Waveney District Council

Statement of Accounts

2015-16

Waveney
District Council

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1. Introduction

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). It therefore aims to provide information so that members of the public, including electors and residents of 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.

The Narrative Report is structured as follows:

- Key Facts about Waveney
- Key facts about Waveney District Council
- East Suffolk Business Plan
- Financial Performance 2015/16;
- Non-Financial Performance 2015/16
- Budget 2016/17, 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^2) 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 115,919 (48% male and 52% female)* with 26% of the population being age 65+ and 17% between 0-15 years old.

Population 115,919*	**3,720 Business Enterprises*** (Total 242,975 in East)	**20.1% employed in distribution, hotels and restaurants*** (18.3% East of England & England / 20.3% Suffolk)	**Total number of crimes 6,290*** (38,179 in Suffolk County)
75.4% employment rate 16-64 years old * (73.90% England)	**Average Gross weekly (full time) earnings £477.10⁺** (£529.60 National Average)	**Jobs: 61.1% full time / 38.9% part time⁺** (East: 66.1% full time 33.9% part time)	**4,048 Anti Social Behaviour incidents** (21,505 in Suffolk County)*
6.5% unemployment rate* (4% East of England/ 5.3% England)	**21.1% of working age have NVQ4 and above⁺** (33.6% East / 37.1% Gt Britain)	**11.47% of properties Council Tax D** (15.4% England)	**Average price of house £173k#** (England £225k)

** Suffolk Observatory (ONS 2014 mid-year population estimate)*
⁺ Nomis – Official Labour Market Statistics
 # 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.

Strategic Management Team

Stephen Baker - Chief Executive and Head of Paid Service

Arthur Charvonia - Strategic Director

Andy Jarvis - Strategic Director

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

Vacant post - Head of Operations

Darren Knight - Head of Customer Services

Paul Wood - Head of Economic Development & Regeneration

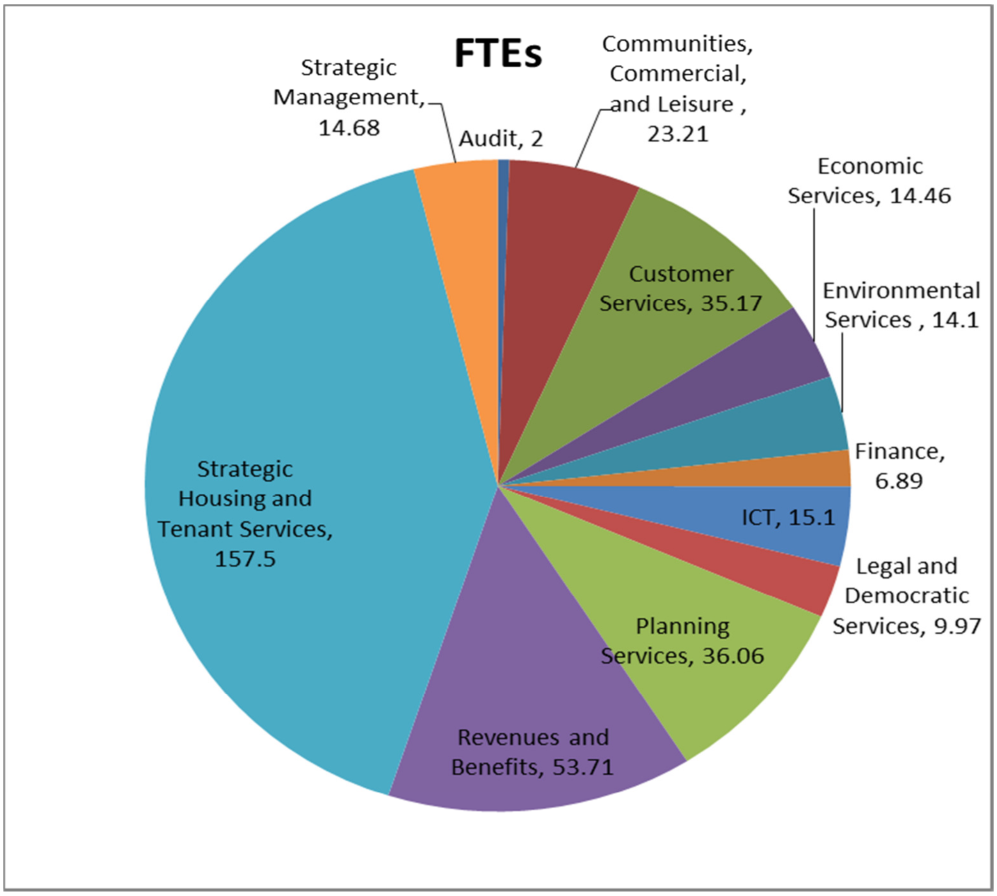
Justin Hunt - Head of Housing Services

Nicole Rickard - Head of Communities

Siobhan Martin - Head of Internal Audit

Staffing

The Council employs around 380 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**" - which was produced during the year.

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.

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 2015/16

5.1 Key Issues influencing the Council and its Financial Position in 2015/16

Some of the key and most material issues influencing the Council in 2015/16 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 2015/16, the Council continued to operate in an essentially low inflation, pay increase and investment environment, offset to some extent by income generation and collection challenges.

Business Rates Retention - From April 2013, councils have been able to retain a proportion of the business rates generated within the district and benefit from business growth over the longer term. This local retention represents a considerable transfer of financial risk from central to local government. One of the key risks facing the Council is certainty regarding the new system, particularly in respect of the national revaluation intended for 2017; further Government changes to the system; the proposed reset of the system in 2020; and developments in the local and national economy. Since the introduction of the new system, appeals, which can be backdated to 2010, have been a particular issue.

Government Grant – Since 2010, central government funding has reduced substantially year-on-year, and reductions to Revenue Support Grant continued in 2015/16, reflecting the Government's continued need to reduce national debt, and public sector spending as part of that process.

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

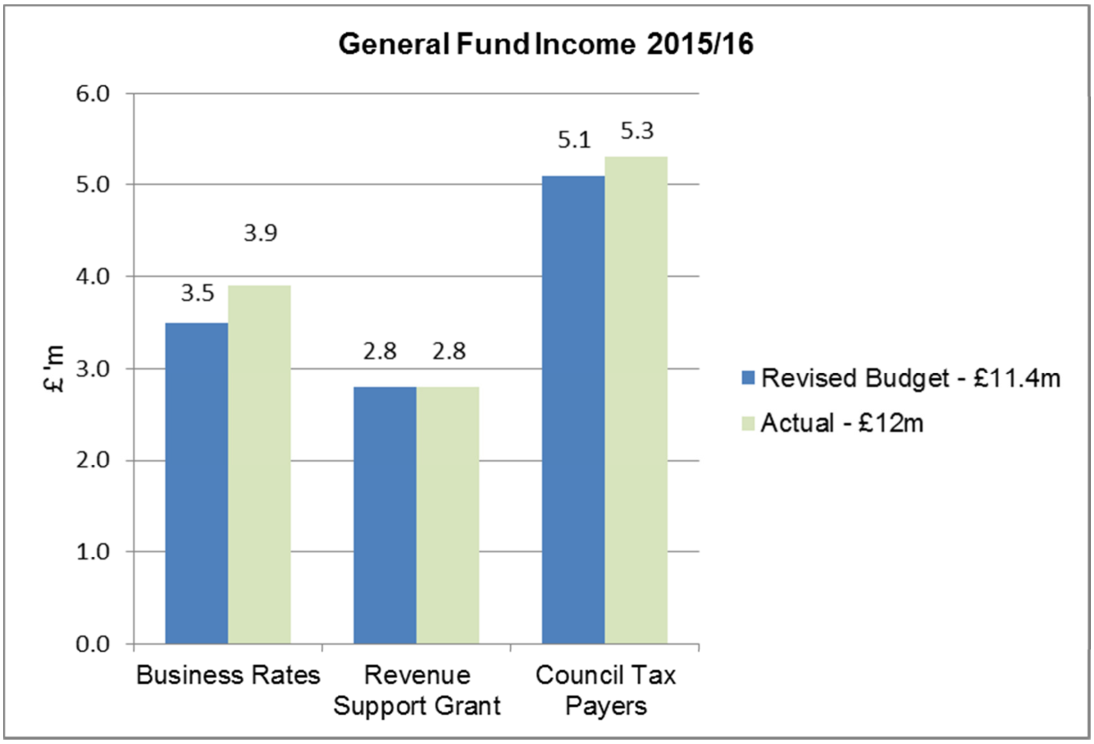
Council Tax – Council Tax represents a significant income stream to the Council. Scope for increasing the tax has been somewhat limited in recent years by the imposition of referendums for proposed increases above prescribed limits, but the Council has been able to take advantage of the Government's offer of Council Tax Freeze Grant in return for not increasing tax levels. For 2016/17, there has been a change in policy towards Council Tax from the Government, reflected in relaxation of the referendum limits and cessation of the Freeze Grant.

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.

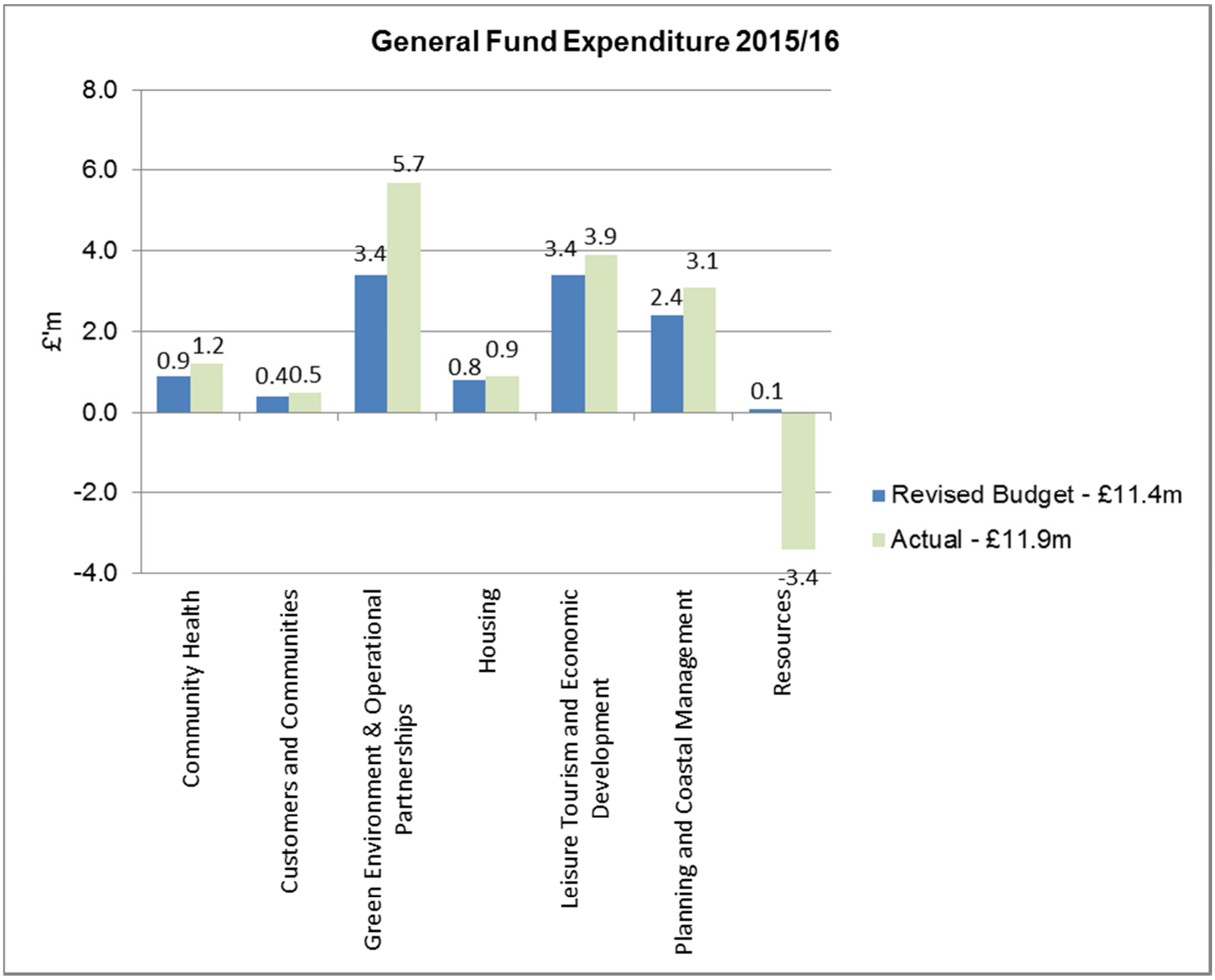
5.2 General Fund Income and Expenditure 2015/16

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 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.

The chart below illustrates the 2015/16 income streams for the Council as described above. For 2015/16 the total actual income was £12m compared to £11.4m for the revised budget. The £600k favourable variance on income was in respect of Council Tax and Business Rates for which the Council maintains a Collection Fund Account to record the amounts collected for this income. Due to the accounting requirements of this income and the volatility of Business Rates income, corresponding transfers have been made to and from the Collection Fund Account and Reserves. These transfers are included within the General Fund Net Expenditure Chart in the latter part of this section. Also, £200k of the Business Rate income variance related to the Lowestoft Enterprise Zone which was used to fund project work associated with this.



The following chart sets out the Council's General Fund net expenditure for 2015/16. The chart provides a high level summary of the total net expenditure by Portfolio and compares actuals to the revised budget. The main variances are shown within the Portfolios for Green Environment and Operations Partnerships and Resources. The outturn figure of £5.7m for Green Environment and Operations Partnerships Portfolio includes £1.9m for the decrease in the Fair Value of Investment Property. This is an accounting adjustment which has a contra entry within the Resources Portfolio and therefore no overall impact on outturn. This in part explains the variance on the Resources Portfolio but other high value variances include accounting adjustments that have no overall impact, e.g. gains and losses on disposal of assets and the impairment of assets held.



5.3 General Fund Outturn 2015/16

Taking the high level data presented in section 5.2, this section reviews the General Fund outturn position for 2015/16 from a subjective analysis. The table below shows how the Council's General Fund net expenditure compares with the approved budget.

General Fund 2015/16	**Original Budget**	**Revised Budget**	**Outturn**	**Variance**
	£'000	£'000	£'000	£'000
Net Expenditure	11,648	11,448	11,417	(31)
Income from Government and Local Taxpayers	(11,648)	(11,448)	(12,060)	(612)
Net Outturn Position Deficit / (Surplus)	**0**	**0**	**(643)**	**(643)**
Transfer to In-Year Savings Reserve				500
Met from / (added to) General Fund Balances				**(143)**
Analysed as;				
Provision for 2015/16 Carry Forward Requests added to General Fund Balance				*28*
Added to General Fund Balance				*115*
				143

The £612k variance on income is as described in Section 5.2 concerning Council Tax and Business Rates income. For 2015/16 the overall net expenditure for 2015/16 was £11.417m, £31k less than the revised budget. The overall Net Outturn position for the year was a favourable variance of £643k. As shown above, £500k of this has been transferred to a newly created In-Year Savings Reserve to support budget funding shortfalls in future years. The balance of £143k has been added to the General Fund balance, which includes £28k of Budget Carry Forwards / Between Year Virements.

