

# Waveney District Council Statement of Accounts 2012-13

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# Explanatory Foreword by Director of Resources

## 1. Introduction

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

The Council's Statement of Accounts consists of:

### Core Statements:

- **Movement in Reserves Statement** – this statement (with corresponding balances shown for 2011/12) shows the movement in the year on the different reserves held by the Council analysed in to "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other (unusable) reserves.
- **Comprehensive Income and Expenditure Statement** – a summary of the resources generated and consumed by the Council in the year in a format compliant with CIPFA's Code of Practice, International Financial Reporting Standards (IFRS), UK Generally Accepted Accounting Principles (UK GAAP) and Service Reporting Code of Practice for Local Authorities.
- **Balance Sheet** – shows the Council's balances and reserves and long-term indebtedness at the financial year end, and the fixed and net current assets employed in its operations, together with summarised information on the non current assets held.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

### Supplementary Statements:

- **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 National Non-Domestic Rates (NNDR) and Council Tax, and illustrates the way in which these have been distributed to Central Government (NNDR) and Major Council Tax Precepting bodies (Suffolk County Council and Suffolk Police Authority (SPA)-replaced by the Suffolk Police and Crime Commissioner from 22 November 2012), and to the General Fund.
- **Statement of Responsibilities for the Statement of Accounts** - This outlines the responsibilities of the Council and the Director of Resources, 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. Details are set out in Note 44 to the Core Financial Statements (Interests in Companies).

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

# Explanatory Foreword by Director of Resources

## 2. Changes to the Statement of Accounts

There were no major changes to the Statement of Accounts for 2012/13; however, there have been some other minor changes and these can be summarised below:

- Management Commentary – additional support for authorities that wish to prepare their Explanatory Foreword taking into consideration the provisions of the Government's *Financial Reporting Manual* (FReM).
- Financial Instruments: Disclosures (transfers of financial assets) – guidance regarding the new disclosures required for transfers of financial assets has been added (this does not affect the Council).
- **Impact of the Economic Climate** – This Explanatory Foreword provides information and explanations relevant to the Accounts. The Code 2012 requires authorities to include an explanation of the impact of the current economic climate on the Council and the services it provides, as this will assist users in assessing, for example, the adequacy of reserves. Details of some of the main service areas affected are set out in Paragraph 12 later in this Explanatory Foreword.
- **Accounts and Audit (England) Regulations 2011** – There have been no further regulations issued since the changes that came into force on 31 March 2011 for last year's Statement of Accounts. Therefore the requirements introduced last year remain unchanged. The signing and approving dates are:
  - the Director of Resources must, no later than 30<sup>th</sup> June immediately following the end of a financial year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the Council at the end of the financial year to which it relates and of the Council's income and expenditure for the year.
  - No later than 30<sup>th</sup> September in the year following the financial year to which the statement relates the Council must:
    - consider, (either by way of a committee, or by the members meeting as a whole), the Statement of Accounts;
    - following that consideration, approve the Statement of Accounts by a resolution of that committee or meeting;
    - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting, at which that approval was given; and
    - publish (which must include publication on the Council's website), the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 of the Audit Commission Act 1998.
  - the Director of Resources must re-certify the presentation of the Statement of Accounts before the Council approves it.
  - The Council must keep copies of the Statement of Accounts with any auditor opinion for purchase by any person on payment of a reasonable sum.
- **Other Issues and Amendments** – Further guidance has been issued on a number of technical areas through LAAP Bulletins:
  - LAAP Bulletin 96 dated March 2013 (Closure of the 2012/13 Accounts) which provides supplementary advice on interpretation of the 2012/13 Code, and updated information where appropriate.

# Explanatory Foreword by Director of Resources

## 3. 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 2011/12 are in respect of The Code 2012, 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 2012/13 Accounts, issued by CIPFA.

## 4. General Fund outturn.

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

|  | Original<br>Budget<br>£000 | Out-turn<br>£000 | Variance<br>£000 |
|--|----------------------------|------------------|------------------|
| Net Expenditure                            | 14,002                     | 13,251           | (751)            |
| Income from Government and Local Taxpayers | (14,002)                   | (14,002)         | 0                |
|  | <u>0</u>                   | <u>(751)</u>     | <u>(751)</u>     |

### Analysed as:

|  |          |              |              |
|--|----------|--------------|--------------|
| Change in General Fund balance (Original to Outturn) | <u>0</u> | <u>(751)</u> | <u>(751)</u> |
|  | <u>0</u> | <u>(751)</u> | <u>(751)</u> |

### *Income from Government and Local Taxpayers*

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

|   |               |
|---|---------------|
|   | £000          |
| Formula Grant   | 8,036         |
| Prior year surplus transferred from the Collection Fund | 43            |
| Amount met by Local Council Taxpayers                   | 5,923         |
| Total income from Government & Local Taxpayers          | <u>14,002</u> |

## Explanatory Foreword by Director of Resources

The decrease in net expenditure of £751k between 31 March 2012 and the outturn is analysed in the table below:

|  | £000           |
|--|----------------|
| <i>Savings from:</i>   |                |
| Capital related accounting adjustments   | (397)          |
| Support recharges outside General Fund   | (187)          |
| Customer Services – savings in printing and payroll                                  | (137)          |
| Homelessness – underspend on Homefinders & Rent Guarantee no longer needed           | (86)           |
| NNDR – lower Discretionary Relief awarded  | (83)           |
| Development Control – additional income together with lower payroll and office costs | (80)           |
| Legal – additional income & lower legal fees   | (73)           |
| Planning – lower payroll and other fees  | (68)           |
|  | <u>(1,111)</u> |
| <i>Offset additional costs/lower income from:</i>                                    |                |
| Rent Allowances – adverse subsidy claim together with additional Bad Debts Provision | 335            |
| Other minor variations   | 25             |
|  | <u>(751)</u>   |
| <b>Surplus prior to Between Year Virements</b>                                       | <b>(751)</b>   |
| <b>Between Year Virements</b>  | <b>198</b>     |
|  | <u>(553)</u>   |
| <b>Overall change in General Fund balance (Revised Budget to Outturn) – surplus</b>  | <b>(553)</b>   |

In February 2013, the Council approved transfers to the General Fund totalling £456k (£400k from the HB Subsidy Reserve and £56k by closing the Waste Management Reserve). These transactions were partially offset by using £107k to fund partially completed projects from 2011/12 to be spent in 2012/13. Members also agreed to set aside £100k to provide against potential claim liabilities arising from the insolvency of its previous insurers MMI Ltd. This results in a net transfer to the General Fund of £249k.

Further detailed analysis of the gross expenditure and income on services together with interest payable and receivable is set out in the Comprehensive Income and Expenditure Statement. In addition, Note 23 to the Core Financial Statements provides an analysis of Government Grants received. The outturn results show an increase in the amount taken to the General Fund balance of £751k compared to the breakeven Revised Budget, approved in February 2013.

From the £751k surplus, £198k has been approved to be carried forward to be spent in 2013/14, to allow a small number of projects to be completed.

The transfer of the £751k surplus to the General Fund, plus the net £249k from above that was approved in February, results in a balance of £4.318m at 31 March 2013 (£3.265m 2011/12, which was restated to £3.318m following some prior year adjustments); (Notes 7, 24 and 25 to the Core Financial Statements show the impact on reserves). The Between Year Virements of £198k will be funded from the General Fund Balance in 2013/14.

The budget report in February 2013 identified a target level for the General Fund balance of between £2.5m and £3m as a prudent balance to maintain in the long term, based on the risks contained within the budget. In the light of the level of the uncommitted balance, Council agreed in February 2013 to utilise £1m from the General Fund Balance in 2013/14 to support the financing of the Capital Programme, reducing the General Fund Balance to some £2.5m going forward, whilst

## Explanatory Foreword by Director of Resources

remaining within the Council's target. The Council, will review its outturn position as part of its wider financial planning later this year.

### *Redundancy/ill-health payments*

Included within the General Fund net expenditure above are payments to 11 staff (11 in 2011/12) that were made redundant during 2012/13. The costs of £91,989 in 2012/13 (£92,558 in 2011/12) have been charged to the General Fund Comprehensive Income and Expenditure Statement, and to the relevant service area where staff were employed. In addition payments of £31,433 were made to the Suffolk County Council Pension Fund in relation to three former members of staff who previously retired under ill-health regulations.

The payments are analysed below:

|                          | 2012/13        | 2011/12       |
|--------------------------|----------------|---------------|
|                          | £              | £             |
| Redundancy payments      | 91,989         | 88,611        |
| Payments to Pension Fund | <u>31,433</u>  | <u>3,947</u>  |
| Total payments           | <u>123,422</u> | <u>92,558</u> |

Payments were made to a further 16 staff who were made redundant in the year totalling £59,008, (£32,450 (seven staff) in 2011/12), together with £71,369 pension payments these costs were charged directly to the Housing Revenue Account. Paragraph 5 below provides the detail. From 2011/12 there is a new disclosure requirement within the CIPFA Code in respect of Remuneration and Exit Packages. The Code requires disclosure of the number and cost of exit packages agreed within specified bands. Notes 33 and 39 to the Core Financial Statements provide further information.

### *Waveney Norse Ltd (WNL)*

In 2008/09 the Council signed an agreement with Norse Commercial Services Limited for the provision of a range of services including Refuse, Cleansing and Maintenance. A new company, WNL, was incorporated on 23 May 2008 and began trading on 1 July 2008. The full years' trading figures for WNL in 2011/12 were for its Accounts up to 31 January 2012. At the time this Statement of Accounts is being submitted for audit, the Council has only recently received "draft unaudited" accounts from WNL for 2012/13.

Payments made to WNL are included within the appropriate headings within the Cost of Services in the Comprehensive Income and Expenditure Statement.

It has already been determined that the Council's financial relationship with WNL is that of an Associate, and so Group Accounts must be completed within the accounts to take account of the Council's investment in the Company. Further information and the Group Accounts are set out in Note 44 to the Core Financial Statements (Interest in Companies).

### *General Fund – Future Budget Plans*

Set out below is the Budget approved in February 2013 for the next four years, together with a Revised Estimate for 2012/13. The Medium Term Financial Strategy will be updated in July 2013.

### *Budget Requirement*

Overall the Council's budget requirement, the net cost of services to be met from Government formula grant and council taxes will be £13,629,600 in 2013/14. This represents a headline decrease of £372,500 or 2.7% over the budget for 2012/13 of £14,002,100.



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The budget by Priority Theme that the Council approved from 1 April 2013 is set out below:

| Priority Theme  | 2012/13<br>Original<br>Budget<br>£ | 2012/13<br>Revised<br>Budget<br>£ | 2013/14<br>Original<br>Budget<br>£ | 2014/15<br>Forecast<br>Budget<br>£ | 2015/16<br>Forecast<br>Budget<br>£ | 2016/17<br>Forecast<br>Budget<br>£ |
|---|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Community Health  | 805,100                            | 833,700                           | 953,700                            | 952,100                            | 978,400                            | 994,200                            |
| Customers and<br>Communities                            | 407,300                            | 339,000                           | 337,300                            | 340,500                            | 343,000                            | 346,100                            |
| Green<br>Environment and<br>Operational<br>Partnerships | 3,109,300                          | 3,458,700                         | 3,376,300                          | 3,610,700                          | 3,851,900                          | 4,082,600                          |
| Housing   | 735,600                            | 614,500                           | 646,800                            | 1,081,400                          | 1,343,000                          | 1,370,800                          |
| Leisure, Tourism<br>& Econ. Devel.                      | 3,546,500                          | 3,888,200                         | 3,478,400                          | 3,579,000                          | 3,575,700                          | 3,574,300                          |
| Planning  | 1,375,600                          | 2,174,200                         | 2,095,900                          | 2,108,600                          | 2,153,200                          | 2,197,500                          |
| Resources   | 4,022,700                          | 2,693,800                         | 2,741,200                          | 2,557,500                          | 3,039,700                          | 3,279,100                          |
| <b>Budget<br/>Requirement</b>                           | <b>14,002,100</b>                  | <b>14,002,100</b>                 | <b>13,629,600</b>                  | <b>14,229,800</b>                  | <b>15,284,900</b>                  | <b>15,844,600</b>                  |
| <b>Financed by:</b>                                     |                                    |                                   |                                    |                                    |                                    |                                    |
| Formula Grant   | 8,036,400                          | 8,036,400                         | 7,602,500                          | 7,453,600                          | 6,840,700                          | 6,293,400                          |
| Collection Fund<br>Surplus                              | 42,700                             | 42,700                            | 0                                  | 0                                  | 0                                  | 0                                  |
| Council Tax   | 5,923,000                          | 5,923,000                         | 5,033,200                          | 5,033,200                          | 5,033,200                          | 5,033,200                          |
| Council Tax<br>Support Funding                          | 0                                  | 0                                 | 993,900                            | 0                                  | 0                                  | 0                                  |
| <b>Cumulative<br/>Resources Gap</b>                     | <b>0</b>                           | <b>0</b>                          | <b>0</b>                           | <b>1,743,000</b>                   | <b>3,411,000</b>                   | <b>4,518,000</b>                   |

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

|   | £000          |
|---|---------------|
| Budget Requirement 2012/13                                | 14,002        |
| Pay and Price Increases                                   | 221           |
| Government Service Grants                                 | 43            |
| Service Developments                                      | 212           |
| Efficiencies and Savings                                  | -432          |
| Additional Income   | -71           |
| Movements in Reserves and other Financial<br>Transactions | -345          |
| <b>Budget Requirement 2013/14</b>                         | <b>13,630</b> |

For the third year in succession the Government proposed a Council Tax freeze for 2013/14 with the offer of a "Council Tax Freeze" grant in lieu of a 2.5% increase in Council Tax. Therefore the

## Explanatory Foreword by Director of Resources

Council's Budget for 2013/14 reflected no increase in Council Tax. The Council's grant settlement was reduced by £434k for 2013/14.

Since the budget was set in February 2013, the Council continues to monitor and update its Medium Term Financial Strategy (MTFS) and budget plans, taking account of continuing Coalition Government announcements on levels of spending and central government grants the Council may receive in the future. The Council is currently working to identify savings to offset the Budget Gap shown above.

### 5. Housing Revenue Account (HRA)

The following table shows how the outturn on the HRA compares with the approved 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. Further information on the HRA is set out in more detail within the main Financial Statements.

|  | Original<br>Budget<br>£000 | Out-turn<br>£000 | Variance<br>£000 |
|--|----------------------------|------------------|------------------|
| Income – Rents and Charges for Services & Facilities | (17,786)                   | (17,656)         | 130              |
| Expenditure  | 11,988                     | 10,134           | (1,854)          |
| HRA CDC & Pension Cost Contributions                 | 636                        | 624              | (12)             |
| Net Interest and Gain/Loss Adjustment                | 3,014                      | 1,873            | (1,141)          |
| Net Adjustments as Required by Statute               | 823                        | 4,372            | 3,549            |
| Transfers to / (from) HRA Reserves                   | 1325                       | 3,258            | 1,933            |
| <b>Taken from / (to) HRA balance</b>                 | <b>0</b>                   | <b>2,605</b>     | <b>2,605</b>     |

Following the introduction of Self-Financing on 1 April 2012, and to meet the Accounts and Audit Regulations requirements, depreciation charged to the HRA is no longer reversed in the movement on the HRA statement. Instead, the depreciation charged to the HRA is credited to the Major Repairs Reserve (MRR), which can then be used to repay the principal elements of HRA debt as well as to finance new capital expenditure. For 2012/13 the total depreciation charge to the HRA was £3.092m.

In line with the HRA Business Plan, the HRA in year surplus is transferred to a Debt Repayment Reserve, whilst observing the minimum acceptable limit of the HRA working balance (approximately 10% of total income). In the approved 2012/13 revised budgets, it was proposed to use the HRA working balance to apply an additional £1.7m to the Debt Repayment Reserve and to establish two new reserves (Hardship Reserve and Municipal Mutual Insurance Reserve (MMI)). The 2012/13 financial results include a total transfer to HRA Earmarked Reserves of £3.258m.

Compared to the approved 2012/13 revised budgets, the HRA outturn for the year of £2.605m was a surplus of £195k. The revised budgets approved in February 2013 took account of the use of £2.8m from the HRA fund balance for additional reserve transfers. Transfers to reserves have been made in line with the revised budgets, with an additional £1m being set aside for debt repayment. This has been achieved due to the deferral of dwelling acquisitions. The HRA working balance has been maintained at 12.5% of total income which is 2.5% above the considered best practice limit (10%).

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Compared to the original budget, the HRA outturn for the year was a deficit of £2.605m. The main reasons for this are set out below:

|   | £000                |
|---|---------------------|
| <i>Savings from:</i>  |                     |
| HRA capital receipts used to fund HRA capital expenditure                                   | (1,089)             |
| HRA dwelling acquisitions deferred  | (1,000)             |
| Decrease in the debt interest repayment, due to actual interest rate lower than budgeted    | (660)               |
| Lower than anticipated Repairs & Maintenance works, in particular for structural & drainage | (371)               |
| Restructuring of Warden's service   | (256)               |
| <i>Offset by additional costs from:</i>   |                     |
| Net Impact of change to accounting treatment for depreciation                               | 3,092               |
| Additional transfer to the debt repayment reserve   | 1,380               |
| Transfer to HRA hardship reserve  | 500                 |
| Additional sum to the bad debt provision  | 500                 |
| Additional support recharges to supervision and management                                  | 285                 |
| Income written off at year end  | 117                 |
| Transfer to HRA MMI Reserve   | 52                  |
| MMI costs and provision   | 48                  |
| Other minor variance  | 7                   |
| <b>Change from 2012/13 Original Budget to Outturn – deficit</b>                             | <b><u>2,605</u></b> |

After taking the deficit of £2.605m for the year into account, the HRA working balance is £2.216m at 31 March 2013 (31 March 2012 £4.821m).

