
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	(1,387)	-
- Actuarial gains / losses arising from changes in financial assumptions	23,566	(12,791)
- Other	(1,801)	(2,129)
Past service costs	34	64
Benefits paid	(5,117)	(4,742)
Closing balance at 31 March	<b>157,940</b>	<b>135,084</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets	
	2016/17 £'000	2015/16 £'000
Equity instruments:		
- Consumer	10,364	7,818
- Manufacturing	3,219	3,010
- Energy and Utilities	2,161	1,104
- Financial Institutions	4,039	4,172
- Health and Care	3,378	3,394
- Information Technology	4,234	2,697
- Other	1,475	1,123
	<u>28,870</u>	<u>23,318</u>
Debt Securities:		
- Corporate (Investment Grade)	17,321	15,988
- UK Government	5,008	-
- Other	-	3,727
	<u>22,329</u>	<u>19,715</u>
Private Equity (Non-active Market)	<u>3,825</u>	<u>3,115</u>
Real Estate:		
- UK Property	<u>11,045</u>	<u>11,005</u>
Investment Funds & Unit Trusts:		
- Equities	35,505	3,785
- Bonds	-	2,540
- Hedge Funds	3,618	-
- Commodities	-	27,011
- Infrastructure (Non-active Market 2016/17 (2015/16 - 2,429))	2,704	9,049
- Other (Non-active Market - 2016/17 - 1,777 (2015/16 - nil))	8,204	-
	<u>50,031</u>	<u>42,385</u>
Derivatives:		
- Foreign exchange	<u>35</u>	<u>90</u>
Cash and cash equivalents	<u>2,443</u>	<u>840</u>
<b>Total Assets</b>	<u>118,578</u>	<u>100,468</u>

### Basis for estimating assets and liabilities

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

The significant assumptions used by the actuary have been:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	<b>Local Government Pension Scheme</b>	
	<b>2016/17</b>	<b>2015/16</b>
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	<b>21.9</b>	<b>22.4</b>
- Women	<b>24.4</b>	<b>24.4</b>
Longevity at 65 for future pensioners:		
- Men	<b>23.9</b>	<b>24.3</b>
- Women	<b>26.4</b>	<b>26.9</b>
Rate of inflation	<b>2.4%</b>	<b>2.1%</b>
Rate of increase in salaries	<b>2.7%</b>	<b>4.2%</b>
Rate of increase in pensions	<b>2.4%</b>	<b>2.2%</b>
Rate for discounting scheme liabilities	<b>2.5%</b>	<b>3.5%</b>

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

### Sensitivity Analysis

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

<b>Change in assumptions at 31 March 2017</b>	<b>Approx. increase in Employers Liability</b>	<b>Approx. amount £'000</b>
0.5% decrease in Real Discount Rate	9%	14,090
0.5% increase in the Salary Increase Rate	1%	1,822
0.5% increase in the Pension Increase Rate	8%	12,086

### 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 31<sup>st</sup> 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 31<sup>st</sup> March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.652m in contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years 2016/17 (17.8 years 2015/16).



## 30. Contingent liabilities

At 31<sup>st</sup> March 2017, the Council had the following material contingent liabilities:

- a) With effect from 1<sup>st</sup> 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 a result of the outcome of the settlement by HMRC, in March 2010, an amount of VAT was refunded totalling £574,239 plus simple interest of £552,282. The Council has an additional outstanding claim against HMRC for the reimbursement to be calculated as compound interest, rather than the simple interest already reimbursed. Court proceedings in respect of the lead case are nearing a conclusion with the High Court deciding that compound interest should be paid, although HMRC is seeking permission to appeal to the Supreme Court. Consequently, although the likelihood of an additional interest payment from HMRC has increased, the potential amount, timing, and probability of this cannot be determined with any certainty. HMRC are also still reviewing other service areas on a national basis, and have previously asked for further information on records held for other Council services subject to a claim for refund of VAT. It is possible that there may be a further refund but it is not possible to identify any amounts at this stage.