The key variances are summarised in the table below;

General Fund 2015/16

Key Variances to Revised Budget

Description	**£'000**	**£'000**
Net Expenditure		
Increased/Additional Income		(861)
Savings		(697)
Council Tax and Business Rates Entries (Contra Entries to Income Variance)		
Collection Fund Adjustment - Council Tax	121	
Council Tax Special Expenses	18	
2014/15 Levy adjustment	(12)	
Business Rate Income to fund Enterprise Zone project	201	
Additional Transfer to Business Rates Equalisation Reserve	284	
		612
Increased/Additional Costs		523
Reduced Income		420
Carry Forwards		(28)
Net Expenditure Variance		**(31)**
Income from Government and Local Taxpayers		
Council Tax Surplus		(139)
Business Rates		(473)
Income from Government and Local Taxpayers Variance		**(612)**
Net Outturn Position Deficit / (Surplus)		**(643)**
Transfer to In-Year Savings Reserve		500
Balance to General Fund		**(143)**
Analysed as;		
Provision for 2015/16 Carry Forward Requests added to General Fund Balance		*28*
Added to General Fund Balance		115
		143

Variances to highlight in the above include;

Savings/Increased & Additional Income

- £265k saving on staffing costs due to vacant posts
- £73k reduction in the audit fee provision
- Waste Management fuel rebate of £74k
- Improved car parking income of £119k
- £160k from Waveney Norse profit share
- £105k additional Development Control income
- £29k of income from the introduction of Green Waste charges has been recognised in 2015/16. Due to accounting treatment the balance of income collected in 2015/16 has been rolled forward to 2016/17.

Reduced Income/ Increased & Additional Costs

- Housing Benefit overpayments recovered less than expected by £257k
- Lower income due to less than expected static caravans - £43k
- £29k of costs relating to the decant and securing of the Town Hall site
- £44k of costs associated with the transfer of lease of the Britten Centre Market

The General Fund Balance at the year end will be a working balance of £4.159m. As referred to above, this includes a central pool of £28k in respect of Budget Carry Forwards / Between Year Virements, the uncommitted balance being £4.131m. The budget report in February 2016 identified a target level for the General Fund balance of between 3% and 5% of its budgeted gross turnover as a prudent balance to maintain in the long term.

The table below summarises the balances and movements on the General Fund and Earmarked Reserves. In 2015/16 the Council was able to increase its Revenue Earmarked Reserves by £1.231m, from £4.834m (2014/15) to £6.065m (2015/16). £284k of this was to the Business Rate Equalisation Reserve which will be used in future years to fund Business Rate deficits that need to be recovered. Also, as mentioned earlier in this section, £500k was transferred to a newly created In-Year Savings Reserve to support budget funding shortfalls in future years. A summary of the Usable and Unusable Reserves is set out in Section 5.7.

WDC General Fund and Earmarked Reserves Summary

	Balance as at 31 March 2015 £`000	*Transfer In 2015/16* £`000	*Transfer Out 2015/16* £`000	Balance as at 31 March 2016 £`000
General Fund Balance:				
General Fund	**4,016**	**143**	**-**	**4,159**
Earmarked Reserves Held for Revenue Purposes:				
Business Rate Equalisation	1,192	284	-	**1,476**
Other Revenue Earmarked Reserves	3,642	2,692	(1,745)	**4,589**
	4,834	**2,976**	**(1,745)**	**6,065**
Earmarked Reserves Held for Capital Purposes:				
Capital	**484**	**527**	**(494)**	**517**

5.4 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 £1.290m - £1.273m more than the revised estimate of £17k.

The £232k underspend in Repairs and Maintenance includes underspends on responsive maintenance and re-phasing on planned work now scheduled for 2016/17. General Supervision and Management is showing an underspend of £130k which includes substantial savings on utility costs due to improved energy efficiency measures. Interest charges to the HRA are showing a saving of £13k due to a prudent approach taken to interest rates when setting the budget. The £1,192k reduction in the Revenue Contribution to Capital is due to the housing development programme & Capital Project works slipping into 2016/17. The increase in bad debt provision was not as high as initially calculated, creating a saving of £51k.

The transfer to the Earmarked Reserves was increased by £414k. This includes a £14k increase to the MMI Reserve, and £400k increase to the Debt Repayment Reserve.

After taking the surplus of £1.290m for the year into account, the HRA working balance is £5.298m at 31 March 2016 (31 March 2015 £4.008m). The surplus of £1.290m includes £1.358k of project commitments (referred to above) which have slipped into 2016/17. Although the project commitments exceed the surplus, had they been spent in 2015/16, there would have been no increase in transfer to the Earmark Reserves.

The HRA working balance has been maintained at 26% of total income, which is 16% above the considered best practice limit (10%).

Housing Revenue Account 2015/16	2015/16 Original Budget £'000	2015/16 Revised Budget £'000	Outturn £'000	Variance £'000
Income				
Rents	(18,491)	(18,638)	(18,629)	9
Non-Dwelling Rents	(209)	(200)	(211)	(11)
Service & Other Charges	(910)	(1,009)	(1,211)	(202)
Interest Income	(91)	(95)	(104)	(9)
Total Income	**(19,701)**	**(19,942)**	**(20,155)**	**(213)**
Expenditure				
Repairs & Maintenance	4,003	3,730	3,498	(232)
Supervision & Management	5,186	5,035	4,905	(130)
Property Charges	70	70	88	18
Movement in Bad Debt Provision	70	94	43	(51)
Capital Charges	3,261	3,156	3,282	126
Interest Charges	2,325	2,310	2,297	(13)
Revenue Contribution to Capital	4,511	4,580	3,388	(1,192)
Transfers to Earmarked Reserves	200	950	1,364	414
Total Expenditure	**19,626**	**19,925**	**18,865**	**(1,060)**
Net movement on the HRA for the year	**(75)**	**(17)**	**(1,290)**	**(1,273)**

The main reasons for decrease in net expenditure of £1.273m between the revised budget and the outturn are analysed in the table below:

HRA Key Variances to Revised Budget

Description	£'000
Re-phasing on the Housing Development programme	(832)
Re-phasing on Revenue and Capital maintenance programme of work	(360)
Underspend on responsive maintenance programme	(232)
Additional income for Renewable Heat Incentive	(114)
Savings on utility costs due to energy efficient measures	(101)
Additional income from Service Charges	(90)
Impairment charge regarding non-dwellings	(72)
Underspend on Policy & Management	(68)
Reduced increase on Bad Debt Provision	(51)
Savings on Debt Repayment costs	(13)
Increased share of interest income due to increased interest rates	(9)
Savings associated with Tenant costs	(9)
Other Minor Variances	(9)
Transfer to HRA Debt Repayment Reserve	400
Depreciation charged was more than budget	108
Increased costs associated with Gains and Losses	69
Redundancy / Ill health retirement costs	48
Additional Council Tax charges relating to Void properties	18
Increased Revenue costs associated with the Housing Development Programme	15
Increased Contribution to Sup'n Back Funding	15
Transfer to HRA Impairment Reserve	14
Total Variance to Revised Budget	**(1,273)**

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 2015/16 against the Original Budget approved by Full Council in February 2015 and the revised budget.

General Fund Capital Expenditure 2015/16	**Original Budget**	**Revised Budget**	**Outturn**	**Variance to Revised Budget**
Portfolio				
	£'000	**£'000**	**£'000**	**£'000**
Leader	50	231	172	(59)
Community Health	130	41	44	3
Operational Partnerships & Lowestoft Rising	840	884	662	(222)
Planning & Rural Affairs	965	3,307	2,319	(988)
Resources & Welfare Reforms	5,098	2,443	2,131	(312)
Total General Fund Capital Expenditure	**7,083**	**6,906**	**5,328**	**(1,578)**
General Fund Capital Programme Financing 2015/16				
	£'000	**£'000**	**£'000**	**£'000**
Internal Borrowing	6,108	3,299	2,739	(560)
Government Grants and Third Party Contributions	545	2,789	1,806	(983)
Revenue / Revenue Reserves	430	498	493	(5)
Capital Receipts	0	320	290	(30)
	7,083	**6,906**	**5,328**	**(1,578)**

The outturn was £1.578m below the Revised Budget for 2015/16, as detailed below:

General Fund Capital Programme 2015/16

Main Variances to Revised Budget	£'000
Planning & Rural Affairs - Lowestoft Tidal Barrier - project start deferred until 2016/17	(1,009)
Resources - Riverside Road - underspend due to unspent contingency budget	(192)
Resources - Marina Centre - small budget underspend relating to finalisation of costs	(190)
Operational Partnerships - Lowestoft Beach huts to be started 2016/17	(148)
Other minor scheme variations	(39)
Total Variance to Revised Budget	**(1,578)**

The following table shows the Housing Capital Programme outturn results for 2015/16 against the approved budget, and how the 2015/16 Capital Programme was financed. There was a significant underspend of nearly £3.4m on the Housing Development programme in 2015/16. £2.522m of this related to the purchase of the former Sanyo site falling through, and £792k relates to purchase of the Duncan's Yard site in Southwold slipping into 2016/17. Other relatively minor underspends on each programme area will be re-phased into 2016/17.

HRA Capital Programme 2015/16

HRA Capital Expenditure 2015/16	Original Budget	Revised Budget	Outturn	Variance to Revised Budget
	£'000	£'000	£'000	£'000
Housing Repairs	3,470	3,595	3,233	(362)
Housing Development	4,541	3,527	172	(3,355)
Housing Improvement	516	515	420	(95)
Total HRA Capital Expenditure	**8,527**	**7,637**	**3,825**	**(3,812)**
HRA Capital Financing 2015/16				
	£'000	£'000	£'000	£'000
Grants and Contributions	516	557	437	(120)
Revenue / Revenue Reserves	8,011	7,080	3,388	(3,692)
	8,527	**7,637**	**3,825**	**(3,812)**

The statutory limit on the Council's borrowing for capital purposes at 31st March 2016 was £122m (£122m 2014/15). During 2015/16 the Council did not undertake any new external borrowing and repaid £2m of short term borrowing. External borrowing outstanding as at 31st March 2016 amounted to £91.055m (£93.216m 31 March 2015) of which £3m was treated as short term borrowing as repayment in due within 1 year and £88.055m was treated as long term borrowing as repayment is in excess of 1 year. See Note 44 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.

<u>Council Tax</u>

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 surplus of £1.068m during 2015/16 (£1.069m surplus in 2014/15) and the Council share of the surplus is £120k (£120k surplus in 2014/15).

The surplus 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.

<u>Business Rates</u>

2015/16 was the third financial year of operation of the business rates retention scheme. The Council as Billing Authority collects all non domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Waveney District Council (40%).

Business Rates is a complex system that is still in its early years. Each year, the Council has to make a number of assumptions in January to produce the National Non Domestic Rate (NNDR1) return, which provides an estimate for the year ahead. Key assumptions in arriving at the estimated amounts include the value of outstanding appeals and forecasts of growth or reduction in the business rates base of the area. The bulk of Business Rates entries in the General Fund Revenue Account in 2015/16 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 2017/18 General Fund Revenue Account in respect of the 2015/16 NNDR3. Only a few items in the General Fund Revenue Account vary in 2015/16 as a result of NNDR3 actual figures, such as the Levy (the amount paid to Government), and Pooling Benefit from the Suffolk Business Rates Pool (see below)

Business rates income is lower than in the 2015/16 NNDR1, and the bulk of this reduction in income was reflected in the 2016/17 NNDR1 and the estimated Collection Fund deficit to the General Fund included in the Budget for 2016/17, but a further £459k deficit will need to be taken into account in 2017/18. Partly offsetting this, lower rating income in the 2015/16 NNDR3 has the effect of reducing the Levy payable to the Government. The budgeted Levy in the 2015/16 Budget was £371k.

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 2015/16, the benefit to the Council of participating in the Suffolk Business Rates Pool was £74k.

5.7 Summary Reserves and Balances Position

Details of the movements in all reserves are shown in Notes 7, 8, and 23 to the Core Financial Statements. Reviewing the Council's reserves will continue to be carried out as part of the consideration of the MTFS during 2016/17. The main reserves held at 31 March are set out below, with further information in Notes 7, 8 and 23 to the Core Financial Statements:

	31 March 2016	31 March 2015
	£'000	£'000
Useable Reserves		
Held for Revenue Purposes		
General Fund	4,159	4,016
Earmarked Reserves	6,065	4,834
Housing Revenue Account	5,298	4,008
Housing Revenue Account Earmarked Reserves	5,228	3,864
Held for Capital Purposes		
Major Repairs Reserve	12,639	9,369
Earmarked Reserves	517	484
Capital Receipts Reserve	3,844	2,561
Capital Grants Unapplied	1,486	798
	39,236	**29,934**
Unusable Reserves	**121,683**	**103,091**
Total Council Reserves	**160,919**	**133,025**

5.8 Assets and Liabilities

Net assets have increased during the year from £133.025m to £160.919m. Significant changes contributing to this net position are shown below:

- Property, Plant, and Equipment has increased by nearly £11m through additions and revaluation increases;
- Cash and cash equivalents, including short term investments increased by £4.214m; and
- Pension liability has decreased by £12.751m from 47.367m to £34.616m due to LGPS investments performing very well with net returns more than doubling in 2015 compared to 2014.

6. Non-Financial Performance 2015/16

Production of the first East Suffolk Business Plan prompted a detailed review of the performance targets and the overall performance reporting process for both Councils. Highlights under each of the strategic deliverables are shown below.

Enabling Communities

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

Highlights

- 99% of all homeless decisions were made within 33 days in 2015/16 (100% in Q4)
- Lowestoft South beach completed & officially opened
- 304 new members joined Waterlane Leisure Centre and 204 joined Bungay Swimming Pool
- 10,880 tonnes of household waste collected
- 49.69% of household waste recycled per household for year
- 250 fly tips reported in Quarter 4

Economic Growth

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

Highlights

- 135 net dwellings were completed in year (45 completed in Q4)
- Food hygiene ratings remained good with 94.8% (1003) scoring a 3-5 food rating
- 23 major, 207 minor and 524 other planning applications determined in 2015/16
- 88.89% major planning applications in Q4 and 74.19% in 2015/16 determined
- 84.11% (207) minor and 86.51% (524 other planning applications determined in 15/16
- Total jobs created for 2015/16 – 848

Financial Self-Sufficiency

"Driving down costs and becoming even more business-like and entrepreneurial in our approach."

Highlights

- Housing Benefit new claims and changes were processed within 8.61 days in Q4
- Only 2 Local Government Ombudsman complaints (in 2015/16)
- Developments underway for Formal Merger of Councils
- New joint East Suffolk Business Plan launched
- Digital Strategy implemented
- Bungay & Halesworth offices closed 31st March 2016 will make future savings
- New Green waste charging successfully implemented 18,900 subscribers & increasing

7. Budget 2016/17, 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 £10.825 million in 2016/17. This represents a headline decrease of £823k or 7.1% over the budget for 2015/16 of £11.648 million. The budget by priority theme as approved by Full Council in February 2016 for 2016/17 together with the forecasts for 2017/18 to 2019/20 are set out below:

General Fund Revenue Budget Summary by Portfolio

	2016/17 Budget £'000	2017/18 MTFS Forecast £'000	2018/19 MTFS Forecast £'000	2019/20 MTFS Forecast £'000
Community Health	893	918	932	936
Customers & Communities	337	340	345	348
Green Environment & Operational Partnerships	2,898	2,969	3,079	3,366
Housing	1,352	1,705	1,827	1,852
Leisure, Tourism & Economic Development	3,358	3,390	3,346	3,253
Planning	2,573	3,022	3,361	3,638
Resources	(586)	587	1,590	1,553
Budget Requirement	**10,825**	**12,931**	**14,480**	**14,946**
Financed by:				
Council Tax	(5,395)	(5,596)	(5,797)	(5,999)
Council Tax Surplus	(210)	0	0	0
Revenue Support Grant	(2,018)	(1,296)	(836)	(322)
Business Rates	(3,202)	(3,701)	(3,776)	(3,854)
Total Financing	**(10,825)**	**(10,593)**	**(10,409)**	**(10,175)**
Budget Shortfall / (Surplus)	**0**	**2,338**	**4,071**	**4,771**

The reasons for the decrease in the 2016/17 Net Budget compared to the Budget for 2015/16 are summarised below:

General Fund Budget Movements 2015/16 to 2016/17

	£000
2015/16 Budget Requirement	**11,648**
Key Movements	
Pay and Price Increases	633
Statutory Requirements	99
Service Developments	196
Savings and Efficiencies	(935)
Income	207
Movement in Reserves	(773)
Use of New Homes Bonus	(250)
2016/17 Budget Requirement	**10,825**

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 cessation of Council Tax Freeze Grant, which the Council had taken advantage of for five years in succession, and 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 2016/17, the Council approved an increase in the Band D Council Tax from £147.51 to £152.46, an increase of 3.36%, and the first increase for six years.