### *Redundancy/ill-health payments*

Included within the net expenditure in 2012/13 are payments to 16 HRA staff (seven in 2011/12) that were made redundant. The costs of £130,377 (£32,450 in 2011/12) have been charged to the Income and Expenditure Account. More detailed information is shown in Notes 33 (Officer's Remuneration and Exit Packages) and Note 39 (Termination Benefits) to the Core Financial Statements together with Note 15 within the Notes to the Housing Revenue Account. The payments are analysed below:

|   | 2012/13        | 2011/12       |
|---|----------------|---------------|
|   | £              | £             |
| Redundancy payments                     | 59,008         | 30,049        |
| Payments to Pension Fund                | 1,650          | 2,401         |
| Ill-health contribution to Pension Fund | <u>69,719</u>  | <u>0</u>      |
| Total payments                          | <u>130,377</u> | <u>32,450</u> |

### *Self-Financing from 1 April 2012*

The self-financing of the HRA is based on authorities "buying" themselves out of a "negative housing subsidy" position. For most authorities this involved them no longer paying a "housing subsidy" to Government; in return the Council's "indebtedness" was adjusted to an appropriate level.

For the Council this entailed making a payment of £68.286 million on 28 March 2012 to the Department of Communities and Local Government (DCLG). Government has determined that this payment to "buy out" of the subsidy system can be treated as a capital payment and has given authority for councils to borrow money to fund this payment. The Council did not have cash reserves that could fund this payment and has therefore borrowed the settlement amount.

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The Council borrowed the £68.286 million from the Public Works Loans Board on 28 March 2012 and the loans, to be repaid at Maturity, are made up as follows:

| <b>Loan Amount<br/>£ million</b> | <b>Loan Type</b> | <b>Number<br/>of Years</b> | <b>Interest Rate<br/>%</b> |
|----------------------------------|------------------|----------------------------|----------------------------|
| 10.286                           | Variable         | 10                         | 0.62                       |
| 10.000                           | Fixed            | 15                         | 3.01                       |
| 10.000                           | Fixed            | 20                         | 3.30                       |
| 10.000                           | Fixed            | 24                         | 3.42                       |
| 10.000                           | Fixed            | 27                         | 3.47                       |
| 10.000                           | Fixed            | 29                         | 3.49                       |
| 8.000                            | Fixed            | 30                         | 3.50                       |
| <b>£68.286 million</b>           |                  |                            |                            |

It is a once and for all settlement between Central and Local Government, after which all responsibility for maintaining social housing will rest with local housing authorities. However, through the Localism Act, Government has reserved powers that would permit it to make further allocations/repayments in the future should the need arise.

All income collected locally from rents, services charges and other sources will be kept at the local level to deliver housing services to tenants and to maintain the housing stock. The Council will now be able to plan long term for the investment needs of its assets and service levels in consultation with tenants.

Self-financing must not jeopardise the Government's priority to bring borrowing under control. Self-financing will give council landlords direct control over a very large rental income stream so borrowing financed from this income must be affordable within national fiscal policies as well as locally. Therefore, a limit has been placed on the total housing debt that each local authority can support from its HRA. For this Council the limit is placed at £87.260 million, providing headroom for future borrowing should it be required.

## *Future HRA Budget Plans*

Set out below is the Budget for 2013/14 approved in February 2013 for the next four years, together with a Revised Estimate for 2012/13. The Council will continue to monitor its budgets and the 30 year Business Plan to enable any potential future savings to be identified.

The HRA budget will be updated again in the autumn of 2013.

# Explanatory Foreword by Director of Resources

| Housing Revenue Account (HRA)   | 2012/13<br>Original<br>Budget<br>£ | 2012/13<br>Revised<br>Budget<br>£ | 2013/14<br>Original<br>Budget<br>£ | 2014/15<br>Forecast<br>Budget<br>£ | 2015/16<br>Forecast<br>Budget<br>£ | 2016/17<br>Forecast<br>Budget<br>£ |
|---|------------------------------------|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total Income  | 17,785,700                         | 17,783,600                        | 18,365,700                         | 19,086,300                         | 19,852,800                         | 20,669,300                         |
| Less  |                                    |                                   |                                    |                                    |                                    |                                    |
| Total Expenditure   | 11,987,600                         | 10,658,000                        | 10,205,900                         | 10,353,400                         | 10,489,300                         | 10,963,600                         |
| Net cost HRA Income & Expend. a/c                                     | (5,798,100)                        | (7,125,600)                       | (8,159,800)                        | (8,732,900)                        | (9,363,500)                        | (9,685,700)                        |
| Share of Corporate and Democratic<br>Core                             | 636,100                            | 618,500                           | 618,500                            | 679,500                            | 679,500                            | 679,500                            |
| <b>Net cost of HRA Services</b>                                       | <b>(5,162,000)</b>                 | <b>(6,507,100)</b>                | <b>(7,541,300)</b>                 | <b>(8,053,400)</b>                 | <b>(8,684,000)</b>                 | <b>9,006,200)</b>                  |
| Interest payable and similar charges                                  | 3,058,700                          | 2,329,000                         | 2,428,400                          | 2,540,800                          | 2,616,300                          | 2,691,600                          |
| Interest and Investment Income  | (45,100)                           | (45,100)                          | (45,100)                           | (45,100)                           | (45,100)                           | (45,100)                           |
| <b>Surplus for year on HRA services</b>                               | <b>(2,148,400)</b>                 | <b>(4,223,200)</b>                | <b>(5,158,000)</b>                 | <b>(5,557,700)</b>                 | <b>(6,112,800)</b>                 | <b>(6,359,700)</b>                 |
| <b>Balance Summary</b>  |                                    |                                   |                                    |                                    |                                    |                                    |
| <b>Surplus for year-HRA Inc. &amp; Ex a/c</b>                         | <b>(2,148,400)</b>                 | <b>(4,223,200)</b>                | <b>(5,158,000)</b>                 | <b>(5,557,700)</b>                 | <b>(6,112,800)</b>                 | <b>(6,359,700)</b>                 |
| Net additional amount required by<br>Statute to be debited to the HRA | 2,148,400                          | 7,023,200                         | 5,158,000                          | 5,557,700                          | 6,112,800                          | 6,309,700                          |
| <b>(Increase)/decrease in HRA<br/>Balance for year</b>                | <b>0</b>                           | <b>2,800,000</b>                  | <b>0</b>                           | <b>0</b>                           | <b>0</b>                           | <b>(50,000)</b>                    |
| HRA balance brought forward   | (4,330,436)                        | (4,821,381)                       | (2,021,381)                        | (2,021,381)                        | (2,021,381)                        | (2,021,381)                        |
| <b>HRA balance carried forward</b>                                    | <b>(4,330,436)</b>                 | <b>(2,021,381)</b>                | <b>(2,021,381)</b>                 | <b>(2,021,381)</b>                 | <b>(2,021,381)</b>                 | <b>(2,071,381)</b>                 |

## 6. Collection Fund

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

As at 31 March 2013, the Collection Fund has a surplus of £16k, (2011/12 surplus £360k). This surplus is apportioned between Waveney District Council, Suffolk County Council and Suffolk Police Authority (replaced by Suffolk Police and Crime Commissioner from 22 November 2012) in proportion to their respective Council Tax precept demands in the year.

When setting the Council's General Fund Budget for 2012/13 in February 2013, the Council forecast a surplus of £43k for its share of the Collection Fund at 31 March 2012. The reduction in the in-year deficit to £344k compared to the forecast is mainly due to higher than forecast gross debts at 31/03/12, resulting in an overall increase in the Provision for Bad Debts in 2012/13. After taking into account the break even position already calculated for 2012/13 and assumed in setting 2013/14 Council Tax levels, Waveney's share carried forward will be a £2k surplus (2011/12 £40k surplus), which will be taken into account when setting 2014/15 Council Tax levels.

## 7. 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.

## Explanatory Foreword by Director of Resources

The following table shows the capital outturn results for 2012/13 against the original budgeted programme approved in February 2012, analysed by Portfolio: (See Note 36 to the Core Financial Statements for further information):

|                                  | Original<br>Budget<br>£000 | Revised<br>Budget<br>£000 | Out-turn<br>£000 |
|----------------------------------|----------------------------|---------------------------|------------------|
| Community Health                 | 30                         | 35                        | 44               |
| Customers and Communities        | 207                        | 204                       | 11               |
| Economic Development             | 1,450                      | 499                       | 544              |
| Green Environment                | 1,171                      | 4,690                     | 4,019            |
| Housing-Council Housing          | 4,479                      | 4,387                     | 4,633            |
| Housing-Improvement              | 539                        | 561                       | 411              |
| Planning & Coastal Management    | 730                        | 867                       | 724              |
| Resources                        | 446                        | 1,315                     | 1,108            |
| <b>Total Capital Expenditure</b> | <b>9,052</b>               | <b>12,558</b>             | <b>11,494</b>    |

The outturn was £2.442m above the Original Budget for 2012/13, (£3.398m below in 2011/12) (and £1.064m below the Revised Estimate), as detailed in the table below:

|   | £000         |
|---|--------------|
| <b><i>The following schemes were re-phased in 2012/13</i></b>               |              |
| Southwold Harbour- North Wall Replacement                                   | 3,043        |
| Powerpark Land Acquisition  | 500          |
| Coast Protection Pathfinder   | 461          |
| Ladies Walk Southwold   | 250          |
| Waveney Norse vehicles and plant-savings/slippage to 2012/13                | 226          |
| Estates Management & DDA/Asbestos   | 214          |
| Other minor variations (net)  | 93           |
| Riverside Road Quay Development   | (589)        |
| Car Park Works  | (362)        |
| Coast Protection - Gorleston to Lowestoft & Lowestoft to Southwold Strategy | (330)        |
| <b><i>The following schemes were subject to slippage in 2012/13</i></b>     |              |
| Southwold Harbour- North Wall Replacement                                   | (277)        |
| Ladies Walk Southwold   | (246)        |
| Corporate IT  | (193)        |
| Service Transformation  | (150)        |
| Waveney Norse vehicles and plant  | (148)        |
| Other minor variations (net)  | (50)         |
| <b>Variation between Original Budget and Outturn 2012/13</b>                | <b>2,442</b> |

The Capital Programme was financed as follows.

|   | Original<br>Budget<br>£000 | Revised<br>Budget<br>£000 | Out-<br>turn<br>£000 |
|---|----------------------------|---------------------------|----------------------|
| Borrowing                                       | 2,206                      | 3,593                     | 2,563                |
| Capital Receipts                                | 0                          | 283                       | 1,828                |
| Government Grants and Third Party Contributions | 1,030                      | 2,682                     | 2,399                |
| Housing Revenue Account-revenue                 | 4,468                      | 4,387                     | 3,444                |
| Revenue / Revenue Reserves                      | 1,348                      | 1,613                     | 1,260                |
|   | <b>9,052</b>               | <b>12,558</b>             | <b>11,494</b>        |

## Explanatory Foreword by Director of Resources

The most significant items of capital expenditure in the 2012/13 financial year related to Disabled Facilities Grants (£411k), Acquisition of Land (£481k), Work to Corporate Buildings (£497k), Coastal Protection (£724k), WNL vehicle replacement programme (£1.249m) Southwold Harbour-North Wall replacement (£2.766m) and £4.633m on the Council's Housing stock.

There were no significant asset disposals in the year

The statutory limit on the Council's borrowing for capital purposes at 31 March 2013 was £122.0m (£122.0m 2011/12). The Council undertook no new net external borrowing during 2012/13 and repaid debt of £5m during the year, but this was replaced by £5m of other local authority borrowing. External borrowing outstanding as at 31 March 2013 amounted to £89.297m (£89.297m 31 March 2012). No Long Term Debt is due for repayment in 2013/14, and therefore treated as short term borrowings in the Balance Sheet. See Note 51 to the Core Financial Statements for further information.

Capital expenditure plans for the next four years are detailed below:

|                                   | 2013/14<br>£000 | 2014/15<br>£000 | 2015/16<br>£000 | 2016/17<br>£000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| Capital Expenditure               | 10,491          | 10,344          | 6,219           | 5,761           |
| <i>Financed by</i>                |                 |                 |                 |                 |
| Revenue/Revenue Reserves          | 4,755           | 4,140           | 3,870           | 4,075           |
| Capital Receipts                  | 0               | 0               | 0               | 0               |
| External Grants and Contributions | 3,308           | 1,096           | 1,016           | 1,106           |
| Unsupported borrowing             | 2,428           | 5,108           | 1,333           | 580             |
|                                   | <u>10,491</u>   | <u>10,344</u>   | <u>6,219</u>    | <u>5,761</u>    |

The most significant items in the Council's future capital programme approved in January 2013, are the inclusion of ongoing replacement of vehicles and plant, major repairs to Battery Green Car Park and Riverside Road Quay and Riverside Road Office Accommodation between 2013/14 2015/16, together with significant investment in local housing development.

### 8. Pensions

Pension costs are accounted for in accordance with the accounting standard IAS19 (previously referred to as FRS17). The objectives of IAS19 are to ensure that the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding and that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned, and that the financial statements contain adequate disclosure of the cost of providing retirement benefits.

IAS19 costs are not, however, chargeable to Council Tax, 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 £34.415m in 2012/13 (2011/12 £29.639m), however statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

Detailed information on the performance of the Pension Fund is set out in Note 40 to the Core Financial Statements. Transfers have been allowed for in IAS19 31 March 2013 with regard to the transfers of staff to the Sentinel Leisure Trust (1/4/11) and the Marina Theatre Trust (1/5/12).

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

# Explanatory Foreword by Director of Resources

## 9. Reserves

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

|  | 31 March<br>2013<br>£000 | 31 March<br>2012<br>£000 |
|--|--------------------------|--------------------------|
| <b>Usable Reserves</b>                           |                          |                          |
| <b><i>Held for revenue purposes</i></b>          |                          |                          |
| General Fund                                     | 4,318                    | 3,318                    |
| Earmarked Reserves                               | 2,947                    | 3,730                    |
| Housing Revenue Account (HRA)                    | 2,216                    | 4,821                    |
| Housing Revenue Account (HRA) Earmarked Reserves | 3,258                    | 0                        |
| <b><i>Held for capital purposes</i></b>          |                          |                          |
| Major Repairs Reserve                            | 3,092                    | 0                        |
| Capital Grants unapplied                         | 530                      | 315                      |
| <b>Total-Usable Reserves</b>                     | 16,361                   | 12,184                   |
| <b>Unusable Reserves</b>                         | 90,575                   | 98,559                   |
|  | 106,936                  | 110,743                  |

## 10. Strategic Partnerships

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

Waveney District Council and Suffolk Coastal District Council have formally agreed that both councils are each others preferred partner for shared services, whilst not excluding partnership working with any other organisation. With effect from 1 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 33 to the Core Financial Statements.

With effect from 1 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 2 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 41 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 15 year 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, with a lease to the Trust for an initial period of 15 years. Within the Partnership Agreement is the service fee set at £150,000 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



## Explanatory Foreword by Director of Resources

Council had a number of strategic service delivery partnerships, either through third parties, or joint arrangements with local authorities, in operation during the 2012/13 financial year. These are listed in the table below:

| Strategic Partner   | Service Delivery   |
|---|--|
| <i>Third Parties:</i>   |  |
| Norfolk County Council-Norse Commercial Services Limited (NCS).   | Waste Control, Sports Grounds, Cemeteries, Parking, Parks and Open Spaces, Public Conveniences, CCTV, Beach Management, Waste Management and other Operational Services. |
| Norfolk County Council-NPS Property Consultants Ltd.  | Asset Management.  |
| Sentinel Leisure Trust  | Leisure and Culture portfolio  |
| Marina Theatre Trust  | Management and operation of Marina Theatre, Lowestoft  |
| <i>Joint Arrangements:</i>  |  |
| Waveney and Suffolk Coastal District Councils.  | Senior Management (Chief Executive, Assistant Chief Executive, 2 Directors and 9 Heads of Service manage services jointly for both Councils).                            |
| Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Suffolk Coastal and Waveney District Council.       | Emergency Services - Joint Emergency Planning Unit.  |
| Suffolk County Council, St Edmundsbury and Ipswich Borough Councils, Babergh, Forest Heath, Mid-Suffolk and Waveney District Councils.          | Legal Services.  |
| Suffolk Coastal and Waveney District Council, and Ipswich Borough Council Audit Partnership.  | Internal Audit service.  |
| Breckland, Forest Heath, East Cambridgeshire District Councils, St Edmundsbury Borough Council and Suffolk Coastal & Waveney District Councils. | Anglia Revenues Partnership shared ICT infrastructure with Academy for the provision of revenues IT systems.   |

### Future Partnership Plans

Discussions have commenced for the Council's Revenues and Benefits Services to join the Anglia Revenues Partnership, together with Suffolk Coastal District Council. This is a partnership with the revenues and benefits services of Breckland, Forest Heath, and East Cambridgeshire District Councils and St Edmundsbury Borough Council. Discussions have commenced concerning further join up arrangements and potentially a full partnership structure.

### 11. Overall Financial Position

When Members approved the General Fund budget for 2012/13 in February 2012, the Budget report identified a target level of General Fund reserves of between £2m and £2.5m as a prudent balance to maintain in the long term based on the risks contained within the budget. The Medium Term Financial Strategy approved in July 2012 updated this position to take into account the General Fund Balance brought forward at 31 March 2012 of £3.265m and agreed to maintain the Balance at a level of around 3% of budgeted gross expenditure, which would lead to a Balance of between £2.5m and £3m. As part of the Budget setting process Council agreed in February 2013 to utilise in 2013/14, £1m of the General Fund balance to support the financing of the Capital Programme. This will reduce the General Fund back to within its target range.

# **Explanatory Foreword by Director of Resources**

The General Fund outturn for 2012/13 was underspent by £751k, which means that the overall General Fund balance at 31 March 2013 is £4.318m following £249k being transferred to reserves during the financial year (31 March 2012 £3.318m). A number of approved commitments (£198k) are identified to be funded from the General Fund Balance in 2013/14.

A further, more detailed analysis of the variance between the Original Estimate for 2012/13 and the outturn is set out in paragraph 4 above.