## 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 31<sup>st</sup> March 2017 that this was likely to crystallise.

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

	Amount at 31 March 2017 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2017 %	Estimated maximum exposure to default and uncollectability at 31 March 2017 £'000	Estimated maximum exposure at 31 March 2016 £'000
Deposits with banks and other financial institu	39,105	-	-	-	-
Customers	5,490	10	20	1,098	1,108
				<u>1,098</u>	<u>1,108</u>

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 £541,205 of general debt out of a total debt of £5,489,932 has been outstanding for more than three months. Within the total debt classified as receivable from customers £3,401,088 relates to Housing Benefit overpayments of which £3,197,104 has been outstanding for more than three months.

	2016/17 £,000	2015/16 £,000
Less than three months	1,752	2,148
Three to six months	425	365
Six months to one year	542	562
More than one year	2,771	2,464
	<u>5,490</u>	<u>5,539</u>

### 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 31/03/17
	%	%	%
Under 12 months (see note below)	50%	0%	4%
12 months and within 24 months	50%	0%	0%
24 months and within 5 years	75%	0%	0%
5 years and within 10 years	75%	0%	4%
10 years and within 20 years	75%	0%	29%
20 years and above	100%	0%	63%

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

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Market risk

### Interest rate risk

The 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 or 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 2016/17 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	(162)
Increase in government grant receivable for financing costs	(21)
Impact on Surplus or Deficit on the Provision of Services	20
Share of overall impact debited to the HRA	10

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Company prepared its accounts for 2<sup>nd</sup> April 2017, a few days after the Council, which is within the permissible period for consolidation, subject to there being no significant movements within that period. Therefore for both the current accounts and the comparative figures no adjustment has been made to the accounts of the Company to make it co-terminus with the Council. The Group Accounts are included in this document as additional columns to the Council's Primary Statements, showing the extent of the Council's 19.9% interest in the Company.

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

- a) The registered name of the Company is Waveney Norse Limited;
- b) Nature of the business - the principal activity of the Company is that of refuse, cleansing and maintenance services;
- c) The immediate parent undertaking is Norse Commercial Services Limited;
- d) The ultimate parent undertaking is Norse Group Limited;
- e) The Company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share;
- f) The Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 19.9% share of the Company and also receives a 50-50 profit / loss share at year-end;
- g) The Company's contribution to its pension scheme is treated as if they are contributions to a defined contribution scheme. The Company 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. Total payments to Waveney Norse Limited were £7.409m in 2016/17 (£7.547m in 2015/16) and included in the Accounting Statements as follows:

	2016/17	2015/16
	£'000	£'000
Housing Operations and Landlord Services	614	621
Legal and Democratic Services	9	9
Operations	6,775	6,906
Planning and Coastal Management	11	11
	<b>7,409</b>	<b>7,547</b>

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2017 Waveney Norse £000	2017 Council Investment (19.9%) £000	2016 Waveney Norse £000	2016 Council Investment (19.9%) £000
Current Assets				
Stock	67	13	51	10
Debtors	3,727	742	2,978	593
Cash at Bank	4	1	6	1
Gross Assets	3,798	756	3,035	604
Creditors falling due within one year	(2,182)	(434)	(1,703)	(339)
Net Assets / Shareholder's Funds	1,616	322	1,332	265
Turnover	9,154	1,822	11,176	2,224
Profit on ordinary activity before tax	377	75	415	83
Tax on profit on ordinary activity	(93)	(19)	(87)	(17)
Profit for the Financial Period	284	56	328	66
<u>Tax components included in the above figures are as follows:</u>	<b>£000</b>	<b>£000</b>	£000	£000
Debtors				
- Deferred Tax asset	20	4	20	4
Creditors falling due within one year				
- Corporation Tax	89	18	93	19
Tax on profit on ordinary activity				
- Current Tax	(100)	(20)	(87)	(17)
- Deferred Tax	7	1	-	-
	(93)	(19)	(87)	(17)

### Other Partnerships

#### *Sentinel Leisure Trust*

With effect from 1<sup>st</sup> 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 December 2011 the Council transferred the management and operation of the Marina Theatre to the Marina Theatre Trust. The Trust currently has a Board that consists of six members of the public and two places for the Council's nominated representatives.