The Local Government Finance Settlement also contained substantial reductions in Government grant funding, with Revenue Support Grant being reduced from £2.849m in 2015/16 to £2.018m in 2016/17, a reduction of 29.2%.

Since setting the budget in February 2016 the Council continues to monitor its Medium Term Financial Strategy (MTFS) and financial plans. The MTFS will be updated in October 2016 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 2016 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 2016.

HRA	2016/17 Original Budget £'000	2017/18 Forecast Budget £'000	2018/19 Forecast Budget £'000	2019/20 Forecast Budget £'000
Income				
Dwelling Rent	(18,583)	(18,510)	(18,479)	(18,447)
Non-Dwelling Rent	(196)	(200)	(205)	(211)
Service & Other Charges	(973)	(994)	(1,014)	(1,034)
Interest Income	(101)	(99)	(112)	(125)
Total Income	**(19,853)**	**(19,803)**	**(19,810)**	**(19,817)**
Expenditure				
Repairs & Maintenance	4,050	3,850	3,935	3,974
Supervision & Management	5,199	5,095	5,179	5,271
Property Charges	75	75	77	80
Adjustment to Bad Debt Provision	(3)	(3)	1	0
Interest Charges	2,335	2,360	2,385	2,385
Capital Charges	3,401	3,564	3,655	3,713
Revenue Contribution to Capital	4,632	3,410	2,180	2,840
Transfer to Earmarked Reserves	200	1,500	1,900	1,500
Total Expenditure	**19,889**	**19,851**	**19,312**	**19,763**
Movement in the HRA balance	**36**	**48**	**(498)**	**(54)**
HRA balance carried forward	**(3,989)**	**(3,941)**	**(4,439)**	**(4,493)**

7.3 Capital Programme – Future Years

Capital expenditure plans for the General Fund how they are financed are detailed below:

General Fund Capital Programme 2016/17 - 2019/20

Capital Expenditure	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
Leader	100	25	25	200
Community Health	30	30	30	30
Operational Partnerships & Lowestoft Rising	1,067	798	775	650
Planning & Rural Affairs	2,200	9,750	9,650	7,900
Resources & Welfare Reforms	350	300	300	300
Total Capital Expenditure	**3,747**	**10,903**	**10,780**	**9,080**

Capital Financing	**2016/17 £000**	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
Grants and Contributions	2,150	9,700	9,600	7,850
Revenue and Revenue Reserves	605	430	525	500
Borrowing	992	773	655	730
Total Capital Financing	**3,747**	**10,903**	**10,780**	**9,080**

HRA Capital Expenditure and Financing plans over the next four years are shown below:

HRA Capital Programme 2016/17 - 2019/20

	2016/17 £000	**2017/18 £000**	**2018/19 £000**	**2019/20 £000**
Capital Expenditure				
Housing Repairs	3,785	3,410	3,180	3,140
Housing Development	4,347	4,300	3,000	4,000
Housing Improvement	516	516	516	516
Total HRA Capital Expenditure	**8,648**	**8,226**	**6,696**	**7,656**
Capital Financing				
Grants and Contributions	1,516	516	516	516
HRA Reserves	2,152	2,700	0	0
Housing Revenue Account	4,980	5,010	6,180	7,140
Total HRA Capital Financing	**8,648**	**8,226**	**6,696**	**7,656**

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 economy has continued to grow, although growth rates are now somewhat lower than previously forecast. The Bank of England's overall forecast for growth in Gross Domestic Product (GDP) outlined in its May 2016 Inflation Report, is:

- 2016 2.0%
- 2017 2.3%
- 2018 2.3%

Inflation is expected to pick-up with the CPI stabilising around the 2% target over the medium term, although there is considerable uncertainty over this as a result of global factors. The Bank of England's overall forecast for CPI in its May 2016 Inflation Report is:

- Q2 2016 0.4%
- Q4 2017 1.5%
- Q4 2018 2.1%
- Q4 2019 2.2%

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

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 funding levels, Business Rates, the Council Tax Base, and fee income, as well as greater demand on services.

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

In the Spending Review, and in earlier announcements, the Government has announced proposals for Councils to retain all locally raised business rates by the end of the decade, 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 proposed for the New Homes Bonus (NHB). Together with the current Devolution initiative, and the emergence of a different stance towards council tax from Central Government, these proposals 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. The Local Government Finance Settlement confirmed large reductions in Government grant, which, together with the NHB proposals, have significant medium-term financial implications for the Council. The Budget report to Council in February 2016 highlighted significant Budget issues which have a bearing on shaping the budgets from 2016/17 onwards. Future years beyond 2016/17 show growing budget shortfalls of funding 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 2020/21;

c) uncertainty arising from the national revaluation of business rates to be implemented in April 2017;

d) the wider Devolution agenda in public services in East Anglia;

e) volatility in the wider economy and the need for further restraint in 2017/18, 2018/19 and 2019/20 and beyond, leading to further significant reductions in spending by councils;

f) uncertainty surrounding future taxation, inflation, and pay constraint assumptions in the years following 2016/17;

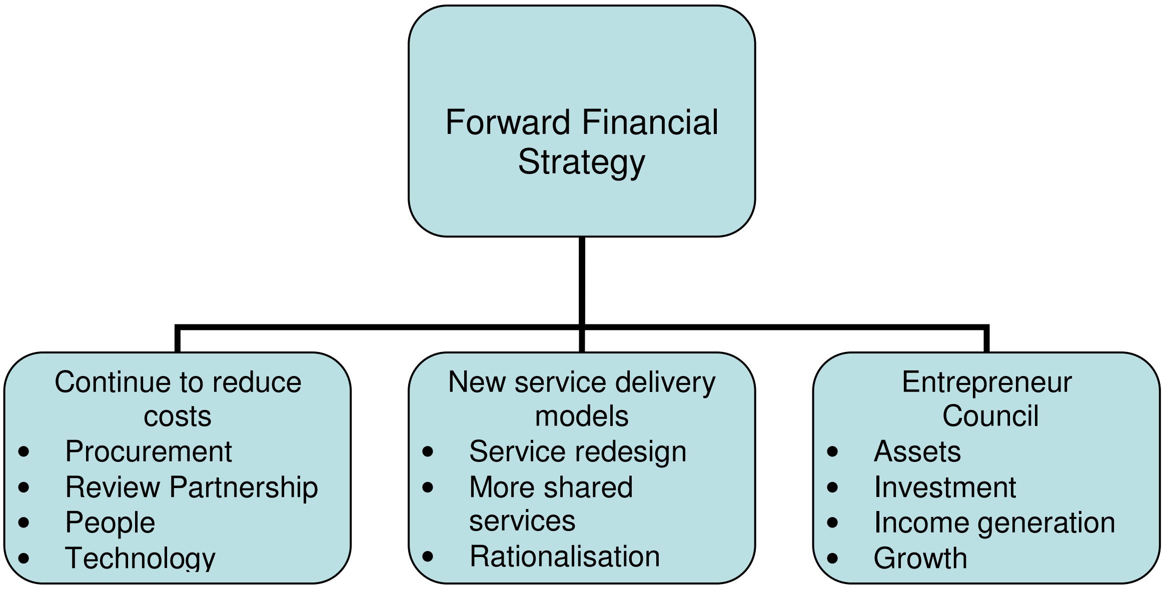
g) delivery of Universal Credit, the programme which has been significantly delayed;

h) the need for a renewed focus on cost reductions, efficiencies and redesigning services; and

i) pursuing new forms of service delivery based around more entrepreneurial and commercial models.

The forecast overall impact of the changes in the local government finance environment have the potential to create an extremely serious financial position for the Council, with genuine issues regarding the Council's financial viability and ability to set a balanced budget being indicated as early as 2018/19. Reductions to RSG are now much larger and faster than previously forecast, as a result of building assumed council tax levels into the grant methodology, and redistributing funding towards social care authorities. The proposals for NHB could also potentially result in very significant funding reductions. Taken together, the RSG exemplifications in the Settlement and the preferred NHB option could see funding from these sources reduce from nearly £4.4m in 2015/16 to around £600,000 in 2019/20. The Council is also not well placed to generate additional localised funding from council tax and business rates, and offset reductions in RSG and NHB.

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 1st October 2010, the councils implemented a shared joint management structure to run services for both councils. Further details on the staffing costs and recharges between each council are disclosed in Note 30 to the Core Financial Statements. During the course of 2016/17, both councils will be exploring the potential for further development of these arrangements, including consideration of a full merger of the authorities into one district council for East Suffolk.

During 2016/17, the Council will also be undertaking a Community Governance Review of the unparished areas of Lowestoft. This could potentially result in the creation of a new town or parish council(s) in the Lowestoft area.

With effect from 1st 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 new 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 2015/16 financial year. These are listed in the table below:

Third Parties:	
Norfolk County Council - Norse Commercial Services Limited (NCS) and its subsidiaries.	Waste Control, Sports Grounds, Cemeteries, Parking, Parks and Open Spaces, Public Conveniences, CCTV, Beach Management, Waste Management and other Operational Services.
Sentinel Leisure Trust	Leisure and Culture portfolio
Marina Theatre Trust	Management and operation of Marina Theatre, Lowestoft
Joint Arrangements:	
Waveney and Suffolk Coastal District Councils.	Shared services to manage and deliver services jointly for both Councils.
Emergency Services - Joint Emergency Planning Unit	Provides Emergency Planning services for Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Waveney and Suffolk Coastal District Councils.
Internal Audit service.	Internal Audit partnership for Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council.
Anglia Revenues Partnership.	Provision of Revenues and Benefits services for Breckland, East Cambridgeshire, Fenland, Forest Heath, St. Edmundsbury, Suffolk Coastal, and Waveney District Councils.
Lowestoft Rising	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.
East Suffolk Partnership	Provides local strategic junction for East Suffolk region and is a partnership of all public, voluntary and private sector partners.

New Anglia Local Enterprise Partnership	The New Anglia LEP works with businesses and public sector partners, to help grow jobs in Norfolk and Suffolk.

9. Explanation of the Financial Statements

The Council's accounts for the year ended 31st March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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:

- **Movement in Reserves Statement –** this statement (with corresponding balances shown for 2014/15) shows the movement in the year on the different reserves held by the Council analysed in to "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.
- **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council in the year in a format compliant with CIPFA's Code of Practice, International Financial Reporting Standards (IFRS), UK Generally Accepted Accounting Principles (UK GAAP) and Service Reporting Code of Practice for Local Authorities.
- **Balance Sheet** – shows the Council's balances and reserves and long-term indebtedness at the financial year end, and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements:

- **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 37 to the Core Financial Statements (Interests in Companies).

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

Changes to the Statement of Accounts

There have been no significant areas of change to the Statement of Accounts for 2015/16.

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 2015/16 Accounts, although for 2015/16 the signing and approving dates continue to be as follows:

- the Chief Finance Officer must, no later than 30th 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 30th 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 2014/15 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 2015/16 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 address below. 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,
Waveney District Council,
Riverside,
4 Canning Road,
Lowestoft,
Suffolk,
NR33 0EQ

Or email: accountancy@eastsuffolk.gov.uk

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

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 – 15th September 2016

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 2015/16* (the Code).

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

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

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2016 and its income and expenditure for the year ending on that date.

Homira Javadi (FCCA – ACCA)
Chief Finance Officer – 15th September 2016

MOVEMENT IN RESERVE STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e. including 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 and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associate £'000	**Total Group Reserves £'000**
Balance at 31 March 2014	**(3,962)**	**(4,650)**	**(2,385)**	**(3,808)**	**(6,223)**	**(1,542)**	**(614)**	**(23,184)**	**(101,531)**	**(124,715)**	**(162)**	**(124,877)**
Movement in reserves during 2014/15												
(Surplus) or deficit on provision of services	128	-	(12,229)	-	-	-	-	(12,101)	-	**(12,101)**	-	**(12,101)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	3,791	**3,791**	-	**3,791**
Total Comprehensive Income and Expenditure	**128**	**-**	**(12,229)**	**-**	**-**	**-**	**-**	**(12,101)**	**3,791**	**(8,310)**	**-**	**(8,310)**
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	-	-	**-**	(37)	**(37)**
Net (Increase) / Decrease before Transfers	**128**	**-**	**(12,229)**	**-**	**-**	**-**	**-**	**(12,101)**	**3,791**	**(8,310)**	**(37)**	**(8,347)**
Adjustments between accounting basis and funding basis under regulations (note 7)	(850)	-	10,550	-	(3,146)	(1,019)	(184)	5,351	(5,351)	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(722)**	**-**	**(1,679)**	**-**	**(3,146)**	**(1,019)**	**(184)**	**(6,750)**	**(1,560)**	**(8,310)**	**(37)**	**(8,347)**
Transfer to / from Earmarked Reserves (note 8)	668	(668)	56	(56)	-	-	-	**-**	-	**-**	-	**-**
(Increase) / Decrease in Year	**(54)**	**(668)**	**(1,623)**	**(56)**	**(3,146)**	**(1,019)**	**(184)**	**(6,750)**	**(1,560)**	**(8,310)**	**(37)**	**(8,347)**
Balance at 31 March 2015 carry forward	**(4,016)**	**(5,318)**	**(4,008)**	**(3,864)**	**(9,369)**	**(2,561)**	**(798)**	**(29,934)**	**(103,091)**	**(133,025)**	**(199)**	**(133,224)**