The Budget report to Council in February 2013 highlighted significant Budget issues which have a bearing on shaping the budgets from 2013/14 onwards. The MTFs currently forecasts a balanced position in respect of 2013/14. Future years beyond 2013/14 still show significant deficits, largely as a result of further losses in Central Government Grant Funding, and other policy changes. These pressures and opportunities afforded by the outturn position will be considered and addressed as part of the next Budget round over the coming months.

Major influences on the Council's financial position include:

- a) Government has already begun to form the parameters for spending beyond 2014/15;
- b) uncertainty surrounding future taxation, inflation and pay constraint assumptions in the years following 2013/14;
- c) monitoring the performance of the Housing Revenue Account (HRA) following its reform in April 2012;
- d) the performance and contributions to savings and efficiency targets of the Council's strategic partners, essential for the successful delivery of many of its key services;
- e) judgements around the performance of business rates following the introduction of the Business Rate Retention Scheme from 1 April 2013;
- f) impacts on the council taxbase and income arising from the introduction of Localised Council Tax Reduction Scheme (LCTRS) from 1 April 2013, the performance of the wider economy and levels of unemployment; and
- g) welfare reform including the introduction of the benefit cap of £500 per week/£26,000 per annum from 15 July 2013.

For 2012/13, transactions with the Housing Revenue Account see its level of balances at 31 March 2013 of £2.216m conform with best practice, having also made provision for unintended consequences arising from welfare reform (31 March 2012 £4.821m).

As part of the Revised Budget process in February 2013, Council agreed to set aside a further £200k from the Short Life Assets Reserve in 2012/13.

The Council repaid £5m of Public Works Loans Board (PWLb) debt during the year and replaced it with £5m of other local authority borrowing.

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

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

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

# **Explanatory Foreword by Director of Resources**

Note 40 to the Core Financial Statements on Pensions sets out in detail the assets and liabilities attributed to this Council by the Actuary to the Suffolk County Council Pension Scheme. This Council's share of the Fund deficit has, at 31 March 2013, increased to £34.415m compared to £29.639m a year earlier. This increase in the deficit can be attributed to financial assumptions at 31 March 2013 being less favourable than they were at 31 March 2012, (leading to a higher value being placed on Liabilities). With regard to assets, the previous 12 months have been better than expected, resulting in a positive impact on the IAS19 position. Unfortunately, this positive impact is outweighed by the negative impact on the liability side of the Balance Sheet, which has led to an increased deficit.

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

A detailed review of the book valuations of the Council's Assets has been undertaken at the end of the financial year to assess the impact of the credit crunch on property values. Where the Council's external qualified valuers, NPS Property Consultants Ltd, have determined that the book value of any of the Council's Assets has fallen, this has been reflected in the Council's Accounts and the impact is shown under Impairment of Non Current Assets. Note 38 to the Core Financial Statements provides further detail. The financial impact of all movements on property, plant and equipment in 2012/13 was £2.119m. Overall, the value of the Council's property, plant and equipment has reduced in value from £231.762m to £229.643m.

## **13. Further Information**

Further information on the Council's finances is available from the Director of Resources at Waveney District Council, Town Hall, High Street, Lowestoft, Suffolk, NR32 1HS (Telephone 01502 523660).

## **14. Translation Services**

An electronic version of the latest Annual Report is currently available for translation from [waveney.gov.uk](http://waveney.gov.uk). or email: [simon.taylor@suffolkcoastal.gov.uk](mailto:simon.taylor@suffolkcoastal.gov.uk)

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:

Director of Resources,  
Town Hall,  
Lowestoft,  
Suffolk,  
NR32 1HS.

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This role is known as the Chief Financial Officer. In this authority, that officer is the Director of Resources.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Councillor P Collecott, Chairman, Waveney District Council - 30 September 2013

### The Chief Financial Officer's Responsibilities

The Director of Resources is responsible for the preparation of the authority's Statement of Accounts, in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* ("the Code").

In preparing this Statement of Accounts, the Director of Resources has:

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

The Director of Resources has also:

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

### Certificate by the Chief Financial Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31 March 2013 and its income and expenditure for the year ending on that date.

Alan McFarlane, Director of Resources - 30 September 2013

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves lines 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<br>Fund Balance<br>£'000 | Earmarked<br>General Fund<br>Reserves<br>£'000 | Housing<br>Revenue<br>Account<br>£'000 | Earmarked<br>Housing<br>Revenue<br>Account<br>Reserves<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>Account<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Authority<br>Reserves<br>£'000 |
|--|----------------------------------|--|--|---|--------------------------------------|--|--------------------------------------|-------------------------------|---|
| <b>Balance at 31 March 2011</b>  | <b>(3,020)</b>                   | <b>(1,607)</b>                                 | <b>(4,003)</b>                         | -   | <b>(1,629)</b>                       | <b>(119)</b>                                       | <b>(10,378)</b>                      | <b>(188,188)</b>              | <b>(198,566)</b>                        |
| <b><u>Movement in reserves during 2011/12</u></b>  |                                  |  |  |   |                                      |  |                                      |                               |   |
| (Surplus) or deficit on provision of services (Restated)                                     | 9,982                            | -  | 73,289                                 | -   | -                                    | -  | <b>83,271</b>                        | -                             | <b>83,271</b>                           |
| Other Comprehensive Expenditure and Income   | -                                | -  | -                                      | -   | -                                    | -  | -                                    | 4,552                         | <b>4,552</b>                            |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>9,982</b>                     | <b>-</b>                                       | <b>73,289</b>                          | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>83,271</b>                        | <b>4,552</b>                  | <b>87,823</b>                           |
| Adjustments between accounting basis and funding basis under regulations (note 7) (Restated) | (12,403)                         | -  | (74,107)                               | -   | 1,629                                | (196)  | <b>(85,077)</b>                      | 85,077                        | -                                       |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>                          | <b>(2,421)</b>                   | <b>-</b>                                       | <b>(818)</b>                           | <b>-</b>  | <b>1,629</b>                         | <b>(196)</b>                                       | <b>(1,806)</b>                       | <b>89,629</b>                 | <b>87,823</b>                           |
| Transfer to/from Earmarked Reserves (note 8)   | 2,123                            | (2,123)  | -                                      | -   | -                                    | -  | -                                    | -                             | -                                       |
| <b>Increase/Decrease in 2011/12 (Restated)</b>   | <b>(298)</b>                     | <b>(2,123)</b>                                 | <b>(818)</b>                           | <b>-</b>  | <b>1,629</b>                         | <b>(196)</b>                                       | <b>(1,806)</b>                       | <b>89,629</b>                 | <b>87,823</b>                           |
| <b>Balance at 31 March 2012 carried forward (Restated)</b>                                   | <b>(3,318)</b>                   | <b>(3,730)</b>                                 | <b>(4,821)</b>                         | <b>-</b>  | <b>-</b>                             | <b>(315)</b>                                       | <b>(12,184)</b>                      | <b>(98,559)</b>               | <b>(110,743)</b>                        |
| <b><u>Movement in reserves during 2012/13</u></b>  |                                  |  |  |   |                                      |  |                                      |                               |   |
| (Surplus) or deficit on provision of services  | 3,741                            | -  | (5,025)                                | -   | -                                    | -  | <b>(1,284)</b>                       | -                             | <b>(1,284)</b>                          |
| Other Comprehensive Expenditure and Income   | -                                | -  | -                                      | -   | -                                    | -  | -                                    | 5,091                         | <b>5,091</b>                            |
| <b>Total Comprehensive Expenditure and Income</b>  | <b>3,741</b>                     | <b>-</b>                                       | <b>(5,025)</b>                         | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>(1,284)</b>                       | <b>5,091</b>                  | <b>3,807</b>                            |
| Adjustments between accounting basis and funding basis under regulations (note 7)            | (3,958)                          | -  | 4,372                                  | -   | (3,092)                              | (215)  | <b>(2,893)</b>                       | 2,893                         | -                                       |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>                          | <b>(217)</b>                     | <b>-</b>                                       | <b>(653)</b>                           | <b>-</b>  | <b>(3,092)</b>                       | <b>(215)</b>                                       | <b>(4,177)</b>                       | <b>7,984</b>                  | <b>3,807</b>                            |
| Transfer to/from Earmarked Reserves (note 8)   | (783)                            | 783  | 3,258                                  | (3,258)   | -                                    | -  | -                                    | -                             | -                                       |
| <b>Increase/Decrease in Year</b>   | <b>(1,000)</b>                   | <b>783</b>                                     | <b>2,605</b>                           | <b>(3,258)</b>  | <b>(3,092)</b>                       | <b>(215)</b>                                       | <b>(4,177)</b>                       | <b>7,984</b>                  | <b>3,807</b>                            |
| <b>Balance at 31 March 2013 carried forward</b>  | <b>(4,318)</b>                   | <b>(2,947)</b>                                 | <b>(2,216)</b>                         | <b>(3,258)</b>  | <b>(3,092)</b>                       | <b>(530)</b>                                       | <b>(16,361)</b>                      | <b>(90,575)</b>               | <b>(106,936)</b>                        |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

|  | 2012/13                       |                          |                             | 2011/12 (Restated)            |                          |                             |
|--|-------------------------------|--------------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|
|  | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |
| Central Services to the Public                                 | 13,153                        | (10,843)                 | <b>2,310</b>                | 13,168                        | (10,931)                 | <b>2,237</b>                |
| Cultural and Related Services (see note 45)                    | 9,130                         | (1,479)                  | <b>7,651</b>                | 7,731                         | (2,016)                  | <b>5,715</b>                |
| Environmental and Regulatory Services                          | 8,736                         | (2,468)                  | <b>6,268</b>                | 8,566                         | (2,550)                  | <b>6,016</b>                |
| Planning Services  | 2,937                         | (1,355)                  | <b>1,582</b>                | 2,488                         | (1,533)                  | <b>955</b>                  |
| Highways and Transport Services                                | 1,382                         | (1,954)                  | <b>(572)</b>                | 1,657                         | (2,086)                  | <b>(429)</b>                |
| Housing Revenue Account (see note 45)                          | 10,133                        | (17,656)                 | <b>(7,523)</b>              | 20,578                        | (16,697)                 | <b>3,881</b>                |
| Other Housing Services   | 42,817                        | (41,993)                 | <b>824</b>                  | 40,195                        | (40,505)                 | <b>(310)</b>                |
| Social Services  | (28)                          | (4)                      | <b>(32)</b>                 | 132                           | (7)                      | <b>125</b>                  |
| Corporate and Democratic Core                                  | 1,965                         | (128)                    | <b>1,837</b>                | 2,015                         | (158)                    | <b>1,857</b>                |
| Non-Distributed Costs  | (159)                         | -                        | <b>(159)</b>                | 8                             | -                        | <b>8</b>                    |
| Exceptional Items (see note 5)                                 | -                             | -                        | -                           | 77,246                        | -                        | <b>77,246</b>               |
| <b>Cost of Services</b>  | <b>90,066</b>                 | <b>(77,880)</b>          | <b>12,186</b>               | <b>173,784</b>                | <b>(76,483)</b>          | <b>97,301</b>               |
| Other Operating Expenditure (note 9)                           |                               |                          | <b>803</b>                  |                               |                          | <b>1,391</b>                |
| Financing and Investment Income and Expenditure (note 10)      |                               |                          | <b>3,132</b>                |                               |                          | <b>1,068</b>                |
| Taxation and Non-Specific Grant Income (note 11)               |                               |                          | <b>(17,405)</b>             |                               |                          | <b>(16,489)</b>             |
| <b>(Surplus) or Deficit on Provision of Services (note 29)</b> |                               |                          | <b>(1,284)</b>              |                               |                          | <b>83,271</b>               |
| Surplus or deficit on revaluation of non-current assets        |                               |                          | <b>(535)</b>                |                               |                          | <b>(5,934)</b>              |
| Actuarial gains/losses on pension assets/liabilities (note 40) |                               |                          | <b>5,626</b>                |                               |                          | <b>10,486</b>               |
| <b>Other Comprehensive Income and Expenditure</b>              |                               |                          | <b>5,091</b>                |                               |                          | <b>4,552</b>                |
| <b>Total Comprehensive Income and Expenditure</b>              |                               |                          | <b>3,807</b>                |                               |                          | <b>87,823</b>               |

## BALANCE SHEET

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

|   | Note    | 31st March<br>2013<br>£'000 | 31st March<br>2012<br>(Restated)<br>£'000 |
|---|---------|-----------------------------|---|
| Property, Plant and Equipment                   | 12      | 229,643                     | 231,762                                   |
| Heritage Assets                                 | 13      | 495                         | 495                                       |
| Intangible Assets                               | 15      | 244                         | 373                                       |
| Long Term Investments                           | 16 + 47 | 10                          | 10  |
| Long Term Debtors                               | 16 + 48 | 457                         | 540                                       |
| <b>Long Term Assets</b>                         |         | <b>230,849</b>              | <b>233,180</b>                            |
| Current Assets held for sale                    | 19      | 1,193                       | 784                                       |
| Inventories                                     | 17      | 128                         | 124                                       |
| Short Term Debtors                              | 18      | 5,839                       | 6,922                                     |
| Cash and Cash Equivalents                       | 20      | 7,415                       | 10,757                                    |
| <b>Current Assets</b>                           |         | <b>14,575</b>               | <b>18,587</b>                             |
| Cash and Cash Equivalents - Bank Overdraft      | 20      | -                           | (10)                                      |
| Short Term Borrowing                            | 16      | (5,000)                     | (5,000)                                   |
| Short Term Creditors                            | 21      | (3,861)                     | (10,945)                                  |
| Short Term Capital Grants Receipts in Advance   | 23      | (1,083)                     | (1,310)                                   |
| <b>Current Liabilities</b>                      |         | <b>(9,944)</b>              | <b>(17,265)</b>                           |
| Long Term Creditors                             | 16 + 49 | (8,387)                     | (8,333)                                   |
| Long Term Provisions                            | 22      | (44)                        | -   |
| Long Term Borrowing                             | 16      | (84,297)                    | (84,297)                                  |
| Long Term Capital Grants Receipts in Advance    | 23      | (1,401)                     | (1,490)                                   |
| Other Long Term Liabilities - Pension Liability | 40      | (34,415)                    | (29,639)                                  |
| <b>Long Term Liabilities</b>                    |         | <b>(128,544)</b>            | <b>(123,759)</b>                          |
| <b>Net Assets</b>                               |         | <b>106,936</b>              | <b>110,743</b>                            |
| Usable reserves                                 | 24      | (16,361)                    | (12,184)                                  |
| Unusable reserves                               | 25      | (90,575)                    | (98,559)                                  |
| <b>Total Reserves</b>                           |         | <b>(106,936)</b>            | <b>(110,743)</b>                          |

## CASH FLOW STATEMENT

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

|  | <b>2012/13</b>  | <b>2011/12</b>              |
|--|-----------------|-----------------------------|
|  | <b>£'000</b>    | <b>(Restated)<br/>£'000</b> |
| Net (surplus) or deficit on the provision of services  | <b>(1,284)</b>  | 83,271                      |
| Adjust net surplus or deficit on the provision of services for non cash movements (note 26)                                      | <b>(7,697)</b>  | (26,134)                    |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <b>4,668</b>    | 2,198                       |
| Net cash flows from Operating Activities   | <b>(4,313)</b>  | <b>59,335</b>               |
| Investing Activities (note 27)   | <b>6,726</b>    | (9,531)                     |
| Financing Activities (note 28)   | <b>919</b>      | (58,781)                    |
| Net increase or decrease in cash and cash equivalents  | <b>3,332</b>    | <b>(8,977)</b>              |
| Cash and cash equivalents at the beginning of the reporting period   | <b>(10,747)</b> | (1,770)                     |
| <b>Cash and cash equivalents at the end of the reporting period (note 20)</b>  | <b>(7,415)</b>  | <b>(10,747)</b>             |



## STATEMENT OF ACCOUNTING POLICIES

### 1 Accounting Policies

#### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit (England) Regulations 2011, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS).

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

#### B Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure in the Comprehensive Income and Expenditure Statement 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress within inventories on the Balance Sheet.
- In calculating the accrual for major grant claims including Housing Benefit and Council Tax Benefit Subsidy and Housing Rents, the sums receivable have been estimated using the latest information available from the Housing Benefit, Council Tax Benefit and Housing Rents systems.

## STATEMENT OF ACCOUNTING POLICIES

### **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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash 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
- 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 amortisations. However, it is required to make an annual contribution from revenue (calculated in accordance with Regulations and Statutory Guidance) towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a Minimum Revenue Provision (MRP) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## STATEMENT OF ACCOUNTING POLICIES

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 Waveney'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**

#### Benefits Payable During Employment

Short-term employee benefits are those that fall due to be settled 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 in the Surplus or Deficit on the Provision of Services where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. 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. Where any accrual has been charged to Surplus or Deficit on the Provision of Services, Statutory arrangements require the accrual to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Such costs are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for 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.

## STATEMENT OF ACCOUNTING POLICIES

### Post Employment Benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
  
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.
  
- The change in the net pensions liability is analysed into seven components:
  - Current Service Cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Interest Cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - Expected Return on Assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  
  - Gains/Losses on Settlements and Curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Actuarial Gains and Losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pensions Reserve
  - Contributions paid to the Suffolk County Council Pension Fund - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense

## STATEMENT OF ACCOUNTING POLICIES

### *Pensions impact on Council Tax and the HRA*

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 date are not reflected in the Statement of Accounts.

## **H Exceptional Items**

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

## **I Financial Instruments - 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.

## STATEMENT OF ACCOUNTING POLICIES

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years, directly relating to the remaining life of the original loan or the replacement loan. The Council has a policy of discounts being written down over a maximum period of ten years. 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.

### *Disclosure required in the 2011/12 Financial Statements.*

Adoption of amendments to IFRS 7 Financial Instruments: Disclosures by the Code will result in a change of Accounting Policy that requires disclosure.

Local Authorities are now required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2012 for 2011/12).

For the 2012/13 Statement of Accounts, the CIPFA Code includes the amendments to IFRS 7 (FRS 29) Financial Instruments: Disclosures (Transfers of Financial Assets). The requirements will be as follows:

An authority shall, where material, disclose the following items in the 2011/12 financial statements (to the extent that the information is known or reasonably estimable):

New disclosure requirements to enhance the information currently provided in financial statements that would help users of financial statements evaluate an entity's risk exposure arising from transfers of financial assets as well as any resulting impact on its financial position.