The Council have granted a contract for the management of the Theatre to the Marina Theatre Trust for an initial period of 15 years, with the Council retaining the right to extend or terminate upon expiry of this term. Within the Partnership Agreement is the service fee set at £150k per year for the first five years, then to review subsequent service fees for each five year period. Equipment will be loaned to the Trust and title will remain with the Council.

### 34. Long term creditors

	2016/17 £'000	2015/16 £'000
Finance Leases	6,865	7,094
	<b>6,865</b>	<b>7,094</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 35. Longer term borrowings

		2016/17 £'000	2015/16 £'000
Analysis by Lender:			
	Public Works Loan Board	<b>87,895</b>	88,055
Analysis by Maturity:			
	Repayable within		
	2 years	-	-
	2 to 5 years	<b>21,286</b>	10,000
	5 to 10 years	<b>12,000</b>	13,286
	over 10 years	<b>54,609</b>	64,769
		<b>87,895</b>	88,055
Fair Value of PWLB Loans at the year-end		<b>110,504</b>	105,301

For 2016/17 £3m of Local Authority Borrowing is to be paid back within 1 year and therefore £3m is included within Short-Term Borrowings in the Balance Sheet (2015/16 £3m).

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

As part of the introduction of Self Financing of the HRA from 1<sup>st</sup> 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 28<sup>th</sup> 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
<b>68.286</b>			

## 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	2016/17 £'000	2015/16 £'000
<b>Income</b>			
Gross rental income:			
- Dwelling rents		(19,274)	(18,629)
- Non-dwelling rents		(183)	(211)
Charges for services and facilities		(1,211)	(1,166)
Lease holders charges for services and facilities		(9)	(9)
Contributions towards expenditure		(191)	(61)
Reimbursement of costs		(92)	(88)
<b>Total income</b>		<b>(20,960)</b>	<b>(20,164)</b>
<b>Expenditure</b>			
Repairs, maintenance and management:			
- Repairs and maintenance		3,874	3,584
- Supervision and management		3,194	3,412
- Special Services		1,143	1,133
- Redundancy and associated pension costs		143	48
Rents, rates and other charges		98	88
Movement in the allowance for bad debts		(574)	43
Depreciation of HRA non-current assets:			
- Dwellings	8	2,870	2,795
- Other assets	8	279	475
Revaluation & impairment of HRA non-current assets		(43)	(4,145)
Debt management costs	4	15	15
<b>Total expenditure</b>		<b>10,999</b>	<b>7,448</b>
<b>Net expenditure or (income) of HRA services as included in the whole authority CIES</b>		<b>(9,961)</b>	<b>(12,716)</b>
- HRA share of Corporate and Democratic Core		52	59
<b>Net expenditure or (income) of HRA services</b>		<b>(9,909)</b>	<b>(12,657)</b>
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(607)	(236)
- Interest payable and similar charges	4	2,269	2,297
- Pension Cost Contribution		757	664
- HRA interest and similar income	4	(115)	(104)
- HRA Capital Grants & Contributions		(712)	-
<b>(Surplus) or deficit for the year on HRA services</b>		<b>(8,317)</b>	<b>(10,036)</b>

## HOUSING REVENUE ACCOUNT

	2016/17 £'000	2015/16 £'000
<b>Movement on the HRA Statement</b>		
<b>HRA balance brought forward</b>	<b>(5,298)</b>	<b>(4,008)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(8,317)	(10,036)
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)	<u>5,464</u>	<u>7,382</u>
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(2,853)</b>	<b>(2,654)</b>
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)	<u>904</u>	<u>1,364</u>
<b>(Increase) or decrease in year on the HRA</b>	<b>(1,949)</b>	<b>(1,290)</b>
<b>Balance on the HRA at the end of the year</b>	<b><u>(7,247)</u></b>	<b><u>(5,298)</u></b>



# 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. 2016/17 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.

	2016/17	2015/16
Average dwelling rent per week (£)	82.76	79.59
Arrears at 31 March (£'000)	746	514
Arrears at 31 March as % of the gross income collectable	3.8%	2.6%
Provision for bad debts at 31 March (£'000)	666	1,240

## 2. Major repairs reserve

	2016/17 £'000	2015/16 £'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below;		
MRR opening balance	12,638	9,368
Amounts transferred to the MRR during the year	3,149	3,270
<b>MRR closing balance</b>	<b>15,787</b>	<b>12,638</b>