MOVEMENT IN RESERVE STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associate £'000	**Total Group Reserves £'000**
Balance at 31 March 2015 brought forward	**(4,016)**	**(5,318)**	**(4,008)**	**(3,864)**	**(9,369)**	**(2,561)**	**(798)**	**(29,934)**	**(103,091)**	**(133,025)**	**(199)**	**(133,224)**
Movement in reserves during 2015/16												
(Surplus) or deficit on provision of services	3,038	-	(10,036)	-	-	-	-	(6,998)	-	**(6,998)**	-	**(6,998)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(20,896)	**(20,896)**	-	**(20,896)**
Total Comprehensive Income and Expenditure	**3,038**	**-**	**(10,036)**	**-**	**-**	**-**	**-**	**(6,998)**	**(20,896)**	**(27,894)**	**-**	**(27,894)**
Adjustment between Group and Authority Accounts:												
- Purchase of Goods and Services from Associate	-	-	-	-	-	-	-	-	-	**-**	(66)	**(66)**
Net (Increase) / Decrease before Transfers	**3,038**	**-**	**(10,036)**	**-**	**-**	**-**	**-**	**(6,998)**	**(20,896)**	**(27,894)**	**(66)**	**(27,960)**
Adjustments between accounting basis and funding basis under regulations (note 7)	(4,445)	-	7,382	-	(3,270)	(1,283)	(688)	(2,304)	2,304	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(1,407)**	**-**	**(2,654)**	**-**	**(3,270)**	**(1,283)**	**(688)**	**(9,302)**	**(18,592)**	**(27,894)**	**(66)**	**(27,960)**
Transfer to / from Earmarked Reserves (note 8)	1,264	(1,264)	1,364	(1,364)	-	-	-	-	-	**-**	-	-
(Increase) / Decrease in Year	**(143)**	**(1,264)**	**(1,290)**	**(1,364)**	**(3,270)**	**(1,283)**	**(688)**	**(9,302)**	**(18,592)**	**(27,894)**	**(66)**	**(27,960)**
Balance at 31 March 2016 carried forward	**(4,159)**	**(6,582)**	**(5,298)**	**(5,228)**	**(12,639)**	**(3,844)**	**(1,486)**	**(39,236)**	**(121,683)**	**(160,919)**	**(265)**	**(161,184)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Authority						Group	
	2015/16			2014/15			2015/16	2014/15
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
Cost of Services								
Central Services to the Public	2,750	(1,289)	**1,461**	3,724	(1,132)	**2,592**	**1,461**	**2,592**
Cultural and Related Services	3,925	(1,742)	**2,183**	5,424	(2,147)	**3,277**	**2,183**	**3,277**
Environmental and Regulatory Services	9,127	(2,059)	**7,068**	7,746	(2,249)	**5,497**	**7,068**	**5,497**
Planning Services	4,982	(2,079)	**2,903**	3,837	(1,612)	**2,225**	**2,903**	**2,225**
Highways and Transport Services	1,501	(2,189)	**(688)**	1,377	(2,146)	**(769)**	**(688)**	**(769)**
Housing Revenue Account	7,335	(20,051)	**(12,716)**	4,568	(19,252)	**(14,684)**	**(12,716)**	**(14,684)**
Other Housing Services	44,083	(43,277)	**806**	45,814	(44,963)	**851**	**806**	**851**
Social Services	48	(5)	**43**	27	(5)	**22**	**43**	**22**
Corporate and Democratic Core	1,869	(12)	**1,857**	1,418	(2)	**1,416**	**1,857**	**1,416**
Non-Distributed Costs	64	-	**64**	40	-	**40**	**64**	**40**
Total Cost of Services	**75,684**	**(72,703)**	**2,981**	**73,975**	**(73,508)**	**467**	**2,981**	**467**
Other Operating Expenditure (note 9)			**820**			**1,329**	**820**	**1,329**
Financing and Investment Income and Expenditure (note 10)			**5,919**			**3,810**	**5,919**	**3,810**
Taxation and Non-Specific Grant Income (note 11)			**(16,718)**			**(17,707)**	**(16,718)**	**(17,707)**
(Surplus) or Deficit on Provision of Services			**(6,998)**			**(12,101)**	**(6,998)**	**(12,101)**
Share of (Surplus)/Deficit on the Provision of services by Associate			**-**			**-**	**(83)**	**(47)**
Tax expenses of Associate			**-**			**-**	**17**	**10**
(Surplus)/Deficit			**(6,998)**			**(12,101)**	**(7,064)**	**(12,138)**
Surplus or deficit on revaluation of non-current assets (note 22)			**(7,310)**			**(3,649)**	**(7,310)**	**(3,649)**
Remeasurement of the net defined benefit liability / (asset) (note 22)			**(13,586)**			**7,440**	**(13,586)**	**7,440**
Other Comprehensive Income and Expenditure			**(20,896)**			**3,791**	**(20,896)**	**3,791**
Total Comprehensive Income and Expenditure			**(27,894)**			**(8,310)**	**(27,960)**	**(8,347)**

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date, which is 31st March each year. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable Reserves can be found at the bottom of this Balance Sheet and Unusable Reserves held by the Group are contained within Note 22 to the Council's Core Financial Statements.

	Note	Authority		Group	
		2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Property, Plant and Equipment	12	**267,875**	256,948	**267,875**	256,948
Investment Property	14	**2,388**	4,320	**2,388**	4,320
Heritage Assets	13	**495**	495	**495**	495
Intangible Assets	15	**198**	231	**198**	231
Long Term Investments	16 + 39	**-**	10	**-**	10
Investment in Associate		**-**	-	**265**	199
Long Term Debtors	16 + 40	**305**	361	**305**	361
Long Term Assets		**271,261**	**262,365**	**271,526**	**262,564**
Short Term Investments		**21,120**	11,049	**21,120**	11,049
Current Assets held for sale	18	**476**	1,117	**476**	1,117
Inventories		**71**	74	**71**	74
Short Term Debtors	17	**5,489**	6,480	**5,489**	6,480
Cash and Cash Equivalents	Cash Flow	**7,172**	12,912	**7,172**	12,912
Current Assets		**34,328**	**31,632**	**34,328**	**31,632**
Short Term Borrowing	16 + 42	**(3,000)**	(5,000)	**(3,000)**	(5,000)
Short Term Creditors	19	**(7,961)**	(8,589)	**(7,961)**	(8,589)
Short Term Capital Grants Receipts in Advance	21	**(1,722)**	(2,524)	**(1,722)**	(2,524)
Current Liabilities		**(12,683)**	**(16,113)**	**(12,683)**	**(16,113)**
Long Term Creditors	16 + 41	**(7,094)**	(7,308)	**(7,094)**	(7,308)
Long Term Provisions	20	**(1,508)**	(825)	**(1,508)**	(825)
Long Term Borrowing	16 + 42	**(88,055)**	(88,216)	**(88,055)**	(88,216)
Long Term Capital Grants Receipts in Advance	21	**(714)**	(1,143)	**(714)**	(1,143)
Other Long Term Liabilities - Pension Liability	33	**(34,616)**	(47,367)	**(34,616)**	(47,367)
Long Term Liabilities		**(131,987)**	**(144,859)**	**(131,987)**	**(144,859)**
Net Assets		**160,919**	**133,025**	**161,184**	**133,224**
Capital Reserves					
Capital Receipts Reserve		**(3,844)**	(2,561)	**(3,844)**	(2,561)
Capital Grants Unapplied		**(1,486)**	(798)	**(1,486)**	(798)
Major Repairs Reserve		**(12,639)**	(9,369)	**(12,639)**	(9,369)
Share of Reserves of Associate		**-**	-	**(265)**	(199)
Revenue Reserves					
General Fund					
Fund Balance		**(4,159)**	(4,016)	**(4,159)**	(4,016)
Earmarked Reserves		**(6,582)**	(5,318)	**(6,582)**	(5,318)
Housing Revenue Account					
Fund Balance		**(5,298)**	(4,008)	**(5,298)**	(4,008)
Earmarked Reserves		**(5,228)**	(3,864)	**(5,228)**	(3,864)
Usable reserves		**(39,236)**	**(29,934)**	**(39,501)**	**(30,133)**
Unusable reserves	22	**(121,683)**	(103,091)	**(121,683)**	(103,091)
Total Reserves		**(160,919)**	**(133,025)**	**(161,184)**	**(133,224)**

Homira Javadi (FCCA - ACCA)
Chief Finance Officer

15th September 2016

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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	2015/16 £'000		2014/15 £'000	
Net (surplus) or deficit on the provision of services		**(6,998)**		**(12,101)**
Adjust net surplus or deficit on the provision of services for non cash movements:				
- Depreciation and Amortisation of Non Current Assets	(6,510)		(5,854)	
- Impairment and Downward valuations	2,354		4,432	
- Change in Creditors	(954)		(3,247)	
- Change in Debtors	(768)		(104)	
- Change in Inventory	(3)		(26)	
- Pension Liability	(835)		(539)	
- Movement in Provisions	(683)		(331)	
- Carrying value of Non-Current Assets disposed	(1,821)		(2,653)	
- Movement in Investment Property Values	(1,932)		363	
		(11,152)		**(7,959)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,827		5,039
Net cash flows from Operating Activities		**(13,323)**		**(15,021)**
Investing Activities:				
- Purchase of property, plant and equipment, investment property and intangible assets	10,215		13,390	
- Purchase of short-term and long-term investments	19,000		11,000	
- Other payments for investing activities	80		-	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,105)		(2,179)	
- Proceeds from short-term and long-term investments	(9,010)		(5,000)	
- Other receipts from investing activities	(1,836)		(3,998)	
		16,344		**13,213**
Financing Activities:				
- Cash receipts of short- and long-term borrowing	2,515		(1,182)	
- Other receipts from financing activities	5		5	
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	199		(186)	
- Repayments of short- and long-term borrowing	-		80	
		2,719		(1,283)
Net increase or decrease in cash and cash equivalents		**5,740**		**(3,091)**
Cash and cash equivalents at the beginning of the reporting period		(12,912)		(9,821)
Cash and cash equivalents at the end of the reporting period (See below)		**(7,172)**		**(12,912)**
- Cash held by officers		2		2
- Short-term deposits		6,153		12,406
- Bank current account		1,017		504
Sub-Total - Cash and Cash Equivalents		**7,172**		**12,912**
- Other bank balances (overdrafts)		-		-
Cash and cash equivalents at the end of the reporting period		**7,172**		**12,912**

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. 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 2015/16* and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest 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.

Statutory guidance for calculating MRP offers a number of options for calculating a prudent provision. Of the four options specified in the guidance, the Council’s policy is to use option one (the Regulatory method) in respect of historical financing and new “supported” capital expenditure, and option three (the Asset Life method) in respect of all “unsupported” capital expenditure. Most of the Council’s capital programme is “unsupported” in that the revenue support grant formula does not include provision for these financing costs. MRP in respect of any leases brought on Balance Sheet under IFRS will match the annual principal repayment for the associated liability, therefore neutralising any potential impact on council tax.

f) Employee benefits

<u>Benefits payable during employment</u>

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.

<u>Termination benefits</u>

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves

Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post employment benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices. The discount rate employed for the 2015/16 accounts is 3.5% 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 Non Distributed Costs; 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 Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

Events taking place after the 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; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

i) Government grants and contributions

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

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

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

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

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

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) Heritage assets

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

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

Civic regalia, portraits and medals

The Council owns a collection of mayoral items in respect of both the District Council and the former Lowestoft Borough Council. In addition there are a number of medals and portraits with local interest, including a Victoria Cross. Where material, these assets are included in the Council's accounts and reported in the Balance Sheet at insurance valuation, based on estimated market values. These valuations are reviewed at appropriate intervals to ensure their carrying value remains current. Because these assets are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

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

Paintings, prints and photographs

The Council owns a number of paintings, prints and photographs of local interest. Where material these items are reported in the Balance Sheet at insurance value. Valuations are reviewed at appropriate intervals to ensure the carrying value remains current. Because these assets are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

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

Lowestoft Porcelain

The Council owns a collection of pieces of Lowestoft Porcelain, which is held for its connection to local history and heritage. These items are reported in the Balance Sheet at insurance valuation, based on market values, with valuations updated at appropriate intervals to ensure their carrying value remains current. The porcelain is deemed to have indeterminate lives and a high residual value, hence the Council does not consider it appropriate to charge depreciation.

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

Heritage assets – general

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

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

k) Intangible assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

l) Interests in companies and other entities

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

Following a review of the Group Accounting requirements in the 2015/16 Code of Practice on Local Authority Accounting (the Code), and a review of the Norse Agreement in conjunction with NCS, the Council’s accounting relationship with Waveney Norse Limited was determined as an Associate. In the Council's own single-entity accounts, the interest in Waveney Norse Limited is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Waveney Norse Limited is based on their financial results at their accounting date of 3rd April 2016. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

m) Inventories

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

n) 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.

o) 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.

p) Leases

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

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

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

<u>The Council as Lessee</u>

Finance leases

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

Lease payments are apportioned between:

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

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

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

Operating leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the asset - applied to write down the lease debtor (together with any premiums received); and

- finance income (credited to the Financing and investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating leases

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

q) Overheads and support services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice* 2015/16 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

r) Fair value measurement

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

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

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

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

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

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

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

s) Property, plant and equipment

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

Recognition

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

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- dwellings – 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 2015/16 is 1st April 2015, with the exception of council dwellings whose effective date of revaluation is 31st December 2016. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and non-current assets held for sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

t) Provisions, contingent liabilities and contingent assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and 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.

u) Reserves

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

v) Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

w) Collection fund

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

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

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

The effect on the Collection Fund is:

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

x) VAT

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding Analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant & Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1st April 2016 and there is therefore no impact on the 2015/16 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 2015/16. 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 2015, the Council had to estimate the business rates income expected to be received in 2015/16 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance which was 5% of appeals that had been lodged with the Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015, otherwise backdated to 1st 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £168k (£68k council dwellings and £100k other buildings) for every year that useful lives had to be reduced. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, they are complex and inter related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31st March 2016, the Council had a balance of sundry debtors of £5.587m. A review of significant balances suggested that an allowance for doubtful debts of £3.071m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.
Housing benefit subsidy	In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £40.23 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.	If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.
Business rates appeals	Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%). The current system is relatively new and changes have been made by the Government in a number of areas since its introduction, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. The Council makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term. The Council has to make a number of assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.	If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and Suffolk Coastal District Council in future years based on their distribution proportions.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in notes 12, 14 and 16 below.	The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

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

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

In May 2015, the Council's new Riverside building became operational. The Riverside building is jointly owned with Suffolk County Council on a 50/50 basis. IAS16 required the Council to revalue the building from an asset under construction to an operational asset. Assets under construction are carried on the Council's Balance Sheet as actual costs incurred in the construction of the asset. Operational assets are valued at existing use value, which in the case of the Riverside building is a valuation of the asset as office accommodation in an active market.

At the point the Riverside building became operational; the asset under construction value on the Council's Balance Sheet was £5.5m, which represents 50% of the costs incurred in constructions and 50% of the land value. On 11th December 2015, Concertus issued a valuation report stating that as at 30th June 2015, the operational existing use value of the Riverside building was £6.516m of which £3.258m relates to the Council 50% share.

The 30th June 2015 valuations means revaluation losses of £2.243m have been recognised in the Comprehensive Income and Expenditure Statement across the various Cost of Service headings and can also been seen in Note 23 when comparing support service recharges between 2015/16 and 2014/15.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 15th September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, 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 2015/16 Accounts.

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

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

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

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

<u>General Fund Balance</u>

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.

<u>Housing Revenue Account Balance</u>

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.

<u>Major Repairs Reserve</u>

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.

<u>Capital Receipts Reserve</u>

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.

<u>Capital Grants Unapplied Account</u>

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.

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.

	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
2014/15							
Adjustments Involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(2,658)	-	(3,122)	-	-	**(5,780)**	5,780
Revaluation losses on Property, Plant and Equipment	(1,902)	6,478	-	-	-	**4,576**	(4,576)
Movements in the market value of Investment Properties	363	-	-	-	-	**363**	(363)
Amortisation of intangible assets	(50)	-	(24)	-	-	**(74)**	74
Revenue expenditure funded from capital under statute	(608)	-	-	-	-	**(608)**	608
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	(885)	(1,768)	-	-	-	**(2,653)**	2,653
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	989	-	-	-	-	**989**	(989)
Capital expenditure charged against the General Fund and HRA balances	1,307	3,904	-	-	-	**5,211**	(5,211)
Adjustment involving the Capital Grants Unapplied Account:							
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,657	-	-	-	(2,657)	**-**	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,473	**2,473**	(2,473)

	Usable Reserves						
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
2014/15							
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	52	2,125	-	(1,896)	-	**281**	(281)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	878	-	**878**	(878)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	-	(1)	-	**(1)**	1
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(283)	-	-	-	-	**(283)**	283
Adjustments involving the Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(2)	-	-	-	-	**(2)**	2
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	35	-	-	-	-	**35**	(35)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 22)	(3,062)	(579)	-	-	-	**(3,641)**	3,641
Employer's pensions contributions and direct payments to pensioners payable in the year	2,712	390	-	-	-	**3,102**	(3,102)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	485	-	-	-	-	**485**	(485)
Total Adjustments	**(850)**	**10,550**	**(3,146)**	**(1,019)**	**(184)**	**5,351**	**(5,351)**

	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
2015/16							
Adjustments Involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non current assets	(3,176)	-	(3,246)	-	-	**(6,422)**	6,422
Revaluation losses on Property, Plant and Equipment	(1,791)	4,145	-	-	-	**2,354**	(2,354)
Movements in the market value of Investment Properties	(1,932)	-	-	-	-	**(1,932)**	1,932
Amortisation of intangible assets	(64)	-	(24)	-	-	**(88)**	88
Revenue expenditure funded from capital under statute	(420)	-	-	-	-	**(420)**	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)	-	-	-	**(1,821)**	1,821
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	1,070	-	-	-	-	**1,070**	(1,070)
Capital expenditure charged against the General Fund and HRA balances	493	3,388	-	-	-	**3,881**	(3,881)
Adjustment involving the Capital Grants Unapplied Account:							
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	**2,243**	(2,243)

	Usable Reserves General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
Adjustments involving the Capital Receipts Reserve:							
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	300	1,596	-	(1,896)	-	**-**	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	290	-	**290**	(290)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(323)	-	-	323	-	**-**	-
Adjustments involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	35	-	-	-	-	**35**	(35)
Adjustments involving the Pensions Reserve:							
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see Note 22)	(3,342)	(817)	-	-	-	**(4,159)**	4,159
Employer's pensions contributions and direct payments to pensioners payable in the year	2,891	433	-	-	-	**3,324**	(3,324)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(659)	-	-	-	-	**(659)**	659
Total Adjustments	**(4,445)**	**7,382**	**(3,270)**	**(1,283)**	**(688)**	**(2,304)**	**2,304**

8. 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 2014/15 and 2015/16.