This standard will not have a material impact on the financial statements of this Council.

### **J Financial Instruments - 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 carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Any loans made at less than market rates are known as "soft loans". When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

### **K Government Grants and Contributions**

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

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

## STATEMENT OF ACCOUNTING POLICIES

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 benefits 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 (non-ring-fenced revenue grants, and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

### **L Heritage Assets**

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

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.



## STATEMENT OF ACCOUNTING POLICIES

### *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 U](#) in this summary of significant accounting policies). In the rare event of disposal of any Heritage Assets the proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see [note U](#) in this summary of significant accounting policies).

## **M Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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 is solely or primarily intended to promote or advertise the Council's goods or services.

## STATEMENT OF ACCOUNTING POLICIES

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 Authority 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.

The Council is required to disclose details of any material Intangible Assets in the Accounts. For the purpose of disclosure, the materiality threshold for intangible assets has been set at a carrying value of £100,000.

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

In May 2008 the Council signed an agreement with Norse Commercial Services Limited (NCS). A new company, Waveney Norse Limited (WNL) was incorporated on 23 May 2008, and began trading on 1 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 WNL. Profits and Losses are shared 50%/50% with NCS.

Following a review of the Group Accounting requirements of the 2012/13 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 WNL for 2012/13 has been determined as an Associate. In the Council's own single-entity accounts, the interest in Waveney Norse is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for WNL is based on their financial results at their accounting date of 27 January 2013, with adjustments for items between that date and 31 March 2013 only being made where transactions or events are significant. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

### **O Inventories**

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

## STATEMENT OF ACCOUNTING POLICIES

### **P Investment Properties**

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

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

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

### **Q Investments**

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

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

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

### **S Leases**

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

### The Council as Lessee

#### *Finance Leases*

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority 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 (for example where there is a rent-free period at the commencement of the lease).

### The Council as Lessor

#### *Finance Leases*

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

## STATEMENT OF ACCOUNTING POLICIES

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 of 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 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 (for example where there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **T Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

## **U Property, Plant and Equipment**

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

## STATEMENT OF ACCOUNTING POLICIES

### 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
- 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 any 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 - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV)

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

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

## STATEMENT OF ACCOUNTING POLICIES

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. 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 within the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

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

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

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

### Impairment

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

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

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

## STATEMENT OF ACCOUNTING POLICIES

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
- Infrastructure - straight-line allocation over 40 to 60 years

The estimated useful life of the asset used to calculate the depreciation charge is assessed on acquisition and reviewed on revaluation. The asset life applied can vary from as little as 3 years for the Town Hall, to up to 60 years for new permanent buildings and some categories of infrastructure.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Council's capital expenditure de minimis level of £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 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 as to when an asset is surplus, the accounting treatment will apply from 1 April in that year. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised 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 not 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.



## STATEMENT OF ACCOUNTING POLICIES

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

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

### **V Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

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

## STATEMENT OF ACCOUNTING POLICIES

### Contingent Liabilities

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

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

### Contingent Assets

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

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

## **W Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance or HRA 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 HRA in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

## **X Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by 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.

## STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

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

### **Z VAT**

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

### 2 Accounting Standards that have been issued but have not yet been adopted

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

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required.
- Service Concession Arrangements, clarifications for the recognition criteria for assets under construction or intangible assets – there are currently no schemes that this could potentially affect.
- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts as the Council has no investment properties.
- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. Within the cash and cash equivalents line on the balance sheet there is a bank overdraft, note 20 provides a breakdown of this item.

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

### 3 Critical judgements in applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- 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 as in 2012/13. 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.

## ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

| <u>Item</u>                   | <u>Uncertainties</u>   | <u>Effect if Actual Results Differ from Assumptions</u>  |
|-------------------------------|--|--|
| Property, Plant and Equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.</p> <p>The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p>             | <p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £197k (£65k Dwellings and £132k Other Buildings) for every year that useful lives had to be reduced.</p> <p>Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.</p> |
| Pensions Liability            | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p> | <p>Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, they are complex and inter-related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs on taxpayers is protected in the short to medium term under national pension arrangements.</p>  |
| Arrears                       | <p>At 31 March 2013, the Council had a balance of sundry debtors of £4.950m. A review of significant balances suggested that an allowance for doubtful debts of £2.133m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>  | <p>If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.</p>   |
| Benefits                      | <p>In preparing the accounts for the year the Council has submitted a material grant claim to the Department for Work and Pensions in relation to Housing and Council Tax Benefit paid in the year to the value of £50.4 million. The claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.</p>                      | <p>If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is incorrectly stated. If this were the case, any changes would impact on the General Fund balance.</p>   |

## NOTES TO CORE FINANCIAL STATEMENTS

### 5 Comprehensive Income and Expenditure Statement - Material Exceptional Items of Income and Expenditure

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.

|   | <b>2012/13</b> | <b>2011/12</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| Downwards revaluation of Waterlane Leisure Centre*                                | -              | <b>8,960</b>   |
| Housing Revenue Account - Self-Financing Settlement payment to Central Government | -              | <b>68,286</b>  |
| <b>Total</b>  | -              | <b>77,246</b>  |

\* Waterlane Leisure Centre has been revalued to zero value following a change in its existing use value. Waterlane Leisure Centre has been leased to Sentinel Leisure Trust under an operating lease for a peppercorn rental, which the Council's valuers, NPS, have used to base their valuation on. The downwards revaluation of Waterlane Leisure Centre is shown as an expense in the Comprehensive Income and Expenditure Statement, but it is reversed via the Movements in Reserves Statement to ensure it does not affect the Council's Taxpayers in line with the requirements of the Code.

### 6 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Director of Resources on 30 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes are adjusted in all material respects to reflect the impact of this information.

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

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

There are two non-adjusted Post Balance Sheet Events to disclose in relation to Business Rate Retention and the purchase of investment properties.

New arrangements for the retention of business rates come into effect on 1 April 2013 and the Council will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid over to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the Council, but would have been transferred to DCLG. When the Council assumed these liabilities on 1 April 2013, a provision will need to be recognised for the Council's share of the liability. Appeals are estimated at £1.055m of which the Council's share is 40% (£0.422m). From the Council's 40% share, a tariff payment of 64.1% is made to Suffolk County Council, which will transfer £0.270m of the liability, leaving the Council with a provision of £0.152m.

On 21 August 2013, the Council purchased a number of investment properties for £4.2m and these will form a new disclosure within the Balance Sheet that appears in the 2013/14 Statement of Accounts. These investment properties will generate income that will be reflected within the general fund of the Council.

These are considered to be a non-adjusting post balance sheet event in the 2012/13 accounts, and as a result no adjustments have been made to the accounts.

## **7 Movement In Reserves Statement - Adjustments Between Accounting Basis And Funding Basis Under Regulations**

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

### **General Fund Balance**

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

### **Housing Revenue Account**

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.

### **Major Repairs Reserve**

The Council is required to maintain the Major Repairs Reserve, which Regulation 75 of the Accounts and Audit (England) Regulations 2011 restricts the reserve to being used towards new capital expenditure, repayment of HRA debt or meeting liabilities under credit arrangements.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied Account**

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



## NOTES TO CORE FINANCIAL STATEMENTS

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.

|  | <b>Usable Reserves</b>                        |  |  |   | <b>Capital<br/>Grants<br/>Unapplied<br/>Account<br/>£'000</b> | <b>Total<br/>Usable<br/>Reserves<br/>£'000</b> | <b>Movement<br/>in Unusable<br/>Reserves<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--|---|--|--|---|---|--|--|------------------------|
|  | <b>General<br/>Fund<br/>Balance<br/>£'000</b> | <b>Housing<br/>Revenue<br/>Account<br/>£'000</b> | <b>Major<br/>Repairs<br/>Reserve<br/>£'000</b> | <b>Capital<br/>Receipts<br/>Reserve<br/>£'000</b> |   |  |  |                        |
| <b>2011/12 (Restated)</b>  |   |  |  |   |   |  |  |                        |
| <b>Adjustments Involving the Capital Adjustment Account:</b>   |   |  |  |   |   |  |  |                        |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |   |  |  |   |   |  |  |                        |
| Charges for depreciation and impairment of non current assets  | (2,740)                                       | -  | (3,428)  |   |   | <b>(6,168)</b>                                 | 6,168  | -                      |
| Revaluation losses on Property, Plant and Equipment  | (12,414)                                      | (5,601)  |  |   |   | <b>(18,015)</b>                                | 18,015   | -                      |
| Movements in the market value of Investment Properties   |   |  |  |   |   | -  | -  | -                      |
| Amortisation of intangible assets  | (268)   |  |  |   |   | <b>(268)</b>                                   | 268  | -                      |
| Finance Lease capital payments   | (37)  |  |  |   |   | <b>(37)</b>                                    | 37   | -                      |
| Capital grants and contributions that have been applied to capital financing   |   |  |  |   | 1,004   | <b>1,004</b>                                   | (1,004)  | -                      |
| Movement in the Donated Assets Account   |   |  |  |   |   | -  | -  | -                      |
| Revenue expenditure funded from capital under statute  |   | (68,289)   |  |   |   | <b>(68,289)</b>                                | 68,289   | -                      |
| 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 | (260)   | (1,040)  |  |   |   | <b>(1,300)</b>                                 | 1,300  | -                      |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |   |  |  |   |   |  |  |                        |
| Statutory provision for the financing of capital investment  | 935   | 197  |  |   |   | <b>1,132</b>                                   | (1,132)  | -                      |
| Capital expenditure charged against the General Fund and HRA balances  | 573   | 321  |  |   |   | <b>894</b>                                     | (894)  | -                      |
| <b>Adjustment involving the Capital Grants Unapplied Account</b>   |   |  |  |   |   |  |  |                        |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement  | 801   |  |  |   | (1,200)   | <b>(399)</b>                                   | 399  | -                      |

**NOTES TO CORE FINANCIAL STATEMENTS**

|  |                 |                 |              |              |                 |               |
|--|-----------------|-----------------|--------------|--------------|-----------------|---------------|
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                 |                 |              |              |                 |               |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | 193             | 804             | (998)        | (1)          | 1               | -             |
| Use of the Capital Receipts Reserve to finance new capital expenditure   |                 |                 | 423          | 423          | (423)           | -             |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals   |                 | (2)             | 2            | -            | -               | -             |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | (574)           |                 | 574          | -            | -               | -             |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash   |                 |                 | (1)          | (1)          | 1               | -             |
| <b>Adjustments involving the Major Repairs Reserve</b>   |                 |                 |              |              |                 |               |
| Reversal of Major Repairs Allowance credited to the HRA  |                 | (423)           | 423          | -            | -               | -             |
| Use of the Major Repairs Reserve to fund new capital expenditure   |                 |                 | 4,634        | 4,634        | (4,634)         | -             |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                 |                 |              |              |                 |               |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                          | 29              |                 |              | 29           | (29)            | -             |
| <b>Adjustments involving the Pensions Reserve:</b>   |                 |                 |              |              |                 |               |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see <a href="#">Note 40</a> ) | (1,231)         | (524)           |              | (1,755)      | 1,755           | -             |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 2,581           | 450             |              | 3,031        | (3,031)         | -             |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>   |                 |                 |              |              |                 |               |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements               | 9               |                 |              | 9            | (9)             | -             |
| <b>Total Adjustments</b>   | <b>(12,403)</b> | <b>(74,107)</b> | <b>1,629</b> | <b>(196)</b> | <b>(85,077)</b> | <b>85,077</b> |

**NOTES TO CORE FINANCIAL STATEMENTS**

**2012/13**

**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  | (2,302) | (17)  | (3,068) |         | <b>(5,387)</b> | 5,387   | - |
| Revaluation losses on Property, Plant and Equipment  | (6,313) | 468   |         |         | <b>(5,845)</b> | 5,845   | - |
| Movements in the market value of Investment Properties   |         |       |         |         | -              |         | - |
| Amortisation of intangible assets  | (106)   | -     | (24)    |         | <b>(130)</b>   | 130     | - |
| Capital grants and contributions that have been applied to capital financing   |         |       |         | 2,399   | <b>2,399</b>   | (2,399) | - |
| Movement in the Donated Assets Account   |         |       |         |         | -              | -       | - |
| Revenue expenditure funded from capital under statute  | (411)   |       |         |         | <b>(411)</b>   | 411     | - |
| 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 | (1,125) | (956) |         |         | <b>(2,081)</b> | 2,081   | - |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |         |       |         |         |                |         |   |
| Statutory provision for the financing of capital investment  | 994     | 193   |         |         | <b>1,187</b>   | (1,187) | - |
| Capital expenditure charged against the General Fund and HRA balances  | 1,264   | 3,444 |         |         | <b>4,708</b>   | (4,708) | - |
| <b>Adjustment involving the Capital Grants Unapplied Account</b>   |         |       |         |         |                |         |   |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement  | 2,614   |       |         | (2,614) | -              | -       | - |

**NOTES TO CORE FINANCIAL STATEMENTS**

|  |                |              |                |                |              |                |
|--|----------------|--------------|----------------|----------------|--------------|----------------|
| <b>Adjustments involving the Capital Receipts Reserve:</b>   |                |              |                |                |              |                |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement  | 723            | 1,327        | (2,047)        | <b>3</b>       | (3)          | -              |
| Use of the Capital Receipts Reserve to finance new capital expenditure   |                |              | 1,824          | <b>1,824</b>   | (1,824)      | -              |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool   | (224)          |              | 224            | -              | -            | -              |
| Transfer from Deferred Capital Receipts Reserve on receipt of cash   |                |              | (1)            | <b>(1)</b>     | 1            | -              |
| <b>Adjustments involving the Financial Instruments Adjustment Account:</b>   |                |              |                |                |              |                |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements                          | 29             |              |                | <b>29</b>      | (29)         | -              |
| <b>Adjustments involving the Pensions Reserve:</b>   |                |              |                |                |              |                |
| Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see <a href="#">Note 40</a> ) | (1,614)        | (581)        |                | <b>(2,195)</b> | 2,195        | -              |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | 2,551          | 494          |                | <b>3,045</b>   | (3,045)      | -              |
| <b>Adjustments involving the Collection Fund Adjustment Account:</b>   |                |              |                |                |              |                |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements               |                |              | (38)           | <b>(38)</b>    | 38           | -              |
| <b>Total Adjustments</b>   | <b>(3,958)</b> | <b>4,372</b> | <b>(3,092)</b> | <b>-</b>       | <b>(215)</b> | <b>(2,893)</b> |
|  |                |              |                | <b>(2,893)</b> | <b>2,893</b> | <b>-</b>       |

**NOTES TO CORE FINANCIAL STATEMENTS**

**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 2011/12 and 2012/13.

|   | <b>Balance 1<br/>April 2011<br/>£'000</b> | <b>Transfers<br/>Out<br/>2011/12<br/>£'000</b> | <b>Transfers<br/>In 2011/12<br/>£'000</b> | <b>Balance 31<br/>March 2012<br/>£'000</b> | <b>Transfers<br/>Out<br/>2012/13<br/>£'000</b> | <b>Transfers<br/>in 2012/13<br/>£'000</b> | <b>Balance 31<br/>March 2013<br/>£'000</b> | <b>Purpose of the Earmarked Reserve</b>   |
|---|---|--|---|--|--|---|--|---|
| <b>General Fund:</b>                      |   |  |   |  |  |   |  |   |
| Lowestoft Charter Trustees                | 14  | -  | 1   | 15   | (5)  | -   | 10   | To cover the Trustees role including mayoral and civic expenses.  |
| Conservation, Planning & Building Control | 206                                       | (40)   | 59  | 225  | (9)  | -   | 216  | A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.   |
| District Elections                        | -   | -  | -   | -  | -  | 70  | 70   | To support costs of future elections.   |
| Private Sector Housing Stock Survey       | 11  | (11)   | -   | -  | -  | -   | -  | - For future survey obligation.   |
| Backlog Repairs and Maintenance           | 48  | -  | 97  | 145  | (25)   | -   | 120  | To meet maintenance demands for corporate buildings.  |
| Leisure Outsourcing Reserve               | 76  | (74)   | -   | 2  | (2)  | -   | -  | - Set aside towards potential legal costs and other services required to achieve any outsourcing of leisure services.   |
| Actuarial Adjustments Reserve             | 500                                       | (11)   | -   | 489  | (92)   | 20  | 417  | 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. |
| Housing Benefits Subsidy Reserve          | 217                                       | -  | 283                                       | 500  | (400)  | -   | 100  | To even out future years' pressure from the final audit of Housing Benefit Subsidy claims.  |
| Efficiencies Reserve                      | 200                                       | -  | 320                                       | 520  | -  | -   | 520  | To provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets.  |
| Land Charges Reserve                      | 109                                       | -  | -   | 109  | -  | -   | 109  | To support the General Fund from losses in future Land Charges income.  |
| Revenue Grants Receipt in Advance Reserve | 4   | -  | 116                                       | 120  | (45)   | 14  | 89   | To match revenue grants received in advance with its related expenditure in subsequent years.   |
| Short Life Assets Reserve                 | 222                                       | -  | 1,126                                     | 1,348                                      | (1,260)  | 323                                       | 411  | 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.                       |
| Waste Management Reserve                  | -   | -  | 56  | 56   | (56)   | -   | -  | - To support the General Fund from the impact of any future changes to recycling credits.   |
| New Homes Bonus Reserve                   | -   | -  | 201                                       | 201  | (250)  | 531                                       | 482  | To support economic development and business growth initiatives.  |
| Major Projects Reserve                    | -   | -  | -   | -  | -  | 100                                       | 100  | Funding to support projects and initiatives for the Area Action Plan in the Lake Lothing and outer harbour area.  |
| Southwold Beach Hut Reserve               | -   | -  | -   | -  | (4)  | 255                                       | 251  | Receipt of monies from letting of new Beach Hut sites in Southwold in 2012/13 approved to be used to fund new pathway at Ladies Walk in 2013/14.                        |
| MMI Reserve                               | -   | -  | -   | -  | -  | 52  | 52   | To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).  |
| <b>Total General Fund</b>                 | <b>1,607</b>                              | <b>(136)</b>                                   | <b>2,259</b>                              | <b>3,730</b>                               | <b>(2,148)</b>                                 | <b>1,365</b>                              | <b>2,947</b>                               |   |