Under Self-Financing accumulated depreciation is transferred into the MRR where it is 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

	2016/17	2015/16
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	27	20
- Value of disposals under Right to Buy (£'000)	1,655	1,145
Value of capital receipts from the disposal of other HRA land, houses and property	1,471	451

## 4. Capital related charges

	2016/17 £'000	2015/16 £'000
Depreciation charge	3,149	3,270
Debt management expenses	15	15
Interest payable	2,228	2,257
Premium charges for early repayment of debt	41	41
Interest income on notional cash balances	(93)	(80)
Discounts for early repayment of debt	(23)	(24)

# NOTES TO THE HOUSING REVENUE ACCOUNT

## 5. Housing stock

	2016/17	2015/16
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,492	4,512
Add: new build/purchases/additions	11	-
Less: sales	(35)	(20)
Less: properties lost to conversion, disposal and deletion	(1)	-
<b>Closing stock of dwellings</b>	<b>4,467</b>	<b>4,492</b>
Analysis of closing stock numbers:		
Houses	2,059	2,077
Bungalows	1,185	1,174
Flats	1,223	1,241
	<b>4,467</b>	<b>4,492</b>

## 6. Capital expenditure

	2016/17	2015/16
	£'000	£'000
Dwellings	4,089	3,079
Dwelling acquisitions	195	-
Other Land and Buildings	21	311
Vehicles	150	218
Assets Under Construction	1,177	-
Capital Prepayment	1	(202)
	<b>5,633</b>	<b>3,406</b>
Financed by:		
Usable capital receipts	715	-
Revenue contributions	4,401	3,388
Grants and contributions	517	18
	<b>5,633</b>	<b>3,406</b>

## 7. Non-current assets

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

	2016/17	2015/16
	£'000	£'000
Council dwellings	187,850	186,992
Other land and buildings	2,270	2,596
Vehicles, plant, furniture and equipment	1,613	1,554
Surplus assets not held for sale	3	3
Land Awaiting Development	517	332
Assets Under Construction	944	-
Assets held for sale	4	4
<b>Total Balance Sheet value of HRA non-current assets (PPE)</b>	<b>193,201</b>	<b>191,481</b>
Intangibles	167	167
<b>Total Balance Sheet value of HRA non-current assets</b>	<b>193,368</b>	<b>191,648</b>
Dwellings - Vacant Possession Value	494,343	479,468

## NOTES TO THE HOUSING REVENUE ACCOUNT

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:

	2016/17	2015/16
	£'000	£'000
Council dwellings	2,870	2,795
Other land and buildings	20	243
Vehicles, plant, furniture and equipment	235	208
<b>Total charge for depreciation within the HRA (PPE)</b>	<b>3,125</b>	<b>3,246</b>
Intangibles	24	24
<b>Total charge for depreciation within the HRA</b>	<b>3,149</b>	<b>3,270</b>

### 9. Revaluation losses and impairment charges

The 2016/17 financial results include £43k credit (2015/16 £4.145m credit) for Revaluation Losses against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

## COLLECTION FUND

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

	Notes	2016/17		2015/16	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
<b>Income</b>					
Income from council tax	1	-	(54,450)	-	(52,535)
Transfer from General Fund - council tax benefits		-	20	-	43
Income from business rates	2	(27,020)	-	(26,832)	-
		<b>(27,020)</b>	<b>(54,430)</b>	<b>(26,832)</b>	<b>(52,492)</b>
<b>Expenditure</b>					
Precepts, demands and shares:					
- Central Government		13,423	-	13,165	-
- Suffolk County Council		2,685	40,660	2,633	39,172
- Police and Crime Commissioner for Suffolk		-	6,137	-	5,915
- Waveney District Council		11,220	6,129	10,871	5,715
Transitional protection payments		32	-	272	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		99	135	83	147
- Increase / (decrease) in bad debt provision		13	430	169	475
- Increase / (decrease) in provision for appeals		(618)	-	1,778	-
- Cost of collection allowance		204	-	204	-
Apportionment of previous years surplus / (deficit)					
- Central Government		(821)	-	14	-
- Suffolk County Council		(164)	1,437	3	-
- Police and Crime Commissioner for Suffolk		-	217	-	-
- Waveney District Council		(657)	210	11	-
		<b>25,416</b>	<b>55,355</b>	<b>29,203</b>	<b>51,424</b>
<b>(Surplus) / deficit for year</b>	3	<b>(1,604)</b>	<b>925</b>	<b>2,371</b>	<b>(1,068)</b>
<b>Balance brought forward - (surplus) / deficit</b>		2,791	(2,095)	420	(1,027)
<b>Balance carry forward - (surplus) / deficit</b>		<b>1,187</b>	<b>(1,170)</b>	<b>2,791</b>	<b>(2,095)</b>