	Balance 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance 31 March 2015	Transfers Out 2015/16	Transfers in 2015/16	Balance 31 March 2016	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
Actuarial Adjustments Reserve	**357**	(334)	150	**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.
Business Rates Equalisation Reserve	**600**	(50)	642	**1,192**	-	284	**1,476**	To provide a source of finance to equalise the effect of changes in Business Rate income.
Backlog Repairs and Maintenance Reserve	**120**	-	-	**120**	(40)	-	**80**	To meet maintenance demands for corporate buildings.
Capital Reserve	**1,000**	(1,000)	-	**-**	-	-	**-**	To provide an additional source of finance for unspecified capital investment plans.
Coastal Protection Reserve	**-**	-	156	**156**	-	-	**156**	To fund future Lowestoft coastal defence works.
Community Development & Safety Reserve	**-**	-	70	**70**	(10)	-	**60**	Funding secured for prevention and activities work.
Community Health Reserve	**-**	-	-	**-**	-	107	**107**	Funding provided to support the delivery of Community Health projects.
Conservation, Planning & Building Control Reserve	**293**	-	88	**381**	-	21	**402**	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.
Customer Services Reserve	**-**	-	34	**34**	-	-	**34**	To support projects requiring post implementation review which may incur consultancy fees and service review costs.
District Elections Reserve	**130**	-	60	**190**	-	-	**190**	To support costs of future elections.
Economic Regeneration Reserve	**-**	-	81	**81**	(17)	-	**64**	Funding to support business activities and the recovery of the Lowestoft Seafront following the December 2013 floods.
Flood Prevention Reserve	**362**	(216)	-	**146**	(109)	-	**37**	Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Housing Benefits - Administration Reserve	**-**	-	75	**75**	-	-	**75**	To support the Anglia Revenues Partnership.
Housing Benefits - Verification Reserve (Formerly known as Housing Benefits Subsidy Reserve)	**200**	-	-	**200**	-	53	**253**	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Housing Condition Survey Reserve	**20**	-	10	**30**	-	-	**30**	To meet the cost of the periodic survey of Private Sector Housing within the district.
In-Year Savings Reserve	**-**	-	-	**-**	-	500	**500**	In-Year savings set aside to support future year budget gaps.

	Balance 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance 31 March 2015	Transfers Out 2015/16	Transfers in 2015/16	Balance 31 March 2016	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
Land Charges Reserve	**109**	(76)	-	**33**	-	102	**135**	To support the General Fund from losses in future Land Charges income.
Lowestoft Ogogo	**-**	-	-	**-**	-	43	**43**	Funding received to delivered the Lowestoft Ogogo project.
Major Projects Reserve	**100**	-	98	**198**	(67)	182	**313**	Funding to support projects and initiatives for the Area Action Plan in the Lake Lothing and outer harbour area.
MMI Reserve	**52**	(10)	-	**42**	-	14	**56**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
New Homes Bonus Reserve	**655**	(875)	1,217	**997**	-	82	**1,079**	To support economic development and business growth initiatives.
NNDR - Administration Reserve	**-**	-	14	**14**	-	-	**14**	To support the Anglia Revenues Partnership.
Planning Policy Reserve	**-**	-	127	**127**	-	109	**236**	To support development work and audit of the Local Plan.
Private Sector Housing Reserve	**-**	-	-	**-**	-	15	**15**	Grants repaid to be set aside for Empty Property/Home Inprovement Initiatives.
Rent Guarantee Scheme Reserve	**25**	-	5	**30**	-	-	**30**	To provide a source of finance for landlord claims.
Revenue Grants Receipt in Advance Reserve	**78**	(1)	-	**77**	(4)	14	**87**	To match revenue grants received in advance with its related expenditure in subsequent years.
Short Life Assets Reserve	**169**	(307)	466	**328**	(494)	527	**361**	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 Reserve	**-**	-	243	**243**	-	-	**243**	Receipt of monies from letting of new Beach Hut sites in Southwold in 2014/15 approved to be used within Southwold.
Transformation Reserve (Formerly known as Efficiencies Reserve)	**380**	-	1	**381**	(48)	-	**333**	To provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets.
Total General Fund	**4,650**	**(2,869)**	**3,537**	**5,318**	**(789)**	**2,053**	**6,582**	

	Balance 1 April 2014	Transfers Out 2014/15	Transfers In 2014/15	Balance 31 March 2015	Transfers Out 2015/16	Transfers in 2015/16	Balance 31 March 2016	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Revenue Account:								
Hardship Reserve	**500**	-	-	**500**	-	-	**500**	Recognising the need to provide financial help to tenants who find themselves in financial hardship due to the welfare reforms.
Debt Repayment Reserve	**2,856**	-	200	**3,056**	-	1,350	**4,406**	To set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	**400**	(144)	-	**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**	-	-	**52**	-	14	**66**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Total Housing Revenue Account	**3,808**	**(144)**	**200**	**3,864**	**-**	**1,364**	**5,228**	
Total	**8,458**	**(3,013)**	**3,737**	**9,182**	**(789)**	**3,417**	**11,810**	

9. Comprehensive Income and Expenditure Statement - other operating expenditure

	2015/16	2014/15
	£'000	£'000
Parish Council precepts	568	548
Levies	23	22
Payments to the Government Housing Capital Receipts Pool	323	283
Gains/losses on the disposal of non current assets	(94)	476
Total	**820**	**1,329**

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

	2015/16	2014/15
	£'000	£'000
Interest payable and similar charges	3,040	2,997
Net interest on the net defined benefit liability	1,501	1,667
Income and expenditure in relation to investment properties and changes in their fair value	1,619	(689)
Interest receivable and similar income	(241)	(165)
Total	**5,919**	**3,810**

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

	2015/16	2014/15
	£'000	£'000
Council tax income	(5,836)	(5,739)
Non domestic rates	(10,532)	(10,614)
Tariff payment to Suffolk County Council	7,022	6,891
Share of (surplus)/deficit on collection fund	937	157
Levy payment to Suffolk Business Rates Pool	12	286
Share of pooling benefit with other Suffolk Councils	(76)	(283)
Non-ring fenced government grants	(5,961)	(6,286)
Capital grant and contributions	(2,284)	(2,119)
Total	**(16,718)**	**(17,707)**

12. Property, plant and equipment

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 Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
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	29	-	1,581	269	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)
At 31 March 2016	**186,992**	**53,799**	**10,792**	**30,651**	**2,820**	**2,390**	**443**	**1,000**	**288,887**
Accumulated Depreciation and Impairment									
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)
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	(4)	(35)	(323)	-	-	-	-	-	(362)
Derecognition - Other	-	(74)	(556)	-	-	-	-	-	(630)
Other movements in Depreciation and Impairment	-	(32)	-	(31)	-	-	-	-	(63)
At 31 March 2016	**-**	**2,362**	**6,565**	**12,085**	**-**	**-**	**-**	**-**	**21,012**
Net Book Value									
At 31 March 2016	**186,992**	**51,437**	**4,227**	**18,566**	**2,820**	**2,390**	**443**	**1,000**	**267,875**
At 31 March 2015	**182,302**	**43,723**	**4,567**	**17,242**	**2,791**	**1,241**	**4,726**	**356**	**256,948**

Comparative Movements in 2014/15:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land awaiting Development	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2014	175,729	43,326	12,241	26,955	2,759	2,651	126	616	264,403
Additions	3,581	1,523	929	1,487	20	9	4,600	-	12,149
Revaluation increases / (decreases) recognised in the Revaluation Reserve	368	2,455	-	-	63	-	-	-	2,886
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	3,953	(1,462)	-	-	(36)	(10)	-	(20)	2,425
Derecognition - Disposals	(1,206)	(4)	(691)	-	(34)	-	-	-	(1,935)
Derecognition - Other	-	(446)	(1,798)	-	-	-	-	-	(2,244)
Assets reclassified (to) / from Held for Sale	(123)	(1,218)	-	-	-	175	-	(240)	(1,406)
Other movements in Cost or Valuation	-	1,478	36	-	19	(1,498)	-	-	35
At 31 March 2015	**182,302**	**45,652**	**10,717**	**28,442**	**2,791**	**1,327**	**4,726**	**356**	**276,313**
Accumulated Depreciation and Impairment									
At 1 April 2014	-	1,735	6,667	10,901	-	86	-	-	19,389
Depreciation charge	2,677	1,304	1,499	826	-	-	-	-	6,306
Depreciation written out to the Revaluation Reserve	(132)	(632)	-	-	-	-	-	-	(764)
Depreciation written out to the Surplus / Deficit on the Provision of Services	(2,538)	(457)	-	-	-	-	-	-	(2,995)
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	(527)	-	-	-	-	(527)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-
Derecognition - Disposals	(7)	-	(472)	-	-	-	-	-	(479)
Derecognition - Other	-	(21)	(1,580)	-	-	-	-	-	(1,601)
Other movements in Depreciation and Impairment	-	-	36	-	-	-	-	-	36
At 31 March 2015	**-**	**1,929**	**6,150**	**11,200**	**-**	**86**	**-**	**-**	**19,365**
Net Book Value									
At 31 March 2015	**182,302**	**43,723**	**4,567**	**17,242**	**2,791**	**1,241**	**4,726**	**356**	**256,948**
At 1 April 2014	**175,729**	**41,591**	**5,574**	**16,054**	**2,759**	**2,565**	**126**	**616**	**245,014**

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 31st March 2016. There is no prior year comparative as the effective date for fair value measurement of surplus assets is 1st April 2015 and restatement of prior year transactions is not required. 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.

Capital commitments – At 31st March 2016, the Council had no contractual commitments.

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 1st April in the year of account, with the exception of Council Dwellings, which are valued at the 31st December 2015. 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 Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	75	10,792	30,651	2,802	-	443	269	45,032
Value at current value as at:									
31 March 2016	186,992	28,467	-	-	-	2,390	-	259	218,108
31 March 2015	-	7,652	-	-	18	-	-	-	7,670
31 March 2014	-	7,870	-	-	-	-	-	409	8,279
31 March 2013	-	5,742	-	-	-	-	-	-	5,742
31 March 2012	-	3,993	-	-	-	-	-	63	4,056
Total Cost or Valuation	**186,992**	**53,799**	**10,792**	**30,651**	**2,820**	**2,390**	**443**	**1,000**	**288,887**

13. Heritage assets

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

	Civic Regalia Portraits & Medals	Paintings, Prints & Photographs	Lowestoft Porcelain	Total Heritage Assets
	£'000	£'000	£'000	£'000
1 April 2015	255	51	189	**495**
Additions	-	-	-	**-**
Revaluations	-	-	**-**	**-**
31 March 2016	255	51	189	**495**

Further Information on the Council's Heritage Assets

Civic Regalia, Portraits and Medals

The Council owns a collection of mayoral items in respect of both the District Council and the former Lowestoft Borough Council. In addition there are a number of medals and portraits with local interest, including a Victoria Cross. Where material, these assets are included in the Council's accounts and reported in the Balance Sheet at insurance valuation, based on estimated market values. These valuations are reviewed at appropriate intervals to ensure their carrying value remains current. The Council maintains an inventory list which includes the location, description and value of a number of articles. The list was reviewed during 2015/16 and will be revalued in accordance with Council Policy.

Paintings, Prints and Photographs

The Council owns a number of paintings, prints and photographs of local interest. Where material these items are reported in the Balance Sheet at insurance value. Valuations are reviewed at appropriate intervals to ensure the carrying value remains current. The Council maintains an inventory list which includes the location, description and value of a number of articles. The list was reviewed during 2015/16 and will be revalued in accordance with the Council Policy.

Lowestoft Porcelain

The Council owns a collection of pieces of Lowestoft Porcelain, which is held for its connection to local history and heritage. These items are reported in the Balance Sheet at insurance valuation, based on market values, with valuations updated at appropriate intervals to ensure their carrying value remains current. The Council maintains an inventory list of Porcelain which is currently on loan to the Council and items which are owned by the Council. The inventory includes the description, object number and a valuation amount for those that are owned by the Council. The list was reviewed during 2015/16 and will be revalued in accordance with the Council Policy.

14. 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:

	2015/16	2014/15
	£'000	£'000
Rental income from investment properties	457	423
Direct operating expenses arising from investment properties	(1)	-
Net gain/(loss)	456	423

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:

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	4,320	3,957
Additions:		
- Purchases	-	-
Net gains/losses from fair value adjustments	(1,932)	363
Balance at 31 March	2,388	4,320

Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31st March 2016. There is no prior year comparative as the effective date for fair value measurement of surplus assets is 1st April 2015 and restatement of prior year transactions is not required.

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.

15. Intangible assets

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

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

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

	2015/16 Other Assets	2014/15 Other Assets
	£'000	£'000
Balance at start of year:		
• Gross carrying amount	**988**	1,008
• Accumulated amortisation	**(757)**	(766)
Net carrying amount at start of year	**231**	242
Additions:		
• Purchases	**55**	130
Other disposals		
• Gross carrying amount	**(185)**	(150)
• Accumulated amortisation	**185**	83
Amortisation for the period	**(88)**	(74)
Net carrying amount at end of year	**198**	231
Comprising		
• Gross carrying amount	**858**	988
• Accumulated amortisation	**(660)**	(757)
	198	231

There were no changes to accounting estimates in respect of useful lives, residual values or amortisation methods that had a material financial effect on the results for the current period or are expected to have an effect in subsequent periods.

There are no items of capitalised software that are individually material to the financial statements.

Effects of changes in estimates

The Council has made no material changes to its accounting estimates for intangible assets. There were no changes in the useful life, residual value estimates or amortisation methods that had a material financial effect on the results for the current period or are expected to have an effect in subsequent periods.

Capital commitments

At 31st March 2016, the Council had no capital commitments in relation to intangible assets (31st March 2015 nil).

16. Financial instruments

Categories of financial instruments

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

	Long-term		Current	
	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000
Investments				
Loans and receivables	-	10	27,273	23,455
Total investments	**-**	10	**27,273**	23,455
Debtors				
Loans and receivables	28	70	5,991	5,840
Total included in debtors	**28**	70	**5,991**	5,840
Borrowings				
Financial liabilities at amortised cost	(88,055)	(88,216)	(3,000)	(5,000)
Total included in borrowings (see Note 42 for further information)	**(88,055)**	(88,216)	**(3,000)**	(5,000)
Creditors				
Financial liabilities at amortised cost	(7,094)	(7,308)	**(5,301)**	(6,074)
Total creditors	**(7,094)**	(7,308)	**(5,301)**	(6,074)
Total Financial Instruments	**(95,121)**	(95,444)	**24,963**	18,221

Income, Expense, Gains and Losses

	2015/16			2014/15		
	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	3,040	-	3,040	2,997	-	2,997
Total expense in Surplus or Deficit on the Provision of Services	**3,040**	**-**	**3,040**	2,997	-	2,997
Interest income	**-**	(241)	(241)	-	(165)	(165)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(241)**	**(241)**	-	(165)	(165)
Net gain / (loss) for the year	**3,040**	**(241)**	**2,799**	2,997	(165)	2,832

Fair Values of Assets and Liabilities

The financial assets and liabilities disclosed above are carried at cost as this is a reasonable approximation of fair value for the types of financial instruments held by the Council (mainly trade debtors and creditors and cash investments). The exception is Public Works Loan Board (PWLB) loans which are calculated using the premature repayment rate published by the PWLB on 31st March 2016. The fair values of all financial liabilities are provided below (additional information is provided in Note 42 to the Core Financial Statements regarding just PWLB).