**NOTES TO CORE FINANCIAL STATEMENTS**

|                                      | <b>Balance 1<br/>April 2011<br/>£'000</b> | <b>Transfers<br/>Out<br/>2011/12<br/>£'000</b> | <b>Transfers<br/>In 2011/12<br/>£'000</b> | <b>Balance 31<br/>March 2012<br/>£'000</b> | <b>Transfers<br/>Out<br/>2012/13<br/>£'000</b> | <b>Transfers<br/>in 2012/13<br/>£'000</b> | <b>Balance 31<br/>March 2013<br/>£'000</b> | <b>Purpose of the Earmarked Reserve</b>   |
|--------------------------------------|---|--|---|--|--|---|--|---|
| <b>Housing Revenue Account:</b>      |   |  |   |  |  |   |  |   |
| Hardship Reserve                     | -   | -  | -   | -  | -  | 500                                       | <b>500</b>                                 | Recognising the need to provide financial help to tenants who find themselves in financial hardship due to the welfare reforms. |
| Debt Repayment Reserve               | -   | -  | -   | -  | -  | 2,706                                     | <b>2,706</b>                               | To set aside funds to meet future liabilities for repaying the Self-Financing debt.   |
| MMI Reserve                          | -   | -  | -   | -  | -  | 52  | <b>52</b>                                  | To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).                                      |
| <b>Total Housing Revenue Account</b> | <b>-</b>                                  | <b>-</b>                                       | <b>-</b>                                  | <b>-</b>                                   | <b>-</b>                                       | <b>3,258</b>                              | <b>3,258</b>                               |   |
| <b>Total</b>                         | <b>1,607</b>                              | <b>(136)</b>                                   | <b>2,259</b>                              | <b>3,730</b>                               | <b>(2,148)</b>                                 | <b>4,623</b>                              | <b>6,205</b>                               |   |

## NOTES TO CORE FINANCIAL STATEMENTS

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

|  | 2012/13<br>£'000 | 2011/12<br>£'000 |
|--|------------------|------------------|
| Parish council precepts                                  | 523              | 513              |
| Levies   | 22               | -                |
| Payments to the Government Housing Capital Receipts Pool | 224              | 574              |
| Gains/losses on the disposal of non current assets       | 34               | 304              |
| <b>Total</b>   | <b>803</b>       | <b>1,391</b>     |

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

|   | 2012/13<br>£'000 | 2011/12<br>(Restated)<br>£'000 |
|---|------------------|--------------------------------|
| Interest payable and similar charges                          | 2,511            | 1,130                          |
| Pensions interest cost and expected return on pensions assets | 750              | 129                            |
| Interest receivable and similar income (note 46)              | (129)            | (191)                          |
| <b>Total</b>  | <b>3,132</b>     | <b>1,068</b>                   |

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

|                                  | 2012/13<br>£'000 | 2011/12<br>£'000 |
|----------------------------------|------------------|------------------|
| Council tax income               | (6,458)          | (6,442)          |
| Non domestic rates               | (8,029)          | (6,950)          |
| Non-ringfenced government grants | (304)            | (2,296)          |
| Capital grant and contributions  | (2,614)          | (801)            |
| <b>Total</b>                     | <b>(17,405)</b>  | <b>(16,489)</b>  |

**NOTES TO CORE FINANCIAL STATEMENTS**

**12 Property, Plant and Equipment**

| <b>Movements on Balances</b>   |                                    |   |  |  |                                   |                                 |  |  |  |
|--|------------------------------------|---|--|--|-----------------------------------|---------------------------------|--|--|--|
| <b>Movements in 2012/13:</b>   | <b>Council Dwellings<br/>£'000</b> | <b>Other Land and Buildings<br/>£'000</b> | <b>Vehicles, Plant &amp; Equipment<br/>£'000</b> | <b>Infrastructure Assets<br/>£'000</b> | <b>Community Assets<br/>£'000</b> | <b>Surplus Assets<br/>£'000</b> | <b>Assets Under Construction<br/>£'000</b> | <b>Land awaiting Development<br/>£'000</b> | <b>Total Property, Plant and Equipment<br/>£'000</b> |
| <b>Cost or Valuation</b>   |                                    |   |  |  |                                   |                                 |  |  |  |
| At 1 April 2012  | 171,664                            | 36,850                                    | 10,514   | 23,264                                 | 2,774                             | 2,663                           | 643  | 600  | 248,972  |
| Additions  | 4,451                              | 1,160                                     | 1,818  | 3,538                                  | 11                                | -                               | 31   | -  | 11,009   |
| Donations  |                                    |   |  |  |                                   |                                 |  |  | -  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 64                                 | (403)                                     | -  | -                                      | 2                                 | (75)                            | -  | -  | (412)  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,025)                            | (6,919)                                   | -  | -                                      | (13)                              | -                               | -  | -  | (8,957)  |
| Derecognition - Disposals  | (845)                              | (674)                                     | (602)  | -                                      | -                                 | -                               | -  | -  | (2,121)  |
| Derecognition - Other  |                                    | (75)                                      |  |  |                                   |                                 |  |  | (75)   |
| Assets reclassified (to)/from Held for Sale  |                                    | (809)                                     |  |  |                                   | (175)                           |  |  | (984)  |
| Other movements in Cost or Valuation   |                                    | (163)                                     |  |  | (3)                               | 161                             |  |  | (5)  |
| <b>At 31 March 2013</b>  | <b>173,309</b>                     | <b>28,967</b>                             | <b>11,730</b>                                    | <b>26,802</b>                          | <b>2,771</b>                      | <b>2,574</b>                    | <b>674</b>                                 | <b>600</b>                                 | <b>247,427</b>                                       |
| <b>Accumulated Depreciation and Impairment</b>   |                                    |   |  |  |                                   |                                 |  |  |  |
| At 1 April 2012  | -                                  | 2,285                                     | 5,282  | 9,554                                  | 3                                 | 86                              | -  | -  | 17,210   |
| Depreciation charge  | 2,614                              | 854                                       | 1,253  | 818                                    | -                                 | -                               | -  | -  | 5,539  |
| Depreciation written out to the Revaluation Reserve  | (45)                               | (810)                                     | -  | -                                      | -                                 | -                               | -  | -  | (855)  |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | (2,560)                            | (686)                                     | -  | -                                      | -                                 | -                               | -  | -  | (3,246)  |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 17                                 | (170)                                     |  |  |                                   |                                 |  |  | (153)  |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              |                                    | (106)                                     |  |  |                                   |                                 |  |  | (106)  |
| Derecognition - Disposals  | (10)                               | (63)                                      | (529)  | -                                      | -                                 | -                               | -  | -  | (602)  |
| Derecognition - Other  |                                    |   |  |  |                                   |                                 |  |  | -  |
| Other movements in Depreciation and Impairment   |                                    |   |  |  | (3)                               |                                 |  |  | (3)  |
| <b>At 31 March 2013</b>  | <b>16</b>                          | <b>1,304</b>                              | <b>6,006</b>                                     | <b>10,372</b>                          | <b>-</b>                          | <b>86</b>                       | <b>-</b>                                   | <b>-</b>                                   | <b>17,784</b>  |
| <b>Net Book Value</b>  |                                    |   |  |  |                                   |                                 |  |  |  |
| <b>At 31 March 2013</b>  | <b>173,293</b>                     | <b>27,663</b>                             | <b>5,724</b>                                     | <b>16,430</b>                          | <b>2,771</b>                      | <b>2,488</b>                    | <b>674</b>                                 | <b>600</b>                                 | <b>229,643</b>                                       |
| <b>At 31 March 2012</b>  | <b>171,664</b>                     | <b>34,565</b>                             | <b>5,232</b>                                     | <b>13,710</b>                          | <b>2,771</b>                      | <b>2,577</b>                    | <b>643</b>                                 | <b>600</b>                                 | <b>231,762</b>                                       |



**NOTES TO CORE FINANCIAL STATEMENTS**

| <b>Comparative Movements in 2011/12:<br/>(Restated)</b>  | <b>Council<br/>Dwellings<br/>£'000</b> | <b>Other Land<br/>and<br/>Buildings<br/>£'000</b> | <b>Vehicles,<br/>Plant &amp;<br/>Equipment<br/>£'000</b> | <b>Infrastructure<br/>Assets<br/>£'000</b> | <b>Community<br/>Assets<br/>£'000</b> | <b>Surplus<br/>Assets<br/>£'000</b> | <b>Assets Under<br/>Construction<br/>£'000</b> | <b>Land awaiting<br/>Development<br/>£'000</b> | <b>Total<br/>Property,<br/>Plant and<br/>Equipment<br/>£'000</b> |
|--|--|---|--|--|---------------------------------------|-------------------------------------|--|--|--|
| <b>Cost or Valuation</b>   |  |   |  |  |                                       |                                     |  |  |  |
| At 1 April 2011  | 176,637                                | 36,986  | 9,849  | 22,919                                     | 2,779                                 | 2,657                               | 686  | 1,277  | 253,790  |
| Additions  | 4,887                                  | 8,230   | 1,124  | 349  | 42                                    | -                                   | 11   | -  | 14,643   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | (329)                                  | 6,163   | 6  | -  | -                                     | -                                   | -  | -  | 5,840  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (8,491)                                | (14,364)  | (18)   | -  | -                                     | 22                                  | (54)   | (677)  | (23,582)   |
| Derecognition - Disposals  | (1,040)                                | (160)   | (457)  | -  | (47)                                  | (32)                                | -  | -  | (1,736)  |
| Derecognition - Other  | -                                      | -   | -  | -  | -                                     | -                                   | -  | -  | -  |
| Assets reclassified (to)/from Held for Sale  | -                                      | -   | -  | -  | -                                     | -                                   | -  | -  | -  |
| Other movements in Cost or Valuation   | -                                      | (5)   | 10   | (4)  | -                                     | 16                                  | -  | -  | 17   |
| <b>At 31 March 2012</b>  | <b>171,664</b>                         | <b>36,850</b>                                     | <b>10,514</b>  | <b>23,264</b>                              | <b>2,774</b>                          | <b>2,663</b>                        | <b>643</b>                                     | <b>600</b>                                     | <b>248,972</b>   |
| <b>Accumulated Depreciation and Impairment</b>   |  |   |  |  |                                       |                                     |  |  |  |
| At 1 April 2011  | -                                      | 3,335   | 4,714  | 8,799                                      | -                                     | 6                                   | -  | -  | 16,854   |
| Depreciation charge  | 3,005                                  | 976   | 1,007  | 745  | -                                     | 80                                  | -  | -  | 5,813  |
| Depreciation written out to the Revaluation Reserve  | (71)                                   | (2,008)   | -  | -  | -                                     | -                                   | -  | -  | (2,079)  |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                     | (2,916)                                | -   | -  | -  | -                                     | -                                   | -  | -  | (2,916)  |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              | -                                      | -   | -  | -  | -                                     | -                                   | -  | -  | -  |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | -                                      | -   | -  | -  | -                                     | -                                   | -  | -  | -  |
| Derecognition - Disposals  | (18)                                   | (1)   | (442)  | -  | -                                     | -                                   | -  | -  | (461)  |
| Other movements in Depreciation and Impairment   | -                                      | (17)  | 3  | 10   | 3                                     | -                                   | -  | -  | (1)  |
| <b>At 31 March 2012</b>  | <b>-</b>                               | <b>2,285</b>                                      | <b>5,282</b>   | <b>9,554</b>                               | <b>3</b>                              | <b>86</b>                           | <b>-</b>                                       | <b>-</b>                                       | <b>17,210</b>  |
| <b>Net Book Value</b>  |  |   |  |  |                                       |                                     |  |  |  |
| <b>At 31 March 2012</b>  | <b>171,664</b>                         | <b>34,565</b>                                     | <b>5,232</b>   | <b>13,710</b>                              | <b>2,771</b>                          | <b>2,577</b>                        | <b>643</b>                                     | <b>600</b>                                     | <b>231,762</b>   |
| <b>At 1 April 2011</b>   | <b>176,637</b>                         | <b>33,651</b>                                     | <b>5,135</b>   | <b>14,120</b>                              | <b>2,779</b>                          | <b>2,651</b>                        | <b>686</b>                                     | <b>1,277</b>                                   | <b>236,936</b>   |

**Depreciation**

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

|                               | <b>Estimated<br/>Life (Years)</b> |
|-------------------------------|-----------------------------------|
| 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                          |

\* The Town Hall only has an estimated life of three years based on its existing use value, this is due to the accommodation project.

**Capital Commitments**

At 31 March 2013 the Council had contractual commitments on Coast Protection of £139k.

**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 Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Council's external valuers, NPS Property Services Ltd. The effective date of valuation is 1 April in the year of account, with the exception of Council Dwellings, which are valued at the 31 March year-end date as any movement of prices in-year is likely to be material in the Balance Sheet. 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.

## NOTES TO CORE FINANCIAL STATEMENTS

|                                | Council<br>Dwellings<br>£'000 | Other Land<br>and<br>Buildings<br>£'000 | Vehicles,<br>Plant &<br>Equipment<br>£'000 | Infrastructure<br>Assets<br>£'000 | Community<br>Assets<br>£'000 | Surplus<br>Assets<br>£'000 | Assets Under<br>Construction<br>£'000 | Land awaiting<br>Development<br>£'000 | Total<br>£'000 |
|--------------------------------|-------------------------------|---|--|-----------------------------------|------------------------------|----------------------------|---------------------------------------|---------------------------------------|----------------|
| Carried at historical cost     | -                             | 473                                     | 11,730                                     | 26,802                            | 2,771                        | -                          | 674                                   | 600                                   | 43,050         |
| Value at fair value as at:     |                               |   |  |                                   |                              |                            |                                       |                                       |                |
| 31 March 2013                  | 173,309                       | 11,492                                  | -  | -                                 | -                            | -                          | -                                     | -                                     | 184,801        |
| 31 March 2012                  | -                             | 9,812                                   | -  | -                                 | -                            | 378                        | -                                     | -                                     | 10,190         |
| 31 March 2011                  | -                             | 2,404                                   | -  | -                                 | -                            | 120                        | -                                     | -                                     | 2,524          |
| 31 March 2010                  | -                             | 4,786                                   | -  | -                                 | -                            | 2,076                      | -                                     | -                                     | 6,862          |
| 31 March 2009                  | -                             | -                                       | -  | -                                 | -                            | -                          | -                                     | -                                     | -              |
| <b>Total Cost or Valuation</b> | <b>173,309</b>                | <b>28,967</b>                           | <b>11,730</b>                              | <b>26,802</b>                     | <b>2,771</b>                 | <b>2,574</b>               | <b>674</b>                            | <b>600</b>                            | <b>247,427</b> |

Fair values include impairments

### Gains / Losses on Disposal of Non-Current Assets

On disposal, both the capital receipt arising from asset sales and the carrying value of the asset at the point of disposal are taken to the Comprehensive Income and Expenditure Statement, and any difference between the two amounts is recognised as a gain or loss on disposal. It is important to highlight that gains and losses are not a charge on taxpayers or housing 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 Heritage Assets**

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

| <b>Tangible Heritage Assets (all reported at Valuation)</b> | <b>Civic Regalia<br/>Portraits &amp;<br/>Medals<br/>£'000</b> | <b>Paintings,<br/>Prints &amp;<br/>Photographs<br/>£'000</b> | <b>Lowestoft<br/>Porcelain<br/>£'000</b> | <b>Total Assets<br/>£'000</b> |
|---|---|--|--|-------------------------------|
| 1 April 2011  | 225   | 51   | 189                                      | <b>465</b>                    |
| Additions   | -   | -  | -  | -                             |
| Revaluations  | 30  | -  | -  | <b>30</b>                     |
| <b>31 March 2012</b>  | <b>255</b>  | <b>51</b>  | <b>189</b>                               | <b>495</b>                    |
| Additions   | -   | -  | -  | -                             |
| Revaluations  | -   | -  | -  | -                             |
| <b>31 March 2013</b>  | <b>255</b>  | <b>51</b>  | <b>189</b>                               | <b>495</b>                    |

**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 2012/13 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 2012/13 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 2012/13 and will be revalued in accordance with the Council Policy.

### **Summary of Heritage Asset transactions**

#### *Transactions in 2012/13*

There has been no additions to the Heritage Assets during this period.

### **14 Investment Properties**

The Council has no assets that meet the definition of Investment Properties under the CIPFA Code of Practice.