## 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.

	2016/17	2015/16
	£	£
The average Band D Council Tax set was:	<b>1,495.67</b>	1,460.98
The Council estimated its Tax Base for 2016/17 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	16,398	10,932
B	13,778	10,716
C	9,586	8,521
D	5,910	5,910
E	2,853	3,487
F	943	1,362
G	526	876
H	32	64
	<u>50,026</u>	<u>41,868</u>
<b>Less: local council tax reduction scheme</b>		(5,848)
provision for bad and doubtful debts (1.75%)		(634)
Tax Base 2016/17 (Band D equivalents)		<u><u>35,386</u></u>

### 2. Business rates

The Council collects business rates (non-domestic rates) in the district. The amount collected less an allowance for the cost of collection is shared between Central Government (50%), 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 1<sup>st</sup> April 2017.

	2016/17	2015/16
The rateable value at 31 March was	<b>£71.3m</b>	£71.6m
The multiplier was	<b>49.7p</b>	49.3p

## NOTES TO THE COLLECTION FUND

### 3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2016/17 £'000	2015/16 £'000
<u>Council Tax</u>		
Suffolk County Council	724	(824)
Police and Crime Commissioner for Suffolk	110	(124)
Waveney District Council	91	(120)
Total Council Tax	925	(1,068)
<u>Business Rates</u>		
Central Government	(802)	1,185
Suffolk County Council	(160)	237
Waveney District Council	(642)	949
Total Business Rates	(1,604)	2,371

## Opinion on the Authority's financial statements

We have audited the financial statements of Waveney District Council for the year ended 31<sup>st</sup> March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Movement in Reserves Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 35 to the Authority Accounts, including the Authority Expenditure and Funding Analysis,
- Housing Revenue Account and related notes 1 to 9; and
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of 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.

## Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities of the Chief Finance Officer set out on page 34, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council and Group as at 31<sup>st</sup> March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## Opinion on other matters

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

## Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

### Authority's responsibilities

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

### Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the 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 31<sup>st</sup> March 2017.

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



## Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2017.

## 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.

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

28<sup>th</sup> September 2017

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

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

## **Accounting Period**

The period of time covered by the Accounts, normally 12 months commencing on 1<sup>st</sup> 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 1<sup>st</sup> April 2011.

## **Community Charge**

The system of local taxation prior to council tax.

## **Contingent Liabilities**

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

## **Contingent Assets**

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

## **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 1<sup>st</sup> 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 31<sup>st</sup> March for goods or services supplied but not yet paid for.

## **Debt**

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

## **Debtors**

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

## **Deferred Capital Receipts**

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

## **Depreciation**

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

## **Direct Revenue Financing**

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

## **Earmarked Reserves**

Revenue reserves within the General Fund 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 1<sup>st</sup> April 2011 (see earlier paragraph). The CIPFA Code defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.* An intangible heritage asset is: *an intangible asset with cultural, environmental or historical significance.*

## **Housing Advances**

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

## **Housing Benefit**

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

## **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 1<sup>st</sup> April 2007, the establishment date of the reserve.

## **Revenue Expenditure**

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

## **Revenue Expenditure Funded from Capital under Statute (REFCuS)**

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

## **Revenue Support Grant**

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

## **Section 151 Officer**

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

## **Self-Financing for the HRA**

The self-financing HRA commenced on 1<sup>st</sup> 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.

## GLOSSARY OF FINANCIAL TERMS

### **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