	2015/16		2014/15	
	Carrying amount £'000	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial liabilities at amortised cost	**(91,055)**	**(108,301)**	(93,216)	(110,492)

17. Debtors

	2015/16 £'000	2014/15 £'000
Central Government bodies	1,016	1,338
Other Local Authorities	1,305	1,297
NHS bodies	11	-
Council Taxpayers	722	660
Other entities and individuals	5,587	5,959
Prepayments	415	526
Unsecured Loans (falling due after one year)	-	1
Total	**9,056**	**9,781**
less Bad Debt Impairment Provisions		
Council Taxpayers	(496)	(428)
Other service debtors	(3,071)	(2,873)
Total	**5,489**	**6,480**

18. Assets held for sale

	Current Assets	
	2015/16 £'000	**2014/15 £'000**
Balance outstanding at start of year	**1,117**	**1,187**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	-	1,580
Revaluation gains	-	(988)
Assets declassified as held for sale:		
- Property, Plant and Equipment	(100)	(175)
Assets sold	(541)	(487)
Balance outstanding at year-end	**476**	**1,117**

19. Creditors

	2015/16 £'000	2014/15 £'000
Central Government bodies	1,141	1,864
Other Local Authorities	2,297	2,626
Public corporations and trading funds	-	7
Other entities and individuals	3,179	3,861
Receipts in Advance	1,344	231
Total	**7,961**	**8,589**

20. Provisions

	MMI £'000	Business Rates Appeals £'000	Total £'000
Long Term Provisions			
Balance at 1 April 2015	44	**781**	**825**
Additional provisions made in 2015/16	-	951	**951**
Amounts used in 2015/16	-	(90)	**(90)**
Unused amounts reversed in 2015/16	(28)	(150)	**(178)**
Balance at 31 March 2016	**16**	**1,492**	**1,508**

Outstanding Legal Cases

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

Provisions

a) The provision of £44k in relation to Municipal Mutual Insurance (MMI) is based on the fact that the Scheme Administrator (Ernst and Young) has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims could be required to achieve a projected solvent run-off. The Council paid during 2013/14 its Levy equivalent to 15% of the claims (£79k) and therefore established a provision to cover the possibility of a further Levy equivalent to 13% of claims. As at 31st March 2016, MMI have confirmed that the Levy needs to be increased by a further 10% to 25% of claims and an additional £55k has been accrued for in 2015/16, therefore the provision has been reduced by £28k to represent 3% difference between modelled outcome and Levy paid.

b) As part of the Business Rates Retention scheme, the Council is required to maintain a provision for its share of the business rates appeals provision shown within the Collection Fund. The appeals provision relates to those appeals that have been registered with the Valuation Office. The total appeals provision in the Collection Fund is £3.729m, of which the Council's share is 40%.

The Council's calculation of the provision for Business Rates appeals must cover an element for future appeals. In 2014/15, a review of all appeals lodged since 2010 was undertaken and this identified that the majority of the appeals were made in the first year i.e. 2010 when the revaluation was carried out. During 2014/15, DCLG announced any appeal to be backdated to 2010 had to be lodged with the Valuation Office by 31st March 2015 otherwise appeals lodged after that date could only be backdated until 1st April 2015, which resulted in a large number of late appeals. The Business Rates appeal provision above incorporates all appeals lodged with the Valuation Office by 31st March 2016, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2015/16.

21. Grant income

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

	2015/16 £'000	2014/15 £'000
Credited to Taxation and Non Specific Grant Income		
Non-ring fenced government grants	**(5,961)**	(6,286)
Capital grant and contributions	**(2,284)**	(2,119)
Total	**(8,245)**	**(8,405)**
Credited to Services		
Housing Benefits Subsidy	**(39,635)**	(41,280)
Benefits Administration Grant	**(763)**	(824)
Transformational Challenge Award (Lowestoft Rising)	**-**	(105)
Bellwin Tidal Surge Grant	**-**	(51)
East Coast Carbon Efficiency Grant	**(62)**	(220)
Disabled Facilities Grants	**(663)**	(538)
Lowestoft Seafront Regeneration/Scores Projects	**(50)**	-
Other Grants	**(603)**	(80)
Total	**(41,776)**	**(43,098)**

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:

	2015/16 £'000	2014/15 £'000
Capital Grants Receipts in Advance (Short-Term)		
Other grants	618	2,007
s106 Contributions	677	73
DEFRA - Coastal Change Pathfinder Grant	427	444
Total	**1,722**	**2,524**
Capital Grants Receipts in Advance (Long-Term)		
Normanston Tennis Insurance	54	54
Gunton Community Park - Suffolk County Council	7	11
s106 Contributions	653	1,078
Total	**714**	**1,143**

22. Unusable Reserves

	2015/16 £'000	2014/15 £'000
Revaluation Reserve	(23,156)	(17,036)
Capital Adjustment Account	(134,591)	(134,246)
Financial Instruments Adjustment Account	930	965
Pensions Reserve	34,616	47,367
Collection Fund Adjustment Account	518	(141)
Total Unusable Reserves	**(121,683)**	**(103,091)**

Revaluation Reserve

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

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

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

	2015/16 £'000	2014/15 £'000
Balance at 1 April	(17,036)	(13,855)
Upward revaluation of assets	(8,067)	(3,962)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	757	313
Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services	(7,310)	(3,649)
Difference between fair value depreciation and historical cost depreciation	696	423
Accumulated gains on assets sold or scrapped	494	45
Amount written off to the Capital Adjustment Account	1,190	468
Balance at 31 March	(23,156)	(17,036)

Capital Adjustment Account

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

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

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2015/16 £'000	2014/15 £'000
Balance at 1 April	(134,246)	(128,403)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	6,422	5,780
- Revaluation losses on Property, Plant and Equipment	(2,354)	(4,576)
- Amortisation of intangible assets	88	74
- Revenue expenditure funded from capital under statute	420	608
- Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,821	2,653
Adjusting amounts written out of the Revaluation Reserve:		
- Disposals	(494)	(45)
- Amortisation	(696)	(423)
Net written out amount of the cost of non current assets consumed in the year		
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	(290)	(877)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(2,243)	(2,473)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(1,070)	(989)
- Capital expenditure charged against the General Fund and HRA balances	(3,881)	(5,212)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,932	(363)
Balance at 31 March	(134,591)	(134,246)

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	965	1,000
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)	(35)
Balance at 31 March	930	965

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	47,367	39,388
Remeasurements of the net defined benefit liability / (asset)	(13,586)	7,440
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	4,159	3,641
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,324)	(3,102)
Balance at 31 March	34,616	47,367

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.

	2015/16	2014/15
	£'000	£'000
Balance at 1 April	(141)	344
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.	659	(485)
Balance at 31 March	518	(141)

23. Amounts reported for resource allocation decisions (segmental reporting)

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to Strategic Priority Themes.

The income and expenditure of the Council's principal Strategic Priority Themes recorded in the budget reports for the year is as follows:

Strategic Priority Themes Income and Expenditure

2015/16	Community Health	Customers & Communities	Green Environment & Operational Partnerships	Housing	HRA	Leader	Leisure, Tourism & Economic Development	Planning	Resources	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(208)	(8)	(3,830)	(1,932)	(20,033)	-	(2,898)	(953)	(1,125)	**(30,987)**
Government grants	-	(1)	-	(41,292)	(18)	-	(169)	(10)	(226)	**(41,716)**
Total Income	**(208)**	**(9)**	**(3,830)**	**(43,224)**	**(20,051)**	**-**	**(3,067)**	**(963)**	**(1,351)**	**(72,703)**
Employee expenses	448	141	361	532	4,326	3	732	1,440	1,839	**9,822**
Other service expenses	471	134	6,025	42,524	3,296	50	3,909	441	(124)	**56,726**
Support services recharges	458	273	838	1,027	1,311	5	1,023	1,156	1,852	**7,943**
Total Expenditure	**1,377**	**548**	**7,224**	**44,083**	**8,933**	**58**	**5,664**	**3,037**	**3,567**	**74,491**
Net Expenditure	**1,169**	**539**	**3,394**	**859**	**(11,118)**	**58**	**2,597**	**2,074**	**2,216**	**1,788**

Strategic Priority Themes Income and Expenditure

2014/15

	Community Health	Customers & Communities	Green Environment & Operational Partnerships	Housing	HRA	Leader	Leisure, Tourism & Economic Development	Planning	Resources	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(277)	(32)	(3,831)	(676)	(19,253)	-	(3,061)	(757)	(1,159)	**(29,046)**
Government grants	(31)	(105)	-	(44,287)	-	-	(16)	(9)	(14)	**(44,462)**
Total Income	**(308)**	**(137)**	**(3,831)**	**(44,963)**	**(19,253)**	**-**	**(3,077)**	**(766)**	**(1,173)**	**(73,508)**
Employee expenses	1,019	1,044	323	523	3,485	622	779	1,104	4,371	**13,270**
Other service expenses	975	253	6,406	43,784	3,483	52	3,370	393	1,724	**60,440**
Support services recharges	(750)	(988)	(106)	931	1,292	(646)	584	530	(886)	**(39)**
Total Expenditure	**1,244**	**309**	**6,623**	**45,238**	**8,260**	**28**	**4,733**	**2,027**	**5,209**	**73,671**
Net Expenditure	**936**	**172**	**2,792**	**275**	**(10,993)**	**28**	**1,656**	**1,261**	**4,036**	**163**

Reconciliation of Strategic Priority Themes Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2015/16	2014/15
	£'000	£'000
Net expenditure in the Strategic Priority Themes Analysis:		
Net expenditure of services and support services not included in the Analysis	**1,788**	**163**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	**-**	**9**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**1,193**	**295**
Cost of Services in Comprehensive Income and Expenditure Statement	**2,981**	**467**

Reconciliation to Subjective Analysis

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

2015/16	Strategic Priority Themes Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total	Group Accounting Items	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(30,987)	-	-	**(30,987)**	-	**(30,987)**	-	(30,987)
Surplus or deficit on associates and joint ventures	-	-	-	**-**	-	**-**	(66)	(66)
Interest and investment income	-	-	-	**-**	1,378	**1,378**	-	1,378
Income from council tax	-	-	-	**-**	(5,836)	**(5,836)**	-	(5,836)
Government grants and contributions	(41,716)	-	-	**(41,716)**	(10,381)	**(52,097)**	-	(52,097)
Total Income	**(72,703)**	**-**	**-**	**(72,703)**	**(14,839)**	**(87,542)**	**(66)**	**(87,608)**
Employee expenses	9,822	-	-	**9,822**	-	**9,822**	-	9,822
Other services expenses	56,726	-	-	**56,726**	-	**56,726**	-	56,726
Support Service recharges	7,943	-	-	**7,943**	-	**7,943**	-	7,943
Depreciation, amortisation and impairment	-	-	1,193	**1,193**	-	**1,193**	-	1,193
Interest Payments	-	-	-	**-**	4,541	**4,541**	-	4,541
Precepts & Levies	-	-	-	**-**	591	**591**	-	591
Payments to Housing Capital Receipts Pool	-	-	-	**-**	323	**323**	-	323
Gain or Loss on Disposal of Non-Current Assets	-	-	-	**-**	(94)	**(94)**	-	(94)
Total Expenditure	**74,491**	**-**	**1,193**	**75,684**	**5,361**	**81,045**	**-**	**81,045**
Surplus or deficit on the provision of services	**1,788**	**-**	**1,193**	**2,981**	**(9,478)**	**(6,497)**	**(66)**	**(6,563)**

	2014/15							
	Strategic Priority Themes Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Cost of Services	Corporate Amounts	Total	Group Accounting Items	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(29,046)	-	-	**(29,046)**	**-**	**(29,046)**	-	**(29,046)**
Surplus or deficit on associates and joint ventures	-	-	-	**-**	**-**	**-**	(37)	**(37)**
Interest and investment income	-	-	-	**-**	(854)	**(854)**	-	**(854)**
Income from council tax	-	-	-	**-**	(5,739)	**(5,739)**	-	**(5,739)**
Government grants and contributions	(44,462)	-	-	**(44,462)**	(11,968)	**(56,430)**	-	**(56,430)**
Total Income	**(73,508)**	**-**	**-**	**(73,508)**	**(18,561)**	**(92,069)**	**(37)**	**(92,106)**
Employee expenses	13,270	-	-	**13,270**	-	**13,270**	-	**13,270**
Other services expenses	60,440	9	-	**60,449**	-	**60,449**	-	**60,449**
Support Service recharges	(39)	-	-	**(39)**	-	**(39)**	-	**(39)**
Depreciation, amortisation and impairment	-	-	295	**295**	-	**295**	-	**295**
Interest Payments	-	-	-	**-**	4,664	**4,664**	-	**4,664**
Precepts & Levies	-	-	-	**-**	570	**570**	-	**570**
Payments to Housing Capital Receipts Pool	-	-	-	**-**	283	**283**	-	**283**
Gain or Loss on Disposal of Non-Current Assets	-	-	-	**-**	476	**476**	-	**476**
Total Expenditure	**73,671**	**9**	**295**	**73,975**	**5,993**	**79,968**	**-**	**79,968**
Surplus or deficit on the provision of services	**163**	**9**	**295**	**467**	**(12,568)**	**(12,101)**	**(37)**	**(12,138)**

24. Southwold Harbour Undertaking

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

Revenue Account	2015/16	2014/15
	£'000	£'000
Income	(221)	(249)
Expenditure	198	130
(Surplus) / Deficit for the Year	(23)	(119)

Non-Current Assets	Public Conveniences	Harbour	Total
	2015/16	2015/16	2015/16
Gross Book Value	£'000	£'000	£'000
Balance 1 April 2015	53	5,176	5,229
Additions	-	-	-
Revaluations	243	(88)	155
Balance 31 March 2016	296	5,088	5,384
Depreciation			
Balance 1 April 2015	3	263	266
Additions	6	100	106
Revaluation	(3)	(48)	(51)
Balance 31 March 2016	6	315	321
Net Book Value			
Balance 1 April 2015	50	4,913	4,963
Additions	(6)	(100)	(106)
Revaluation	246	(40)	206
Balance 31 March 2016	290	4,773	5,063

25. Trading operations

Trading Accounts are only maintained either where the work is carried out by an internal trading organisation, or where a contract from another public body exists, and where these are not included as part of the relevant service costs in the Comprehensive Income and Expenditure Statement. Material surpluses or deficits are reapportioned only where failure to do so would result in a material mis-statement at the Division of Service level. The Council no longer maintains formal Trading Accounts following the ending of an arrangement to deliver a leisure facility on behalf of another public body in March 2008 and the transfer of vehicle maintenance services to Waveney Norse in July 2008.

The following trading activities are included as part of relevant service costs within the Comprehensive Income and Expenditure Statement (note: caravan expenditure in 2015/16 includes £651k of revaluation loss reversal):

	2015/16 Expenditure £'000	2015/16 Income £'000	2014/15 Expenditure £'000	2014/15 Income £'000
Cultural, Environmental, Regulatory and Planning Services				
Industrial Estates	**82**	**551**	126	467
Markets	**150**	**57**	76	57
Caravan and Camping Sites	**(407)**	**488**	309	513
Sea Front Activities	**16**	**172**	69	423
Other Activities	**88**	**2**	3	4
Highways and Transport Services				
Yacht Stations	**170**	**220**	61	180
	99	**1,490**	**644**	**1,644**
Net (Surplus) / Deficit to General Fund		**(1,391)**		(1,000)
	99	**99**	**644**	**644**

26. Members' allowances

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

	2015/16 £'000	2014/15 £'000
Basic, Attendance and Special Responsibility Allowances	**291**	240
Subsistence and Expenses	**14**	13
Total	**305**	**253**

27. 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.