## NOTES TO CORE FINANCIAL STATEMENTS

### 15 Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

| <b>Asset Lives</b> | <b>Purchased Software Licences</b>  |
|--------------------|---|
| 2 to 7 years       | IT Operating System   |
| 5 years            | LAMP Project Software   |
| 7 years            | Integrated Housing ITC System,<br>Financial Information System, Website<br>Infrastructure |

## NOTES TO CORE FINANCIAL STATEMENTS

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

|                                      | <b>Internally<br/>Generated<br/>Assets<br/>£'000</b> | <b>2012/13<br/>Other<br/>Assets<br/>£'000</b> | <b>Total<br/>£'000</b> | <b>Internally<br/>Generated<br/>Assets<br/>£'000</b> | <b>2011/12<br/>Other<br/>Assets<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------------|--|---|------------------------|--|---|------------------------|
| Balance at start of year:            |  |   |                        |  |   |                        |
| • Gross carrying amount              | -  | <b>1,718</b>                                  | <b>1,718</b>           | -  | 1,718   | 1,718                  |
| • Accumulated amortisation           | -  | <b>(1,345)</b>                                | <b>(1,345)</b>         | -  | (1,077)                                       | (1,077)                |
| Net carrying amount at start of year | -  | <b>373</b>                                    | <b>373</b>             | -  | 641   | 641                    |
| Additions:                           |  |   |                        |  |   |                        |
| • Purchases                          | -  | <b>66</b>                                     | <b>66</b>              | -  | -   | -                      |
| Revaluations increases or decreases  | -  | <b>(66)</b>                                   | <b>(66)</b>            | -  | -   | -                      |
| Amortisation for the period          | -  | <b>(129)</b>                                  | <b>(129)</b>           | -  | (268)   | (268)                  |
| Net carrying amount at end of year   | -  | <b>244</b>                                    | <b>244</b>             | -  | 373   | 373                    |
| Comprising                           |  |   |                        |  |   |                        |
| • Gross carrying amount              | -  | <b>1,718</b>                                  | <b>1,718</b>           | -  | 1,718   | 1,718                  |
| • Accumulated amortisation           | -  | <b>(1,474)</b>                                | <b>(1,474)</b>         | -  | (1,345)                                       | (1,345)                |
|                                      | -  | <b>244</b>                                    | <b>244</b>             | -  | 373   | 373                    |

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 3 items of capitalised software that are individually material to the financial statements:

|                               | <b>Carrying Amount<br/>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> | <b>Remaining<br/>Amortisation Period</b> |
|-------------------------------|--|------------------------------------|--|
| LAMP Project Software         | <b>46</b>  | 119                                | <b>1 to 3 Years</b>                      |
| Integrated Housing ITC System | <b>95</b>  | 119                                | <b>1 to 6 Years</b>                      |
| IT Operating System           | <b>29</b>  | 38                                 | <b>1 to 7 Years</b>                      |

There are no contractual commitments for the acquisition of intangible assets as at 31st March 2013.

## NOTES TO CORE FINANCIAL STATEMENTS

### 16 Financial Instruments

#### Categories of Financial Instruments

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

|  | Long-term                 |                                       | Current                   |                           |
|--|---------------------------|---------------------------------------|---------------------------|---------------------------|
|  | 31 March<br>2013<br>£'000 | Restated<br>31 March<br>2012<br>£'000 | 31 March<br>2013<br>£'000 | 31 March<br>2012<br>£'000 |
| <b>Investments</b>   |                           |                                       |                           |                           |
| Loans and receivables  | 10                        | 10                                    | 7,009                     | 10,755                    |
| <b>Total investments</b>                                       | <u>10</u>                 | <u>10</u>                             | <u>7,009</u>              | <u>10,755</u>             |
| <b>Debtors</b>   |                           |                                       |                           |                           |
| Loans and receivables  | 137                       | 198                                   | 4,052                     | 4,683                     |
| <b>Total debtors</b>   | <u>137</u>                | <u>198</u>                            | <u>4,052</u>              | <u>4,683</u>              |
| <b>Borrowings</b>  |                           |                                       |                           |                           |
| Financial liabilities at amortised cost                        | (84,297)                  | (84,297)                              | (5,000)                   | (5,000)                   |
| Financial liabilities at fair value through profit and loss    | -                         | -                                     | -                         | -                         |
| <b>Total borrowings</b> (see Note 51 for further information). | <u>(84,297)</u>           | <u>(84,297)</u>                       | <u>(5,000)</u>            | <u>(5,000)</u>            |
| <b>Creditors</b>   |                           |                                       |                           |                           |
| Financial liabilities at amortised cost                        | (8,389)                   | (8,336)                               | (1,432)                   | (8,375)                   |
| <b>Total creditors</b>   | <u>(8,389)</u>            | <u>(8,336)</u>                        | <u>(1,432)</u>            | <u>(8,375)</u>            |
| <b>Total Financial Instruments</b>                             | <u>(92,539)</u>           | <u>(92,425)</u>                       | <u>4,629</u>              | <u>2,063</u>              |



## NOTES TO CORE FINANCIAL STATEMENTS

### Income, Expense, Gains and Losses

|   | 2012/13                                |                       |                           |  |              | 2011/12                                |                       |                           |  |              |
|---|--|-----------------------|---------------------------|--|--------------|--|-----------------------|---------------------------|--|--------------|
|   | Financial Liabilities                  | Financial Assets      |                           |  | Total        | Financial Liabilities                  | Financial Assets      |                           |  | Total        |
|   | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss |              | Liabilities measured at amortised cost | Loans and receivables | Available-for-sale assets | Assets and Liabilities at Fair Value through Profit and Loss |              |
| £'000   | £'000                                  | £'000                 | £'000                     | £'000  | £'000        | £'000                                  | £'000                 | £'000                     | £'000  |              |
| Interest expense  | 2,511                                  | -                     | -                         | -  | 2,511        | 1,130                                  | -                     | -                         | -  | 1,130        |
| Impairment losses   | -                                      | -                     | -                         | -  | -            | -                                      | 140                   | -                         | -  | 140          |
| <b>Total expense in Surplus or Deficit on the Provision of Services</b> | <b>2,511</b>                           | <b>-</b>              | <b>-</b>                  | <b>-</b>   | <b>2,511</b> | <b>1,130</b>                           | <b>140</b>            | <b>-</b>                  | <b>-</b>   | <b>1,270</b> |
| Interest income   | -                                      | (129)                 | -                         | -  | (129)        | -                                      | (191)                 | -                         | -  | (191)        |
| <b>Total income in Surplus or Deficit on the Provision of Services</b>  | <b>-</b>                               | <b>(129)</b>          | <b>-</b>                  | <b>-</b>   | <b>(129)</b> | <b>-</b>                               | <b>(191)</b>          | <b>-</b>                  | <b>-</b>   | <b>(191)</b> |
| <b>Net (gain) / loss for the year</b>                                   | <b>2,511</b>                           | <b>(129)</b>          | <b>-</b>                  | <b>-</b>   | <b>2,382</b> | <b>1,130</b>                           | <b>(51)</b>           | <b>-</b>                  | <b>-</b>   | <b>1,079</b> |

### Fair Values of Assets and Liabilities

The financial assets and liabilities disclosed above are carried at cost as this is a reasonable approximation of fair value for the types of financial instruments held by the Council (mainly trade debtors and creditors and cash investments). The exception is PWLB loans, where the fair values are provided below. Additional information is provided in [Note 51](#) to the Core Financial Statements)

The fair values calculated are as follows:

|   | 31 March 2013   |            | 31 March 2012   |            |
|---|-----------------|------------|-----------------|------------|
|   | Carrying amount | Fair value | Carrying amount | Fair value |
|   | £'000           | £'000      | £'000           | £'000      |
| Financial liabilities at amortised cost | (89,297)        | (92,512)   | (89,297)        | (94,499)   |

**NOTES TO CORE FINANCIAL STATEMENTS**

**17 Inventories**

|   | Trading Stocks |           | Other Minor Stocks |           | Works in Progress |         | Total        |              |
|---|----------------|-----------|--------------------|-----------|-------------------|---------|--------------|--------------|
|   | 2012/13        | 2011/12   | 2012/13            | 2011/12   | 2012/13           | 2011/12 | 2012/13      | 2011/12      |
|   | £'000          | £'000     | £'000              | £'000     | £'000             | £'000   | £'000        | £'000        |
| <b>Balance outstanding at start of year</b> | 95             | 81        | 29                 | 44        | -                 | 4       | <b>124</b>   | <b>129</b>   |
| Purchases                                   | 675            | 782       | 46                 | -         | -                 | -       | <b>721</b>   | <b>782</b>   |
| Recognised as an expense in the year        | (653)          | (768)     | (64)               | (15)      | -                 | -       | <b>(717)</b> | <b>(783)</b> |
| Written off balances                        | -              | -         | -                  | -         | -                 | (4)     | -            | <b>(4)</b>   |
| <b>Balance outstanding at year-end</b>      | <b>117</b>     | <b>95</b> | <b>11</b>          | <b>29</b> | -                 | -       | <b>128</b>   | <b>124</b>   |

**18 Debtors**

|  | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Central Government bodies                    | 845                                | 1,261                              |
| Other Local Authorities                      | 1,590                              | 920                                |
| NHS bodies                                   |                                    |                                    |
| Public corporations and trading funds        |                                    |                                    |
| Council Taxpayers                            | 606                                | 436                                |
| Other entities and individuals               | 5,066                              | 5,828                              |
| Prepayments                                  | 156                                | 257                                |
| Unsecured Loans (falling due after one year) | 2                                  | 7                                  |
| <b>Total</b>                                 | <b>8,265</b>                       | <b>8,709</b>                       |
| <b>less Bad Debt Impairment Provisions</b>   |                                    |                                    |
| Council Taxpayers                            | (293)                              | (186)                              |
| Other service debtors                        | (2,133)                            | (1,601)                            |
| <b>Total</b>                                 | <b>5,839</b>                       | <b>6,922</b>                       |

## NOTES TO CORE FINANCIAL STATEMENTS

### 19 Assets Held for Sale

|   | Current Assets   |                  | Non Current Assets |                  |
|---|------------------|------------------|--------------------|------------------|
|   | 2012/13<br>£'000 | 2011/12<br>£'000 | 2012/13<br>£'000   | 2011/12<br>£'000 |
| <b>Balance outstanding at start of year</b> | <b>784</b>       | <b>736</b>       | -                  | -                |
| Assets newly classified as held for sale:   |                  |                  |                    |                  |
| Property, Plant and Equipment               | 1,005            | -                | -                  | -                |
| Revaluation gains                           |                  | 95               | -                  | -                |
| Revaluation losses                          | (60)             |                  | -                  | -                |
| Impairment losses                           |                  | (40)             | -                  | -                |
| Assets declassified as held for sale:       |                  |                  |                    |                  |
| Property, Plant and Equipment               | (21)             | -                | -                  | -                |
| Assets sold                                 | (515)            | (7)              | -                  | -                |
| <b>Balance outstanding at year-end</b>      | <b>1,193</b>     | <b>784</b>       | -                  | -                |

### 20 Cash Flow Statement - Cash and Cash Equivalents

|  | 2012/13<br>£'000 | 2011/12<br>£'000 |
|--|------------------|------------------|
| Cash held by officers                        | 2                | 2                |
| Short-term deposits with building societies  | 7,009            | 10,755           |
| Other bank balances                          | 404              | -                |
| <b>Sub-Total - Cash and Cash Equivalents</b> | <b>7,415</b>     | <b>10,757</b>    |
| Other bank balances (overdrafts)             | -                | (10)             |
| <b>Total</b>                                 | <b>7,415</b>     | <b>10,747</b>    |

## NOTES TO CORE FINANCIAL STATEMENTS

### 21 Creditors

|                                | 31 March 2013<br>£'000 | 31 March 2012<br>£'000 |
|--------------------------------|------------------------|------------------------|
| Central Government bodies      | 1,352                  | 7,418                  |
| Other Local Authorities        | 251                    | 560                    |
| Other entities and individuals | 1,737                  | 2,089                  |
| Receipts in Advance            | 521                    | 878                    |
| <b>Total</b>                   | <b>3,861</b>           | <b>10,945</b>          |

### 22 Provisions

|                                       | Outstanding<br>Legal Cases<br>£'000 | MMI<br>£'000 | Other<br>Provisions<br>£'000 | Total<br>£'000 |
|---------------------------------------|-------------------------------------|--------------|------------------------------|----------------|
| <u>Long Term Provisions</u>           |                                     |              |                              |                |
| <b>Balance at 1 April 2012</b>        | -                                   | -            | -                            | -              |
| Additional provisions made in 2012/13 | -                                   | 44           | -                            | 44             |
| <b>Balance at 31 March 2013</b>       | <b>-</b>                            | <b>44</b>    | <b>-</b>                     | <b>44</b>      |

#### *Outstanding Legal Cases*

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

#### *Provisions*

The provision in relation to MMI is based on the fact that the Scheme Administrator (Ernst and Young) has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims could be required to achieve a projected solvent run-off. The Council currently has a creditor for a Levy equivalent to 15% of the claims and therefore established a provision to cover the possibility of a further Levy equivalent to 13% of claims.

## NOTES TO CORE FINANCIAL STATEMENTS

### 23 Grant Income

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

|   | 2012/13<br>£'000 | 2011/12<br>£'000 |
|---|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>   |                  |                  |
| Non domestic rates - National Pool redistribution grant     | (8,029)          | (6,950)          |
| Non-ringfenced government grants - Formula Grant            | (156)            | (2,148)          |
| Non-ringfenced government grants - Council Tax Freeze Grant | (148)            | (148)            |
| Capital grant and contributions                             | (2,614)          | (801)            |
| <b>Total</b>  | <b>(10,947)</b>  | <b>(10,047)</b>  |
| <b>Credited to Services</b>                                 |                  |                  |
| Council Tax Benefits Subsidy                                | (10,168)         | (10,150)         |
| Housing Benefits Subsidy                                    | (39,296)         | (37,817)         |
| Benefits Administration Grant                               | (1,172)          | (1,128)          |
| HRA Negative Subsidy  | -                | 4,895            |
| New Homes Bonus Grant                                       | (488)            | (244)            |
| Homelessness Grants   | (100)            | (116)            |
| Disabled Facilities Grants                                  | (411)            | (384)            |
| Pathfinder Grant  | -                | (187)            |
| Other Grants  | -                | (67)             |
| <b>Total</b>  | <b>(51,635)</b>  | <b>(45,198)</b>  |

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

|  | 31 March 2013<br>£'000 | 31 March 2012<br>£'000 |
|--|------------------------|------------------------|
| <b>Capital Grants Receipts in Advance (Short-Term)</b> |                        |                        |
| Other grants   | 323                    | -                      |
| s106 Contributions                                     | 100                    | 263                    |
| DEFRA - Coastal Change Pathfinder Grant                | 660                    | 1,047                  |
| <b>Total</b>   | <b>1,083</b>           | <b>1,310</b>           |
| <b>Capital Grants Receipts in Advance (Long-Term)</b>  |                        |                        |
| s106 Contributions                                     | 1,401                  | 1,490                  |
| <b>Total</b>   | <b>1,401</b>           | <b>1,490</b>           |

## NOTES TO CORE FINANCIAL STATEMENTS

### 24 Balance Sheet - Usable Reserves

Movements and balances in the Authority's usable reserves are detailed in the Movement in Reserves Statement. The closing balances on those reserves are summarised below:

|                                  | <b>31st March<br/>2013<br/>£'000</b> | <b>31st March<br/>2012<br/>(Restated)<br/>£'000</b> |
|----------------------------------|--------------------------------------|---|
| <u>Held for Capital Purposes</u> |                                      |   |
| Capital Grants Unapplied         | (530)                                | (315)   |
| Major Repairs Reserve            | (3,092)                              | -   |
|                                  | <b>(3,622)</b>                       | <b>(315)</b>  |
| <u>Held for Revenue Purposes</u> |                                      |   |
| General Fund                     |                                      |   |
| Fund Balance                     | (4,318)                              | (3,318)   |
| Earmarked Reserves               | (2,947)                              | (3,730)   |
| Housing Revenue Account          |                                      |   |
| Fund Balance                     | (2,216)                              | (4,821)   |
| Earmarked Reserves               | (3,258)                              | -   |
|                                  | <b>(12,739)</b>                      | <b>(11,869)</b>                                     |
| <b>Total Usable Reserves</b>     | <b>(16,361)</b>                      | <b>(12,184)</b>                                     |

## NOTES TO CORE FINANCIAL STATEMENTS

### 25 Balance Sheet - Unusable Reserves

|  | <b>31st March<br/>2013</b> | <b>31st March<br/>2012<br/>(Restated)</b> |
|--|----------------------------|---|
|  | <b>£'000</b>               | <b>£'000</b>                              |
| Revaluation Reserve                      | (11,976)                   | (12,264)                                  |
| Capital Adjustment Account               | (114,040)                  | (116,954)                                 |
| Financial Instruments Adjustment Account | 1,035                      | 1,064                                     |
| Deferred Capital Receipts Reserve        | (3)                        | (3)                                       |
| Pensions Reserve                         | 34,415                     | 29,639                                    |
| Collection Fund Adjustment Account       | (2)                        | (40)                                      |
| <b>Total Unusable Reserves</b>           | <b>(90,571)</b>            | <b>(98,558)</b>                           |

## NOTES TO CORE FINANCIAL STATEMENTS

### **Revaluation Reserve**

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

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

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

|   | <b>31st March<br/>2013</b> | <b>31st March<br/>2012<br/>(Restated)</b> |
|---|----------------------------|---|
|   | <b>£'000</b>               | <b>£'000</b>                              |
| <b>Balance at 1 April</b>   | <b>(12,264)</b>            | <b>(6,984)</b>                            |
| Upward revaluation of assets  | (3,469)                    | (6,776)                                   |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services                            | 2,934                      | 1,065                                     |
| Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement ( <a href="#">note 9</a> ) | <b>(535)</b>               | <b>(5,711)</b>                            |
| Difference between fair value depreciation and historical cost depreciation   | 325                        | 322                                       |
| Accumulated gains on assets sold or scrapped  | 498                        | 109                                       |
| Amount written off to the Capital Adjustment Account  | <b>823</b>                 | <b>431</b>                                |
| <b>Balance at 31 March</b>  | <b>(11,976)</b>            | <b>(12,264)</b>                           |



## NOTES TO CORE FINANCIAL STATEMENTS

### **Capital Adjustment Account**

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

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

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

|  | <b>31st March<br/>2013</b> | <b>31st March<br/>2012<br/>(Restated)</b> |
|--|----------------------------|---|
|  | <b>£'000</b>               | <b>£'000</b>                              |
| <b>Balance at 1 April</b>  | <b>(116,954)</b>           | <b>(202,691)</b>                          |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |                            |   |
| • Charges for depreciation and impairment of non current assets  | 5,387                      | 6,168                                     |
| • Revaluation losses on Property, Plant and Equipment  | 5,845                      | 18,015                                    |
| • Amortisation of intangible assets  | 130                        | 268                                       |
| • Revenue expenditure funded from capital under statute  | 411                        | 68,688                                    |
| • Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,082                      | 1,283                                     |
| Adjusting amounts written out of the Revaluation Reserve   |                            |   |
| • Disposals  | (498)                      | (109)                                     |
| • Amortisation   | (325)                      | (322)                                     |
| Net written out amount of the cost of non current assets consumed in the year  |                            | (167)                                     |
| Capital financing applied in the year:   |                            |   |
| • Use of Capital Receipts Reserve to finance new capital expenditure   | (1,824)                    | (423)                                     |
| • Use of the Major Repairs Reserve to finance new capital expenditure  | -                          | (4,634)                                   |
| • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              |                            | (399)                                     |
| • Application of grants to capital financing from the Capital Grants Unapplied Account   | (2,399)                    | (605)                                     |
| • Statutory provision for the financing of capital investment charged against the General Fund Balance   | (1,187)                    | (1,132)                                   |
| • Capital expenditure charged against the General Fund balance   | (4,708)                    | (894)                                     |
| <b>Balance at 31 March</b>   | <b>(114,040)</b>           | <b>(116,954)</b>                          |