	2015/16 £'000	2014/15 £'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	57	73
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	15	22
Total	**72**	**95**

28. 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 are set out in the subjective analysis in Note 23 on reporting for resource allocation decisions. Grants receipts outstanding at 31st March 2016 are shown in Note 21.

Suffolk Coastal District Council

Waveney District Council and Suffolk Coastal District Council have formally agreed that both Councils are each other preferred partners for shared services, and with effect from 1st October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Suffolk Coastal DC is disclosed in the Narrative Report and note 29 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 33), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.472m with a year-end debtor of £156k (2014/15 £1.508m with a year-end debtor of £87k). Funding from Suffolk County Council included a £500k contribution for Lowestoft Flood Risk. The Council has paid capital contributions to Suffolk County Council of £1.941m for the Riverside and Marina joint projects.

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 2015/16 is shown in note 26. During 2015/16 the Council made payments of £686k (year-end creditor £85k) to Vertas (formerly known as Eastern Facilities Management Solutions Ltd) being building operating expenses for Riverside and the Marina Centre. There wasn't a related party 2014/15 comparator as Vertas was previously part of Suffolk County Council.

The Council also made other payments in 2015/16 totalling £39k (£38k in 2014/15) 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 £23k (£22k in 2014/15) as shown in note 9.

Waveney Norse Ltd

As part of the contract with Waveney Norse Ltd, two Council employees, Arthur Charvonia (Strategic Director & Monitoring Officer) and Andrew Jarvis (Strategic Director), who was appointed 4th November 2015 to replace David Gallagher (former Head of Leisure Operations & Commercial Partnerships) who resigned on 12th October 2015, are named as Directors of Waveney Norse Ltd due to their representation of the Council's interests through the Partnership Board.

29. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2015/16 or 2014/15.

		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
		£	£	£	£	£	£	£
Director of Resources (Part Year)	**2015/16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2014/15	7,157	-	58,945	66,102	1,145	67,247	-
Strategic Director & Monitoring Officer	**2015/16**	**96,505**	**-**	**-**	**96,505**	**15,051**	**111,556**	**-**
	2014/15	85,935	-	-	85,935	13,224	99,159	-
Head of Transformation and Corporate Services	**2015/16**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2014/15	1,103	-	-	1,103	-	1,103	-
Head of Strategic Housing & Tenant Services	**2015/16**	**32,011**	**-**	**-**	**32,011**	**5,122**	**37,133**	**-**
	2014/15	61,755	-	8,200	69,955	9,247	79,202	-
Head of ICT	**2015/16**	**61,895**	**-**	**-**	**61,895**	**11,434**	**73,329**	**-**
	2014/15	47,527	-	-	47,527	7,493	55,020	-
Head of Customer Services	**2015/16**	**57,762**	**-**	**-**	**57,762**	**9,271**	**67,033**	**-**
	2014/15	6,846	-	-	6,846	1,085	7,931	-
Head of Communities	**2015/16**	**54,324**	**-**	**-**	**54,324**	**8,692**	**63,016**	**-**
	2014/15	-	-	-	-	-	-	-
Head of Commercial Partnerships and Strategic	**2015/16**	**30,897**	**-**	**-**	**30,897**	**4,943**	**35,840**	**-**
	2014/15	59,451	-	-	59,451	9,247	68,698	-

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	2015/16		2014/15	
	Number of employees		Number of employees	
	Total	Left in	Total	Left in Year
£50,000 - £54,999	**-**	**-**	1	**-**
£60,000 - £64,999	1	1	**-**	**-**
£65,000 - £69,999	2	2	**-**	**-**
	3	**3**	**1**	**-**

The above numbers include officers who were made redundant voluntarily during the 2015/16 and 2014/15 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers.

With effect from 1st October 2010 the Council, in conjunction with its Preferred Partner, Suffolk Coastal District Council, appointed a new shared senior management team. This has since been extended to include majority of the staff as part of the shared services. The postholders continue to be employed by the council which employed them prior to the introduction of the shared Senior Management Team. Details of the total costs of the integrated management team, reflecting total contributions (inclusive of salary and expense payments made, as well as National Insurance and Pension Fund contributions) are set out in a separate analysis below. Eight of the Senior Management Team referred to above 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. The Chief Executive is the Head of Paid Service and paid a nominal fee by the Council, although employed by Suffolk Coastal DC.

The notes above set out the Council's Senior Management Team, and explains that a number are employees of Suffolk Coastal District Council (SCDC), (so are included in SCDC's Statement of Accounts, under the appropriate salary bandings). The note below sets out how this Council reimburses SCDC for its 50% share of the relevant employment costs, and the corresponding 50% reimbursement from SCDC to this Council's employment. In addition other transactions are disclosed in Note 28, Related Parties.

Shared Senior Management	2015/16 Expenditure by WDC £	2015/16 Expenditure by SCDC £	2014/15 Expenditure by WDC £	2014/15 Expenditure by SCDC £
Chief Executive	-	200,091	-	172,987
Strategic Director	-	141,379	-	110,766
Strategic Director & Monitoring Officer	138,508	-	108,857	-
Director of Resources	-	-	9,487	-
Head of Environmental Services and Port Health	-	102,270	-	78,625
Head of Commercial Partnerships and Strategic Commissioning	45,318	-	78,348	-
Head of Planning Services & Coastal Management	-	104,404	-	92,443
Head of Legal and Democratic Services	-	98,316	-	78,476
Head of Strategic Housing and Tenant Services	45,380	-	76,903	-
Head of ICT	92,930	-	62,573	-
Head of Customer Services	92,273	-	9,456	-
Chief Finance Officer	-	110,375	-	79,778
Head of Community and Economic Services	-	93,701	-	76,063
Senior Management direct support costs	105,715	50,995	92,560	53,462
Total spend	520,124	901,531	438,184	742,600
Net adjustment between councils	190,704	(190,704)	152,208	(152,208)
	710,828	710,828	590,392	590,392

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	
	2015/16	2014/15	**2015/16**	2014/15	**2015/16**	2014/15	**2015/16**	2014/15
£							**£**	£
0 to 20,000	**9**	4	**1**	3	**10**	7	**64,787**	70,102
20,001 to 40,000	**1**	-	**-**	-	**1**	-	**25,323**	-
50,001 to 60,000	**-**	-	**-**	1	**-**	1	**-**	58,945
TOTAL	**10**	4	**1**	4	**11**	8	**90,110**	129,047

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 three at a cost of £105k (2014/15 - three at a cost of £275k) as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

30. 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.

	2015/16	2014/15
	£'000	**£'000**
Opening Capital Financing Requirement	**104,558**	**100,757**
Capital investment		
Property, Plant and Equipment*	8,869	12,149
Investment Properties*	-	-
Intangible Assets*	55	130
Capital Prepayment	(191)	470
Revenue Expenditure Funded from Capital under Statute	421	608
Impairment of Long Term Debtor	-	(5)
Total Capital Investment	**9,154**	**13,352**
Sources of finance		
Capital receipts	290	877
Government grants and other contributions	2,244	2,473
Direct revenue contributions	3,881	5,212
Minimum Revenue Provision	1,070	989
Closing Capital Financing Requirement	**106,227**	**104,558**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	1,669	3,801
Increase/(decrease) in Capital Financing Requirement	**1,669**	**3,801**

* These figures match to the Additions lines in Notes 12, 14 and 15 detailing movements on the non-current assets.

31. Leases

Disclosures as Lessee

Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2015 are carried as property, plant and equipment in the Balance Sheet at the following net amounts below:

	2015/16	2014/15
	£'000	**£'000**
Other Land and Buildings	9,399	9,312
	9,399	**9,312**

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:

	2015/16	2014/15
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
- current	213	199
- non current	7,094	7,308
Finance costs payable in future years	5,843	6,374
Minimum lease payments	**13,150**	**13,881**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16	2014/15	2015/16	2014/15
	£'000	£'000	£'000	£'000
Not later than one year	731	731	213	199
Later than one year and not later than five years	2,922	2,922	1,016	949
Later than five years	9,497	10,228	6,079	6,359
	13,150	**13,881**	**7,308**	**7,507**

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 2015/16 and 2014/15.

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

	Other Land and Buildings	
	2015/16	2014/15
	£'000	£'000
Not later than one year	13	13
Later than one year and not later than five years	41	54
Later than five years	212	212
	266	**279**

<u>Disclosures as Lessor</u>

Finance Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres; or
- for the provision of burial and housing services.

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

	2015/16	2014/15
Finance lease debtor (net present value of minimum lease payments):	**£'000**	**£'000**
- current	16	22
- non current	40	41
Unearned finance income	20	23
Gross investment in the lease	**76**	**86**

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

	Gross Investment in the Lease		Minimum Lease Payments	
	2015/16	**2014/15**	**2015/16**	**2014/15**
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	**18**	23	**16**	22
Later than one year and not later than five years	**15**	13	**8**	8
Later than five years	**42**	45	**32**	33
	75	**81**	**56**	**63**

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 receivable by the Council under finance leases for 2015/16 and 2014/15.

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:

	2015/16	2014/15
	£'000	**£'000**
Not later than one year	**710**	690
Later than one year and not later than five years	**2,056**	2,656
Later than five years	**23,600**	23,410
	26,366	**26,756**

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 2015/16 and 2014/15.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 12).

32. Impairment losses

During 2015/16, the Council has recognised the following impairment losses in the Comprehensive Income and Expenditure Statement:

Impairment Loss	Comprehensive Income and Expenditure	2015/16 £'000	2014/15 £'000
Loss of value to Sea Defences through storm damage	General Fund	-	(526)
		-	**(526)**

33. 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 £34.616m in 2015/16 (2014/15 was £47.367m). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31st March 2013 and the next review will be carried out during 2016/17 with an effective date of 31st March 2016.

Participation in the pension scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (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:

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2015/16 £'000**	**2014/15 £'000**
Cost of Services:		
- Current service cost	2,594	1,934
- Past Service cost	64	40
Financing and investment income and expenditure		
- Net interest expense	1,501	1,667
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,159	3,641
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	1,585	(9,519)
- Actuarial gains and losses arising on changes in financial assumptions	(12,791)	18,337
- Other	(2,129)	(1,327)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(13,335)	7,491
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,159)	(3,641)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	3,575	3,153

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	
	2015/16 £'000	**2014/15 £'000**
Present value of the defined benefit obligation	(135,084)	(146,856)
Fair value of plan assets	100,468	99,489
Net liability arising from defined benefit obligation	**(34,616)**	**(47,367)**

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

	Local Government Pension Scheme	
	2015/16	**2014/15**
	£'000	**£'000**
Opening fair value of scheme assets	99,489	87,386
Interest Income	3,174	3,731
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	(1,585)	9,519
Contributions from employer	3,575	3,153
Contributions by employees into the scheme	557	515
Benefits paid	(4,742)	(4,815)
Closing fair value of scheme assets	**100,468**	**99,489**

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

	Local Government Pension Scheme	
	2015/16	**2014/15**
	£'000	**£'000**
Opening balance 1 April	146,856	126,774
Current service cost	2,594	1,934
Interest cost	4,675	5,398
Contributions from scheme participants	557	515
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in financial assumptions	(12,791)	18,337
- Other	(2,129)	(1,327)
Past service costs	64	40
Benefits paid	(4,742)	(4,815)
Closing balance at 31 March	**135,084**	**146,856**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	Fair Value of Scheme Assets 2015/16 £'000	2014/15 £'000
Equity instruments:		
- Consumer	7,818	7,451
- Manufacturing	3,010	3,427
- Energy and Utilities	1,104	1,670
- Financial Institutions	4,172	4,306
- Health and Care	3,394	3,115
- Information Technology	2,697	1,788
- Other	1,123	1,007
	23,318	22,764
Debt Securities:		
- Corporate (Investment Grade)	15,988	14,419
- UK Government	-	2,120
- Other	3,727	4,338
	19,715	20,877
Private Equity (Non-active Market)	3,115	3,030
Property:		
- UK	11,005	9,560
	11,005	9,560
Investment Funds & Unit Trusts:		
- Equities	3,785	27,758
- Bonds	2,540	-
- Hedge Funds	-	3,838
- Commodities	27,011	-
- Infrastructure (Non-active Market 2,429 (2014/15 2238))	9,049	2,238
- Other (Non-active Market - 2014/15 2,244)	-	8,256
	42,385	42,090
Derivatives:		
- Foreign exchange	90	2
	90	2
Cash and cash equivalents	840	1,166
Total Assets	100,468	99,489

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2013.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	**2014/15**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	**22.4**	**22.4**
- Women	**24.4**	**24.4**
Longevity at 65 for future pensioners:		
- Men	**24.3**	**24.3**
- Women	**26.9**	**26.9**
Rate of inflation	**2.1%**	**1.9%**
Rate of increase in salaries	**4.2%**	**4.3%**
Rate of increase in pensions	**2.2%**	**2.4%**
Rate for discounting scheme liabilities	**3.5%**	**3.2%**

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

Sensitivity Analysis

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

Change in assumptions at 31 March 2016	Approximate increase in Employers Liability	Approximate amount £'000
0.5% decrease in Real Discount Rate	10%	13,524
1 year increase in member life expectancy	3%	4,053
0.5% increase in the Salary Increase Rate	3%	3,698
0.5% increase in the Pension Increase Rate	7%	9,636

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 2016/17 based on 31st March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.474m in contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 17.7 years 2015/16 (17.7 years 2014/15).

34. Contingent liabilities

At 31st March 2016, the Council had the following material contingent liabilities:

a) In September 1992, Municipal Mutual Insurance (MMI), the Council's insurers at the time, stopped accepting new business and with its policy holders set up a Scheme of Arrangement for the orderly run down of its affairs. MMI's future liabilities under its policies could not be fully quantified until all the claims (current and yet to be made) were settled. It was therefore agreed that MMI should settle claims as they were received, and if at some future date it should become insolvent, it could reclaim from its major policy holders in proportion to the value of claims settled on their behalf. Under this arrangement, at 31st March 2016 claims settled for this Council amounting to £595k (£576k in 2014/15) together with estimated outstanding claims of £49k (£42k in 2014/15). The Council's maximum liability will be the value of claims settled/outstanding less £50,000.

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

   The Board of Directors of MMI made the decision to trigger the Scheme of Arrangement on 13th November 2012, and control of the Company has passed to the Scheme Administrator (Ernst and Young LLP), who wrote to the Council on 2nd April 2013 proposing an initial Levy of 15% of Established Scheme Liabilities. During 2013/14, the Council has paid the Levy Notice for £78,869 (based on 15% of Claims Payments of £575,791 less £50,000).

   On the 14th April 2016, Scheme Administrators wrote to the Council again proposing the levy is increased by a further 10% to 25% of Established Scheme Liabilities. During 2016/17, the Council paid the Levy Notice for £54,544 (based on 10% of Claims Payments of £595,449 less £50,000).

   In addition, the Scheme Administrator has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims may be required to achieve a projected solvent run-off. The Council set up a Provision in the Accounts for the balance up to 28% (£44k) split again equally between General Fund and HRA. In the 2015/16 General Fund and HRA, this provision has been reduced by £28k to reflect the remaining 3% difference between the 25% Levy Notice paid and the 28% modelled Levy.

   In addition the Council has Earmarked Reserves in General Fund and HRA of £56k and £66k respectively, in order to provide additional funds if further claims are submitted in the future.

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

35. 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.