## NOTES TO CORE FINANCIAL STATEMENTS

### **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.

|   | <b>2012/13</b> | <b>2011/12</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April</b>   | <b>1,064</b>   | <b>1,093</b>   |
| Amount by which finance costs charged to the Comprehensive Income and expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | <b>(29)</b>    | <b>(29)</b>    |
| <b>Balance at 31 March</b>  | <b>1,035</b>   | <b>1,064</b>   |

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

|   | <b>2012/13</b> | <b>2011/12</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April</b>                                     | <b>(3)</b>     | <b>(4)</b>     |
| Transfer to the Capital Receipts Reserve upon receipt of cash | <b>1</b>       | <b>1</b>       |
| <b>Balance at 31 March</b>                                    | <b>(3)</b>     | <b>(3)</b>     |

## NOTES TO CORE FINANCIAL STATEMENTS

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April</b>  | <b>29,639</b>  | <b>20,429</b>  |
| Actuarial gains or losses on pensions assets and liabilities   | <b>5,626</b>   | <b>10,486</b>  |
| 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 | <b>2,195</b>   | <b>1,755</b>   |
| Employer's pensions contributions and direct payments to pensioners payable in the year  | <b>(3,045)</b> | <b>(3,031)</b> |
| <b>Balance at 31 March</b>   | <b>34,415</b>  | <b>29,639</b>  |

### Collection Fund Adjustment Account

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

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| <b>Balance at 1 April</b>  | <b>(40)</b>    | <b>(31)</b>    |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | <b>38</b>      | <b>(9)</b>     |
| <b>Balance at 31 March</b>   | <b>(2)</b>     | <b>(40)</b>    |

## NOTES TO CORE FINANCIAL STATEMENTS

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

|   | 2012/13<br>£'000 | 2011/12<br>£'000 |
|---|------------------|------------------|
| The following non-cash items have been adjusted in the Cash Flow Statement: |                  |                  |
| Depreciation and Amortisation   | (5,517)          | (11,323)         |
| Impairment and Downward valuations  | (5,854)          | (13,128)         |
| Change in Creditors   | 7,909            | (4,260)          |
| Change in Debtors   | (2,920)          | 1,059            |
| Change in Inventory   | 4                | (5)              |
| Pension Liability   | 850              | 1,276            |
| Carrying value of Non-Current Assets disposed                               | (2,082)          | (1,204)          |
| Other non-cash items charged to Surplus / Deficit on Provision of Services  | (87)             | 1,451            |
|   | <u>(7,697)</u>   | <u>(26,134)</u>  |
| The cash flows for Operating Activities include the following items:        |                  |                  |
| Interest received   | (129)            | (191)            |
| Interest paid   | 2,511            | 996              |
| Dividends received  |                  | -                |
| <b>Total</b>  | <u>2,382</u>     | <u>805</u>       |

### 27 Cash Flow Statement - Investing Activities

|  | 2012/13<br>£'000 | 2011/12<br>£'000 |
|--|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | 11,175           | 6,796            |
| Purchase of short-term and long-term investments   | -                | 16,587           |
| Other payments for investing activities  | -                | -                |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,050)          | (793)            |
| Proceeds from short-term and long-term investments   | -                | (30,689)         |
| Other receipts from investing activities   | (2,399)          | (1,432)          |
| <b>Net cash flows from investing activities</b>  | <u>6,726</u>     | <u>(9,531)</u>   |

## NOTES TO CORE FINANCIAL STATEMENTS

### 28 Cash Flow Statement - Financing Activities

|   | 2012/13<br>£'000 | 2011/12<br>£'000 |
|---|------------------|------------------|
| Cash receipts of short- and long-term borrowing   | (5,000)          | (68,286)         |
| Other receipts from financing activities  | 973              | (548)            |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | (54)             | -                |
| Repayments of short- and long-term borrowing  | 5,000            | 10,000           |
| Other payments for financing activities   | -                | 53               |
| <b>Net cash flows from financing activities</b>   | <b>919</b>       | <b>(58,781)</b>  |

## NOTES TO CORE FINANCIAL STATEMENTS

### 29 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 and amortisations are charged to services in the Comprehensive Income and Expenditure Statement) .
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on some support services is budgeted for centrally and not charged to Priority Themes.

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

| Service Income and Expenditure       | 2012/13                      |                                     |  |                  |                 |                  |   |                   |                    |                 |
|--------------------------------------|------------------------------|-------------------------------------|--|------------------|-----------------|------------------|---|-------------------|--------------------|-----------------|
|                                      | Community<br>Health<br>£'000 | Customers &<br>Communities<br>£'000 | Green<br>Environment<br>& Operational<br>Partnerships<br>£'000 | Housing<br>£'000 | HRA<br>£'000    | Leaders<br>£'000 | Leisure,<br>Tourism &<br>Economic<br>Development<br>£'000 | Planning<br>£'000 | Resources<br>£'000 | Total<br>£'000  |
| Fees, charges & other service income | (290)                        | (23)                                | (3,624)  | (105)            | (17,855)        | (11)             | (1,700)   | (989)             | (961)              | <b>(25,558)</b> |
| Government grants                    | -                            | -                                   | -  | (41,847)         | -               | -                | -   | -                 | (10,673)           | <b>(52,520)</b> |
| <b>Total Income</b>                  | <b>(290)</b>                 | <b>(23)</b>                         | <b>(3,624)</b>   | <b>(41,952)</b>  | <b>(17,855)</b> | <b>(11)</b>      | <b>(1,700)</b>  | <b>(989)</b>      | <b>(11,634)</b>    | <b>(78,078)</b> |
| Employee expenses                    | 620                          | 921                                 | 325  | 583              | 4,290           | 769              | 818   | 1,268             | 4,402              | <b>13,996</b>   |
| Other service expenses               | 800                          | 248                                 | 6,192  | 41,200           | 2,826           | 60               | 2,820   | 608               | 11,388             | <b>66,142</b>   |
| Support services recharges           | (485)                        | (809)                               | (159)  | 600              | 1,174           | (837)            | 737   | 564               | (851)              | <b>(66)</b>     |
| <b>Total Expenditure</b>             | <b>935</b>                   | <b>360</b>                          | <b>6,358</b>   | <b>42,383</b>    | <b>8,290</b>    | <b>(8)</b>       | <b>4,375</b>  | <b>2,440</b>      | <b>14,939</b>      | <b>80,072</b>   |
| <b>Net Expenditure</b>               | <b>645</b>                   | <b>337</b>                          | <b>2,734</b>   | <b>431</b>       | <b>(9,565)</b>  | <b>(19)</b>      | <b>2,675</b>  | <b>1,451</b>      | <b>3,305</b>       | <b>1,994</b>    |

**NOTES TO CORE FINANCIAL STATEMENTS**

**Service Income and Expenditure**

**2011/12 Comparative Figures (Restated)**

|                                      | <b>Community<br/>Health<br/>£'000</b> | <b>Customers &amp;<br/>Communities<br/>£'000</b> | <b>Green<br/>Environment<br/>&amp; Operational<br/>Partnerships<br/>£'000</b> | <b>Housing<br/>£'000</b> | <b>HRA<br/>£'000</b> | <b>Leaders<br/>£'000</b> | <b>Leisure,<br/>Tourism &amp;<br/>Economic<br/>Development<br/>£'000</b> | <b>Planning<br/>£'000</b> | <b>Resources<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------------|---------------------------------------|--|---|--------------------------|----------------------|--------------------------|--|---------------------------|----------------------------|------------------------|
| Fees, charges & other service income | (306)                                 | (9)  | (3,800)   | (260)                    | (16,696)             | (48)                     | (2,556)  | (935)                     | (1,025)                    | <b>(25,635)</b>        |
| Government grants                    | -                                     | -  | -   | (39,828)                 | -                    | -                        | (2)  | (510)                     | (10,151)                   | <b>(50,491)</b>        |
| <b>Total Income</b>                  | <b>(306)</b>                          | <b>(9)</b>                                       | <b>(3,800)</b>  | <b>(40,088)</b>          | <b>(16,696)</b>      | <b>(48)</b>              | <b>(2,558)</b>   | <b>(1,445)</b>            | <b>(11,176)</b>            | <b>(76,126)</b>        |
| Employee expenses                    | 651                                   | 916  | 291   | 484                      | 4,155                | 861                      | 373  | 1,223                     | 4,087                      | <b>13,041</b>          |
| Other service expenses               | 812                                   | 377  | 5,901   | 38,655                   | 80,703               | 57                       | 3,794  | 713                       | 12,349                     | <b>143,361</b>         |
| Support services recharges           | (552)                                 | (909)  | 254   | 612                      | 825                  | (889)                    | 708  | 513                       | (658)                      | <b>(96)</b>            |
| <b>Total Expenditure</b>             | <b>911</b>                            | <b>384</b>                                       | <b>6,446</b>  | <b>39,751</b>            | <b>85,683</b>        | <b>29</b>                | <b>4,875</b>   | <b>2,449</b>              | <b>15,778</b>              | <b>156,306</b>         |
| <b>Net Expenditure</b>               | <b>605</b>                            | <b>375</b>                                       | <b>2,646</b>  | <b>(337)</b>             | <b>68,987</b>        | <b>(19)</b>              | <b>2,317</b>   | <b>1,004</b>              | <b>4,602</b>               | <b>80,180</b>          |

Between year variances are broadly due to:

Green Environment & Operational Partnerships - reduction in other service expenses primarily arising from savings with Waveney Norse. Reduced recycling credits income.

Housing - variation at total income and expenditure level around benefits subsidy payments.

HRA - primarily due to the self financing settlement within 11/12 (see note 5 exceptional items).

Leisure, Tourism & Economic Development - full financial year impact of outsourcing services to Sentinel Leisure Trust and the Marina Theatre.

Planning - transfer of New Homes Bonus to Resources.

Resources - includes general savings and efficiencies across service areas and transfer of New Homes Bonus from Planning.

**Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

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

|  | <b>2012/13<br/>£'000</b> | <b>2011/12<br/>£'000</b> |
|--|--------------------------|--------------------------|
| Net expenditure in the Service Analysis  |                          |                          |
| Net expenditure of services and support services not included in the Analysis                            | <b>1,994</b>             | <b>80,180</b>            |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis | <b>10</b>                | <b>6</b>                 |
| Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement      | <b>10,182</b>            | <b>17,115</b>            |
| <b>Cost of Services in Comprehensive Income and Expenditure Statement</b>                                | <b>12,186</b>            | <b>97,301</b>            |

**NOTES TO CORE FINANCIAL STATEMENTS**

**Reconciliation to Subjective Analysis**

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

|  | <b>2012/13</b>                            |  |   |  |                                       |  |                                      |   |                              |
|--|---|--|---|--|---------------------------------------|--|--------------------------------------|---|------------------------------|
|  | <b>Directorate<br/>Analysis<br/>£'000</b> | <b>Services and<br/>Support<br/>Services not<br/>in Analysis<br/>£'000</b> | <b>Amounts not<br/>reported to<br/>mgmt<br/>£'000</b> | <b>Allocation<br/>of<br/>Recharges<br/>£'000</b> | <b>Cost of<br/>Services<br/>£'000</b> | <b>Corporate<br/>Amounts<br/>£'000</b> | <b>Authority<br/>Total<br/>£'000</b> | <b>Group<br/>Accounting<br/>Items<br/>£'000</b> | <b>Group Total<br/>£'000</b> |
| Fees, charges & other service income                   | (25,558)                                  | -  | -   | -  | <b>(25,558)</b>                       | -                                      | <b>(25,558)</b>                      | -   | (25,558)                     |
| Surplus or deficit on associates and joint ventures    | -   | -  | -   | -  | -                                     | -                                      | -                                    | (42)  | (42)                         |
| Interest and investment income                         | -   | -  | -   | -  | -                                     | (129)                                  | <b>(129)</b>                         | -   | (129)                        |
| Income from council tax                                | -   | -  | -   | -  | -                                     | (6,458)                                | <b>(6,458)</b>                       | -   | (6,458)                      |
| Government grants and contributions                    | (52,520)                                  | -  | -   | -  | <b>(52,520)</b>                       | (10,947)                               | <b>(63,467)</b>                      | -   | (63,467)                     |
| <b>Total Income</b>                                    | <b>(78,078)</b>                           | -  | -   | -  | <b>(78,078)</b>                       | <b>(17,534)</b>                        | <b>(95,612)</b>                      | <b>(42)</b>                                     | <b>(95,654)</b>              |
| Employee expenses                                      | 13,996                                    | -  | -   | -  | <b>13,996</b>                         | -                                      | <b>13,996</b>                        | -   | 13,996                       |
| Other services expenses                                | 66,142                                    | 10   | -   | -  | <b>66,152</b>                         | -                                      | <b>66,152</b>                        | -   | 66,152                       |
| Support Service recharges                              | (66)                                      | -  | -   | -  | <b>(66)</b>                           | -                                      | <b>(66)</b>                          | -   | (66)                         |
| Depreciation, amortisation and impairment              | -   | -  | 10,182  | -  | <b>10,182</b>                         | -                                      | <b>10,182</b>                        | -   | 10,182                       |
| Interest Payments                                      | -   | -  | -   | -  | -                                     | 3,261                                  | <b>3,261</b>                         | -   | 3,261                        |
| Precepts & Levies                                      | -   | -  | -   | -  | -                                     | 545                                    | <b>545</b>                           | -   | 545                          |
| Payments to Housing Capital Receipts Pool              | -   | -  | -   | -  | -                                     | 224                                    | <b>224</b>                           | -   | 224                          |
| Gain or Loss on Disposal of Non-Current Assets         | -   | -  | -   | -  | -                                     | 34                                     | <b>34</b>                            | -   | 34                           |
| <b>Total Expenditure</b>                               | <b>80,072</b>                             | <b>10</b>  | <b>10,182</b>   | -  | <b>90,264</b>                         | <b>4,064</b>                           | <b>94,328</b>                        | -   | <b>94,328</b>                |
| <b>Surplus or deficit on the provision of services</b> | <b>1,994</b>                              | <b>10</b>  | <b>10,182</b>   | -  | <b>12,186</b>                         | <b>(13,470)</b>                        | <b>(1,284)</b>                       | <b>(42)</b>                                     | <b>(1,326)</b>               |



**NOTES TO CORE FINANCIAL STATEMENTS**

|  | 2011/12 comparative figures (Restated) |   |   |  |                              |                               |                             |                                       |                      |
|--|--|---|---|--|------------------------------|-------------------------------|-----------------------------|---------------------------------------|----------------------|
|  | Directorate<br>Analysis<br>£'000       | Services and<br>Support<br>Services not<br>in Analysis<br>£'000 | Amounts not<br>reported to<br>mgmt<br>£'000 | Allocation<br>of<br>Recharges<br>£'000 | Cost of<br>Services<br>£'000 | Corporate<br>Amounts<br>£'000 | Authority<br>Total<br>£'000 | Group<br>Accounting<br>Items<br>£'000 | Group Total<br>£'000 |
| Fees, charges & other service income                   | (25,635)                               | (4)   | (353)                                       | -                                      | (25,992)                     | -                             | (25,992)                    | -                                     | (25,992)             |
| Surplus or deficit on associates and joint ventures    | -                                      | -   | -   | -                                      | -                            | -                             | -                           | (20)                                  | (20)                 |
| Interest and investment income                         | -                                      | -   | -   | -                                      | -                            | (191)                         | (191)                       | -                                     | (191)                |
| Income from council tax                                | -                                      | -   | -   | -                                      | -                            | (6,442)                       | (6,442)                     | -                                     | (6,442)              |
| Government grants and contributions                    | (50,491)                               | -   | -   | -                                      | (50,491)                     | (10,047)                      | (60,538)                    | -                                     | (60,538)             |
| <b>Total Income</b>                                    | <b>(76,126)</b>                        | <b>(4)</b>  | <b>(353)</b>                                | <b>-</b>                               | <b>(76,483)</b>              | <b>(16,680)</b>               | <b>(93,163)</b>             | <b>(20)</b>                           | <b>(93,183)</b>      |
| Employee expenses                                      | 13,041                                 | 3   | -   | -                                      | 13,044                       | -                             | 13,044                      | -                                     | 13,044               |
| Other services expenses                                | 143,361                                | 7   | (54)  | -                                      | 143,314                      | -                             | 143,314                     | -                                     | 143,314              |
| Support Service recharges                              | (96)                                   | -   | -   | -                                      | (96)                         | -                             | (96)                        | -                                     | (96)                 |
| Depreciation, amortisation and impairment              | -                                      | -   | 17,522                                      | -                                      | 17,522                       | -                             | 17,522                      | -                                     | 17,522               |
| Interest Payments                                      | -                                      | -   | -   | -                                      | -                            | 1,148                         | 1,148                       | -                                     | 1,148                |
| Precepts & Levies                                      | -                                      | -   | -   | -                                      | -                            | 513                           | 513                         | -                                     | 513                  |
| Payments to Housing Capital Receipts Pool              | -                                      | -   | -   | -                                      | -                            | 574                           | 574                         | -                                     | 574                  |
| Gain or Loss on Disposal of Non-Current Assets         | -                                      | -   | -   | -                                      | -                            | 304                           | 304                         | -                                     | 304                  |
| <b>Total Expenditure</b>                               | <b>156,306</b>                         | <b>10</b>   | <b>17,468</b>                               | <b>-</b>                               | <b>173,784</b>               | <b>2,539</b>                  | <b>176,323</b>              | <b>-</b>                              | <b>176,323</b>       |
| <b>Surplus or deficit on the provision of services</b> | <b>80,180</b>                          | <b>6</b>  | <b>17,115</b>                               | <b>-</b>                               | <b>97,301</b>                | <b>(14,141)</b>               | <b>83,160</b>               | <b>(20)</b>                           | <b>83,140</b>        |