36. 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	£8m (£12m group)
	Long Term: A- Rated	
	Access to Government Credit Guarantee	
Deposits with Building Societies	Short Term	£5m
	Value of Assets: Top 5 Societies only	
Money Market Fund Deposits	AAA Rated	£5m
Deposits with Non-UK Banks	Short Term	£3m (max 15% of holdings)

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £12 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2016 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 2016 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £'000	Estimated maximum exposure at 31 March 2015 £'000
Deposits with banks and other financial institution	27,273	-	-	-	-
Customers	5,539	10	20	1,108	1,180
				1,108	1,180

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 £302,844 of general debt out of a total debt of £5,539,166 has been outstanding for more than three months. Within the total debt classified as receivable from customers £3,305,992 relates to Housing Benefit overpayments of which £3,088,016 has been outstanding for more than three months.

	2015/16	2014/15
	£,000	£,000
Less than three months	2,148	2,343
Three to six months	365	428
Six months to one year	562	717
More than one year	2,464	2,414
	5,539	5,902

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 31/03/16
	%	%	%
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.

Market risk

Interest rate risk

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

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

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

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

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

As an indication of the degree of risk associated with interest rates, if average rates in 2015/16 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	100
Increase in interest receivable on variable rate investments	(63)
Increase in government grant receivable for financing costs	(22)
Impact on Surplus or Deficit on the Provision of Services	15
Share of overall impact debited to the HRA	7

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.

37. Interests in companies and other entities

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

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

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

Waveney Norse Limited

In 2008/09 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 3rd April 2016, 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 £7.547m in 2015/16 (£7.713m in 2014/15) and included in the Accounting Statements as follows:

	2015/16	2014/15
	£'000	£'000
Cultural and Related Services	**1,255**	1,421
Environmental Services	**5,167**	5,117
Planning and Development Services	**58**	103
Highways, Roads and Transport	**445**	447
Housing Revenue Account	**622**	625
	7,547	7,713

i) Details of the Company's annual financial results to 31st March 2016 are set out below:

	2016 Waveney Norse	**2016 Council Investment (19.9%)**	2015 Waveney Norse	2015 Council Investment (19.9%)
	£000	**£000**	£000	£000
Current Assets				
Stock	**51**	**10**	146	29
Debtors	**2,978**	**593**	2,660	529
Cash at Bank	**6**	**1**	7	1
Gross Assets	**3,035**	**604**	2,813	559
Creditors falling due within one year	**(1,703)**	**(339)**	(1,810)	(360)
Net Assets / Shareholder's Funds	**1,332**	**265**	1,003	199
Turnover	**11,176**	**2,224**	9,467	1,884
Profit on ordinary activity before taxation	**415**	**83**	238	47
Tax on profit on ordinary activity	**(87)**	**(17)**	(50)	(10)
Profit for the Financial Period	**328**	**66**	188	37
<u>Tax components included in the above figures are as follows:</u>	**£000**	**£000**	£000	£000
Debtors				
- Deferred Tax asset	**20**	**4**	13	3
Creditors falling due within one year				
- Corporation Tax	**93**	**19**	**54**	11
Tax on profit on ordinary activity				
- Current Tax	**(87)**	**(17)**	(44)	(9)
- Deferred Tax	**-**	**-**	(6)	(1)
	(87)	**(17)**	(50)	(10)

Other Partnerships

Sentinel Leisure Trust

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

Marina Theatre Trust

From 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.

38. Interest and investment income

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

	2015/16	2014/15
	£'000	£'000
Banks	**230**	153
Interest on other loans/leases	**11**	12
	241	165

39. Long term investments

	2015/16	2014/15
	£'000	£'000
Government stocks	-	3
Other Public Authorities	-	7
	-	10

40. Long term debtors

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

	2015/16	2014/15
	£'000	£'000
Other Local Authorities	277	291
Finance Leases	28	70
	305	361

41. Long term creditors

	2015/16	2014/15
	£'000	£'000
Finance Leases	7,094	7,308
	7,094	7,308

42. Longer term borrowings

		2015/16 £'000	2014/15 £'000
Analysis by Lender:			
	Public Works Loan Board	**88,055**	88,216
Analysis by Maturity:			
	Repayable within		
	2 years	**-**	321
	2 to 5 years	**10,000**	10,482
	5 to 10 years	**13,286**	14,090
	over 10 years	**64,769**	63,323
		88,055	88,216
Fair Value of PWLB Loans at the year-end		**105,301**	105,492

For 2015/16 £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 (2014/15 £5m).

Self Financing the HRA from 1st April 2012

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

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

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	2015/16 £'000	2014/15 £'000
Income			
Gross rental income:			
- Dwelling rents	1	(18,629)	(18,040)
- Non-dwelling rents		(211)	(205)
Charges for services and facilities	1	(1,211)	(1,007)
Total income		(20,051)	(19,252)
Expenditure			
Repairs, maintenance and management:			
- Repairs and maintenance		3,498	3,364
- Supervision and management		4,519	4,224
- Redundancy and associated pension costs		48	22
Rents, rates and other charges		87	68
Movement in the allowance for bad debts	1	43	61
Depreciation of HRA non-current assets:			
- Dwellings	11	2,795	2,677
- Other assets	11	475	469
Revaluation & impairment of HRA non-current assets		(4,145)	(6,334)
Debt management costs	5	15	17
Total expenditure		7,335	4,568
Net expenditure or (income) of HRA services as included in the whole authority CIES		(12,716)	(14,684)
- HRA share of Corporate and Democratic Core		59	76
Net expenditure or (income) of HRA services		(12,657)	(14,608)
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(236)	(357)
- Interest payable and similar charges	5	2,297	2,174
- Pension Cost Contribution	8	664	616
- HRA interest and similar income	5	(104)	(54)
(Surplus) or deficit for the year on HRA services		(10,036)	(12,229)

HOUSING REVENUE ACCOUNT

		2015/16		2014/15
		£'000		£'000
Movement on the HRA Statement				
HRA balance brought forward		(4,008)		(2,385)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(10,036)		(12,229)	
Adjustments between accounting basis and funding basis under statute (Note 7 to the Core Statements)	7,382		10,550	
Net (increase) or decrease before transfers to or from reserves	(2,654)		(1,679)	
Transfers (from) or to HRA Earmarked Reserves (Note 8 to the Core Statements)	1,364		56	
(Increase) or decrease in year on the HRA		(1,290)		(1,623)
Balance on the HRA at the end of the year		(5,298)		(4,008)

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. 2015/16 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.

	2015/16	2014/15
Average dwelling rent per week (£)	79.59	76.65
Arrears at 31 March (£'000)	514	525
Arrears at 31 March as % of the gross income collectable	2.6%	2.8%
Provision for bad debts at 31 March (£'000)	1,240	1,196

2. Housing repairs and maintenance

Expenditure on repairs and maintenance can be seen on the face of the HRA Income & Expenditure Account and for 2015/16 this amounted to £3.498m compared to the Revised Budget of £3.729m (£3.364m in 2014/15).

3. Major repairs reserve

	2015/16 £'000	2014/15 £'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below;		
MRR opening balance	9,369	6,223
Amounts transferred to the MRR during the year	3,270	3,146
MRR closing balance	**12,639**	**9,369**

Under Self-Financing accumulated depreciation is transferred into the MRR where is it ring-fenced to be used to repay the principal elements of HRA debt as well as to finance new capital expenditure. Movements and balances on the MRR are also detailed in the Movement in Reserves Statement and Note 7 to the Core Statements.

4. Capital receipts – disposal of council dwellings

	2015/16	2014/15
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	20	28
- Value of disposals under Right to Buy (£'000)	1,145	1,637
Value of capital receipts from the disposal of other HRA land, houses and property	451	488

5. Capital related charges

	2015/16 £'000	2014/15 £'000
Depreciation charge	3,270	3,146
Debt management expenses	15	17
Interest payable	2,257	2,133
Premium charges for early repayment of debt	41	41
Interest income on notional cash balances	(80)	(30)
Discounts for early repayment of debt	(24)	(24)

6. Capital expenditure funded by the Housing Revenue Account

Capital expenditure which cannot be financed from other sources is funded by revenue contributions. The revised budget provision made in 2015/16 for a direct revenue financing contribution was £4.580m and the actual amount was £3.388m. (2014/15 figures were budget of £4.476m and £3.904m actual).

7. Housing stock

	2015/16	2014/15
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,512	4,540
Add: new build/purchases/additions	-	2
Less: sales	(20)	(28)
Less: properties lost to conversion, disposal and deletion	-	(2)
Closing stock of dwellings	**4,492**	**4,512**
Analysis of closing stock numbers:		
Houses	2,077	2,094
Bungalows	1,174	1,153
Flats	1,241	1,265
	4,492	**4,512**

8. Housing Revenue Account contribution to Pension Reserve

The charge reflected in each of the services is based on the cost of retirement benefits earned by the employee. However the charge against housing rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as an appropriation to the Pensions Reserve. See Note 33 to the Core Financial Statements for a fuller explanation.

9. Capital expenditure

	2015/16 £'000	2014/15 £'000
Dwellings	3,079	3,336
Dwelling acquisitions	-	245
Other Land and Buildings	311	139
Vehicles	218	157
IT infrastructure	-	18
Capital Prepayment	(202)	242
	3,406	**4,137**
Financed by:		
Revenue contributions	3,388	3,904
Grants and contributions	18	233
	3,406	**4,137**

10. Non current assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1st April in the financial year and the closing Balance Sheet value as at 31st March is included within Note 12 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	2015/16 £'000	2014/15 £'000
Council dwellings	186,992	182,302
Other land and buildings	2,596	1,880
Vehicles, plant, furniture and equipment	1,554	518
Surplus assets not held for sale	3	3
Land Awaiting Development	332	-
Assets held for sale	4	295
Total Balance Sheet value of HRA non-current assets (PPE)	**191,481**	**184,998**
Intangibles	167	48
Total Balance Sheet value of HRA non-current assets	**191,648**	**185,046**
Dwellings - Vacant Possession Value	479,468	467,442

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.

11. Depreciation

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

	2015/16 £'000	2014/15 £'000
Council dwellings	2,795	2,677
Other land and buildings	243	269
Vehicles, plant, furniture and equipment	208	176
Total charge for depreciation within the HRA (PPE)	**3,246**	**3,122**
Intangibles	24	24
Total charge for depreciation within the HRA	**3,270**	**3,146**

12. Gain / loss on disposal of non current assets

Assets identified as surplus are required to be valued at Market Value, and for Housing "Right to Buy" disposals the applicable discounts are applied after revaluation. Both the capital receipt arising from the asset sale and the carrying value of the asset at the point of disposal are then taken to the Comprehensive Income and Expenditure Statement, and any difference between the two amounts is recognised as a gain or loss on disposal. It is important to highlight that gains and losses are not a charge on HRA tenants, and the impact is reversed out in the Movement in Reserves Statement to ensure there is no real impact on fund balances for the year.

13. Redundancy payments

Charged to the HRA Income and Expenditure Account are payments totalling £47,733 in respect of redundancy / ill health in 2015/16 for three housing staff, (2014/15 £22,278 for two staff).

14. Revaluation losses and impairment charges

The 2015/16 financial results include £4.145m credit (2014/15 £6.334m credit) for Revaluation Losses against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

15. Housing Revenue Account Earmarked Reserves

The 2015/16 financial results include a transfer of £1.364m (2014/15 £200k) to the HRA Earmarked Reserves and £0k from the HRA Earmarked Reserve (2014/15 was £144k transfer from the HRA Earmarked Reserves). See Note 8 to the Core Statement for further details on the HRA Earmarked Reserves.

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	2015/16		2014/15	
		Business rates	Council tax	Business rates	Council tax
		£'000	£'000	£'000	£'000
Income					
Income from council tax	1	-	(52,535)	-	(51,773)
Transfer from General Fund - council tax benefits		-	43	-	59
Income from business rates	2	(26,832)	-	(26,882)	-
		(26,832)	**(52,492)**	**(26,882)**	**(51,714)**
Expenditure					
Precepts, demands and shares:					
- Central Government		13,165	-	12,998	-
- Suffolk County Council		2,633	39,172	2,600	38,478
- Police and Crime Commissioner for Suffolk		-	5,915	-	5,696
- Waveney District Council		10,871	5,715	10,526	5,596
Transitional protection payments		272	-	36	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		83	147	-	51
- Increase / (decrease) in bad debt provision		169	475	84	624
- Increase / (decrease) in provision for appeals		1,778	-	826	-
- Cost of collection allowance		204	-	205	-
Apportionment of previous years surplus / (deficit)					
- Central Government		14	-	(411)	-
- Suffolk County Council		3	-	(82)	155
- Police and Crime Commissioner for Suffolk		-	-	-	23
- Waveney District Council		11	-	(329)	22
		29,203	**51,424**	**26,453**	**50,645**
(Surplus) / deficit for year	3	**2,371**	**(1,068)**	**(429)**	**(1,069)**
Balance brought forward - (surplus) / deficit		420	(1,027)	849	42
Balance carry forward - (surplus) / deficit		**2,791**	**(2,095)**	**420**	**(1,027)**

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.

	2015/16 £	2014/15 £
The average Band D Council Tax set was:	**1,460.98**	1,457.15

The Council estimated its Tax Base for 2015/16 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	16,379	10,919
B	13,770	10,710
C	9,536	8,476
D	5,897	5,897
E	2,808	3,432
F	932	1,346
G	516	860
H	32	64
	49,870	41,704
Less: local council tax reduction scheme		(6,131)
provision for bad and doubtful debts (2.25%)		(800)
Tax Base 2015/16 (Band D equivalents)		34,773

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 the latest revaluation of all business properties was completed on 1st April 2010.

	2015/16	2014/15
The rateable value at 31 March was	**£71.6m**	£71.2m
The multiplier was	**48.0p**	48.0p

3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2015/16 £'000	2014/15 £'000
Council Tax		
Suffolk County Council	**(824)**	(827)
Police and Crime Commissioner for Suffolk	**(124)**	(122)
Waveney District Council	**(120)**	(120)
Total Council Tax	**(1,068)**	(1,069)
Business Rates		
Central Government	**1,185**	(215)
Suffolk County Council	**237**	(42)
Waveney District Council	**949**	(172)
Total Business Rates	**2,371**	(429)

Opinion on the Authority's financial statements

We have audited the financial statements of Waveney District Council for the year ended 31st March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement,
- Movement on the Housing Revenue Account Statement,
- Collection Fund; and
- Related notes 1 to 42 for the core statements, 1 to 15 to the Housing Revenue Account and 1 to 3 for the Collection Fund.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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 the Chief Finance Officer's Responsibilities set out on page 25, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, 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 for the year ended 31st March 2016 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 March 2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31st March 2016 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 2015, as to whether Waveney District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2016.

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 2015, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2016.

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

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

23rd September 2016

Accounting Period

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

Accounting Policies

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

Accruals

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

Business Rates (Non Domestic Rates)

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

Capital Adjustment Account

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

Capital Charge

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

Capital Expenditure

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

Capital Receipts

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

Capital Receipts Reserve

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

CIPFA (Chartered Institute of Public Finance and Accounting)

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

Collection Fund

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

Community Assets

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

Community Charge

The system of local taxation prior to council tax.

Contingent Liabilities

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

Contingent Assets

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

Corporate and Democratic Core

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

Council Tax

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

Council Tax Base

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

Council Tax Benefit

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

Creditors

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

Debt

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

Debtors

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

Deferred Capital Receipts

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

Depreciation

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

Direct Revenue Financing

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

Earmarked Reserves

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

General Fund

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

Government Grants

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

Heritage Assets

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

Housing Advances

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

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

International Financial Reporting Standards

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

Leasing or Leases

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

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

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

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

Net Book Value

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

Non-Current Assets

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

Net Realisable Value

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

Operational assets

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

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Public Works Loan Board

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

Rateable Value

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

Reserves

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital under Statute (REFCuS)

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

Revenue Support Grant

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

Section 151 Officer

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

Self-Financing for the HRA

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

Statement of Standard Accounting Practice (SSAP)

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

The Code

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

Trading Accounts

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

Usable Capital Receipts

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

UK GAAP

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

Valuation Loss

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

Value Added Tax (VAT)

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

Abbreviations used in the Accounts

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