## NOTES TO CORE FINANCIAL STATEMENTS

### 30 Southwold Harbour Undertaking

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

| <b><u>Revenue Account</u></b>    | <b>2012/13<br/>£'000</b>                         | <b>2011/12<br/>£'000</b>             |                                    |
|----------------------------------|--|--------------------------------------|------------------------------------|
| Income                           | (188)  | (207)                                |                                    |
| Expenditure                      | 101  | 237                                  |                                    |
| (Surplus) / Deficit for the Year | <u>(87)</u>                                      | <u>30</u>                            |                                    |
| <br>                             |  |                                      |                                    |
| <b><u>Non-Current Assets</u></b> | <b>Public Conveniences<br/>2012/13<br/>£'000</b> | <b>Harbour<br/>2012/13<br/>£'000</b> | <b>Total<br/>2012/13<br/>£'000</b> |
| <b><i>Gross Book Value</i></b>   |  |                                      |                                    |
| Balance 1 April 2012             | 170  | 1,030                                | 1,200                              |
| Additions                        |  | 2,766                                | 2,766                              |
| Restatements                     |  |                                      | -                                  |
| Balance 31 March 2013            | <u>170</u>                                       | <u>3,796</u>                         | <u>3,966</u>                       |
| <br>                             |  |                                      |                                    |
| <b><i>Depreciation</i></b>       |  |                                      |                                    |
| Balance 1 April 2012             | 18   | 29                                   | 47                                 |
| Additions                        | 6  | 41                                   | 47                                 |
| Restatements                     |  |                                      | -                                  |
| Balance 31 March 2013            | <u>24</u>  | <u>70</u>                            | <u>94</u>                          |
| <br>                             |  |                                      |                                    |
| <b><i>Net Book Value</i></b>     |  |                                      |                                    |
| Balance 1 April 2012             | 152  | 995                                  | 1,153                              |
| Additions                        | (6)  | 2,731                                | 2,725                              |
| Restatements                     | -  | -                                    | -                                  |
| Balance 31 March 2013            | <u>146</u>                                       | <u>3,726</u>                         | <u>3,878</u>                       |

## NOTES TO CORE FINANCIAL STATEMENTS

### 31 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 the relevant service costs within the Comprehensive Income and Expenditure Statement :

|   | <b>2012/13<br/>Expenditure<br/>£'000</b> | <b>2012/13<br/>Income<br/>£'000</b> | <b>2011/12<br/>Expenditure<br/>£'000</b> | <b>2011/12<br/>Income<br/>£'000</b> |
|---|--|-------------------------------------|--|-------------------------------------|
| Cultural, Environmental, Regulatory and Planning Services |  |                                     |  |                                     |
| Industrial Estates  | 63                                       | 413                                 | 149                                      | 444                                 |
| Markets   | 291                                      | 55                                  | 84                                       | 50                                  |
| Caravan and Camping Sites                                 | 305                                      | 459                                 | 275                                      | 348                                 |
| Sea Front Activities                                      | 299                                      | 368                                 | 137                                      | 119                                 |
| Other Activities  | 7  | 2                                   | -  | 2                                   |
| Highways and Transport Services                           |  |                                     |  |                                     |
| Yacht Stations  | 50                                       | 137                                 | 175                                      | 145                                 |
|   | <b>1,015</b>                             | <b>1,434</b>                        | <b>820</b>                               | <b>1,108</b>                        |
| Net (Surplus) / Deficit to General Fund                   |  | <b>(419)</b>                        |  | <b>(288)</b>                        |
|   | <b>1,015</b>                             | <b>1,015</b>                        | <b>820</b>                               | <b>820</b>                          |

### 32 Members' Allowances

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

|   | <b>2012/13<br/>£'000</b> | <b>2011/12<br/>£'000</b> |
|---|--------------------------|--------------------------|
| Basic, Attendance and Special Responsibility Allowances | 239                      | 248                      |
| Subsistence and Expenses                                | 17                       | 16                       |
| Total   | <b>256</b>               | <b>264</b>               |

## NOTES TO CORE FINANCIAL STATEMENTS

### 33 Officers' Remuneration and Exit Packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2012/13 or 2011/12.

|   |                | <b>Salary, Fees<br/>and<br/>Allowances</b> | <b>Benefits in<br/>Kind (e.g. Car<br/>Allowances)</b> | <b>Compen-<br/>sation for<br/>Loss of Office</b> | <b>Total<br/>Excluding<br/>Pension<br/>Contributions</b> | <b>Employer's<br/>Pension<br/>Contribution</b> | <b>Total<br/>Including<br/>Pension<br/>Contributions</b> | <b>Additional<br/>Council<br/>Pension<br/>Contributions</b> |
|---|----------------|--|---|--|--|--|--|---|
|   |                | £  | £   | £  | £  | £  | £  | £   |
| Director of Resources   | <b>2012/13</b> | <b>85,886</b>                              |   |  | <b>85,886</b>  | <b>13,742</b>                                  | <b>99,628</b>  |   |
|   | 2011/12        | 85,886                                     | -   | -  | 85,886   | 13,742   | 99,628   | -   |
| Assistant Chief Executive   | <b>2012/13</b> | <b>82,236</b>                              |   |  | <b>82,236</b>  | <b>13,158</b>                                  | <b>95,394</b>  |   |
|   | 2011/12        | 79,121                                     | -   | -  | 79,121   | 12,659   | 91,780   | -   |
| Strategic Director.<br><i>See Note 1 below.</i>                                 | <b>2012/13</b> | -  |   |  | -  | -  | -  |   |
|   | 2011/12        | 30,547                                     | -   | -  | 30,547   | 4,888  | 35,435   | -   |
| Head of Transformation and<br>Corporate Services - <i>See Note<br/>2 below.</i> | <b>2012/13</b> | <b>57,506</b>                              |   |  | <b>57,506</b>  | <b>9,201</b>                                   | <b>66,707</b>  |   |
|   | 2011/12        | 57,506                                     | -   | -  | 57,506   | 9,201  | 66,707   | -   |
| Head of Strategic Housing &<br>Tenant Services                                  | <b>2012/13</b> | <b>57,506</b>                              |   |  | <b>57,506</b>  | <b>9,201</b>                                   | <b>66,707</b>  |   |
|   | 2011/12        | 57,506                                     | -   | -  | 57,506   | 9,201  | 66,707   | -   |
| Head of Revenues and<br>Benefits  | <b>2012/13</b> | <b>57,506</b>                              |   |  | <b>57,506</b>  | <b>9,201</b>                                   | <b>66,707</b>  |   |
|   | 2011/12        | 57,506                                     | -   | -  | 57,506   | 9,201  | 66,707   | -   |
| Head of Commercial<br>Partnerships and Strategic<br>Commissioning               | <b>2012/13</b> | <b>57,506</b>                              |   |  | <b>57,506</b>  | <b>9,201</b>                                   | <b>66,707</b>  |   |
|   | 2011/12        | 57,506                                     | -   | -  | 57,506   | 9,201  | 66,707   | -   |

## NOTES TO CORE FINANCIAL STATEMENTS

Note 1 2011/12. The Strategic Director resigned from the post on 28 August 2011, and the post was then deleted from the Establishment. The Annualised Salary was £74,760.

Note 2. During 2011/12 the Partnership Programme Manager post was supernumerary to the Management Team. Although employed by WDC, the total costs of the post were 62.7% funded externally (£47,897), and 18.65% by each council (£14,251). This post ended on 16 January 2012 and a new post of Head of Transformation and Corporate Services was created.

No employees were paid in excess of £150,000 in the year, therefore no additional disclosure of employee names is required.

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

| <b>Remuneration band</b> | <b>2012/13</b>             |                     | <b>2011/12</b>             |                     |
|--------------------------|----------------------------|---------------------|----------------------------|---------------------|
|                          | <b>Number of employees</b> |                     | <b>Number of employees</b> |                     |
|                          | <b>Total</b>               | <b>Left in Year</b> | <b>Total</b>               | <b>Left in Year</b> |
| £50,000 - £54,999        | 1                          | 1                   |                            |                     |
| £55,000 - £59,999        | 5                          | 1                   | 5                          | 1                   |
| £65,000 - £69,999        | 1                          | 1                   | 1                          |                     |
| £75,000 - £79,999        |                            |                     | 1                          |                     |
| £80,000 - £84,999        | 1                          |                     |                            |                     |
| £85,000 - £89,999        | 1                          |                     | 1                          |                     |
|                          | 9                          | 3                   | 8                          | 1                   |

The above numbers include officers who were made redundant voluntarily during the 2012/13 and 2011/12 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table below shows leavers.

## NOTES TO CORE FINANCIAL STATEMENTS

With effect from 1 October 2010 the Council, in conjunction with its Preferred Partner, Suffolk Coastal District Council, appointed a new shared senior management team. This currently consists of, in addition to the Chief Executive, a Corporate Management Team of an Assistant Chief Executive and two Directors, and a senior management team of a further nine Heads of Service. The postholders continue to be employed by the authority which employed them prior to the introduction of the shared Senior Management Team. Details of the total costs of the integrated management team, reflecting total contributions (inclusive of salary and expense payments made, as well as National Insurance and Pension Fund contributions) are set out in a separate analysis below. Seven of the Senior Management Team referred to above are employed by 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 new Senior Management Team from 1 October 2010, 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 35, Related Parties.

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

## NOTES TO CORE FINANCIAL STATEMENTS

### Exit packages

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

| Exit package<br>cost band<br>(including special payments) | Number of Compulsory<br>redundancies |           | Number of other<br>departures agreed |          | Total number of exit<br>packages by cost band |           | Total cost of exit<br>packages in each band |                |
|---|--------------------------------------|-----------|--------------------------------------|----------|---|-----------|---|----------------|
|   | 2012/13                              | 2011/12   | 2012/13                              | 2011/12  | 2012/13                                       | 2011/12   | 2012/13                                     | 2011/12        |
| £   |                                      |           |                                      |          |   |           | £   | £              |
| 0 to 20,000   | 13                                   | 12        | 12                                   | 4        | 25  | 16        | 127,646                                     | 70,365         |
| 20,001 to 40,000  | 0                                    | 1         | 1                                    | 1        | 1   | 2         | 25,000                                      | 54,643         |
| <b>TOTAL</b>  | <b>13</b>                            | <b>13</b> | <b>13</b>                            | <b>5</b> | <b>26</b>                                     | <b>18</b> | <b>152,646</b>                              | <b>125,008</b> |

The total cost in the above table covers exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial years. The figures exclude payments made for ill-health retirements as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

## NOTES TO CORE FINANCIAL STATEMENTS

### 34 External Audit Costs

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

|  | <b>2012/13</b><br><b>£'000</b> | <b>2011/12</b><br><b>£'000</b> |
|--|--------------------------------|--------------------------------|
| Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year | 71                             | 118                            |
| Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year                           | <u>24</u>                      | <u>53</u>                      |
| <b>Total</b>   | <b><u>95</u></b>               | <b><u>171</u></b>              |



### 35 Related Parties

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

#### UK Government

Central Government exerts significant influence over the general operations of the Council through legislation and grant funding. Significant grants received from Government departments are set out in note 23 along with details of any amounts received but not yet recognised in the Comprehensive Income and Expenditure Statement due to outstanding conditions at the Balance Sheet date.

#### Suffolk Coastal District Council

Waveney District Council and Suffolk Coastal District Council have formally agreed that both Councils are each other preferred partners for shared services, and with effect from 1 October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Suffolk Coastal DC is disclosed in the Explanatory Foreword and note 33 to the Core Financial Statements.

#### Suffolk County Council

Transactions included income and expenditure relating to:

Waste recycling credits - £1,434k

Highways maintenance service level agreement - £108k

Redundancy and early retirement costs - £118k

Footway lighting and maintenance - £201k

Energy management services - £204k

Payroll services - £77k

#### Members and Chief Officers

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2012/13 is shown in note 32. During 2012/13, the Council made payments totalling £123k to 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.

## NOTES TO CORE FINANCIAL STATEMENTS

### Other Public Bodies

The transactions and balances with other public bodies are listed below where they are not disclosed elsewhere in the Statement of Accounts:

|                                 | <b>2012/13</b>                |                          | <b>2011/12</b>                |                          |
|---------------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|
|                                 | <b>Transactions<br/>£'000</b> | <b>Balance<br/>£'000</b> | <b>Transactions<br/>£'000</b> | <b>Balance<br/>£'000</b> |
| Precepts and levies paid:       |                               |                          |                               |                          |
| Parish Councils                 | <b>523</b>                    | -                        | 513                           | -                        |
| Rivers and Drainage Authorities | <b>22</b>                     | -                        | 21                            | -                        |

### Other Entities Controlled or Influenced by the Council

Details of the latest available turnover and gross profit figures for Waveney Norse Limited, together with amounts outstanding between the Council and the Company at the year-end, are set out in Note 44 to the Core Financial Statements.

## NOTES TO CORE FINANCIAL STATEMENTS

### 36 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (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.

|   | 2012/13<br>£'000 | (Restated)<br>2011/12<br>£'000 |
|---|------------------|--------------------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>96,067</b>    | <b>28,493</b>                  |
| <i>Capital investment</i>   |                  |                                |
| Property, Plant and Equipment*  | 11,033           | 14,643                         |
| Intangible Assets*  | 42               | -                              |
| Capital Prepayment  | 8                | -                              |
| HRA Self-Financing payment  | -                | 68,286                         |
| Revenue Expenditure Funded from Capital under Statute   | 411              | 402                            |
| Impairment of Long Term Debtor  | (43)             | (31)                           |
| <b>Total Capital Investment</b>   | <b>11,451</b>    | <b>83,300</b>                  |
| <i>Sources of finance</i>   |                  |                                |
| Capital receipts  | 1,824            | 423                            |
| Government grants and other contributions   | 2,399            | 1,004                          |
| Sums set aside from revenue:  |                  |                                |
| Direct revenue contributions  | 4,708            | 894                            |
| Minimum Revenue Provision   | 1,188            | 1,132                          |
| Major Repairs Reserve   | -                | 4,634                          |
| Assets acquired under finance leases  | 54               | 7,639                          |
| <b>Closing Capital Financing Requirement</b>  | <b>97,345</b>    | <b>96,067</b>                  |
| <b>Explanation of movements in year</b>   |                  |                                |
| Increase in underlying need to borrowing (unsupported by government financial assistance)                     | 1,278            | 67,574                         |
| <b>Increase/(decrease) in Capital Financing Requirement</b>   | <b>1,278</b>     | <b>67,574</b>                  |
| * These figures match to the Additions lines in Notes 12 and 14 detailing movements on the non-current assets |                  |                                |

#### **Revenue Expenditure Funded from Capital under Statute**

Legislation allows some expenditure to be classified as Capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example capital grants made to third parties. These costs are written off to the relevant service revenue account in the year that they are incurred, but are reversed in the Movement in Reserves Statement to ensure there is no impact on the level of Council Tax.

## NOTES TO CORE FINANCIAL STATEMENTS

### 37 Leases

#### Disclosures as Lessee

#### *Finance Leases*

The Council has acquired Car Park assets and enhancements to Waterlane Leisure Centre under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts below:

|   | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Other Land and Buildings                | 1,589                              | 1,127                              |
| Vehicle, Plant, Furniture and Equipment | -                                  | -                                  |
|   | <b><u>1,589</u></b>                | <b><u>1,127</u></b>                |

## NOTES TO CORE FINANCIAL STATEMENTS

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

|  | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>Re-<br/>stated<br/>£'000</b> |
|--|------------------------------------|---|
| Finance lease liabilities (net present value of minimum lease payments): |                                    |   |
| current  | -                                  | -   |
| non current  | 8,387                              | 8,333   |
| Finance costs payable in future years                                    | 10,495                             | 9,190   |
| Minimum lease payments   | <b><u>18,882</u></b>               | <b><u>17,523</u></b>                                  |

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

|   | <b>Minimum Lease Payments</b>      |  |                                 | <b>Finance Lease Liabilities</b>   |  |                                 |
|---|------------------------------------|--|---------------------------------|------------------------------------|--|---------------------------------|
|   | <b>31 March</b>                    |  |                                 | <b>31 March</b>                    |  |                                 |
|   | <b>31 March<br/>2013<br/>£'000</b> | <b>2012<br/>Re-<br/>stated<br/>£'000</b> | <b>Re-<br/>stated<br/>£'000</b> | <b>31 March<br/>2013<br/>£'000</b> | <b>2012<br/>Re-<br/>stated<br/>£'000</b> | <b>Re-<br/>stated<br/>£'000</b> |
| Not later than one year                           | 54                                 | 712                                      | -                               | -                                  | -  | -                               |
| Later than one year and not later than five years | 3,096                              | 2,846                                    | -                               | -                                  | -  | -                               |
| Later than five years                             | 15,732                             | 13,966                                   | -                               | 8,387                              | 8,333                                    | -                               |
|   | <b><u>18,882</u></b>               | <b><u>17,524</u></b>                     | <b><u>17,523</u></b>            | <b><u>8,387</u></b>                | <b><u>8,333</u></b>                      | <b><u>8,333</u></b>             |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents payable by the Council under finance leases for 2011/12 and 2012/13.

The Council have leased to Sentinel Leisure Trust under an operating lease, Waterlane Leisure Centre, at peppercorn rent which contains enhancement works that were acquired under a finance lease where the Council is the lessee.

## NOTES TO CORE FINANCIAL STATEMENTS

### *Operating Leases*

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

|   | <b>Vehicles, Plant and<br/>Equipment</b> |                                    | <b>Other Land and Buildings</b>    |                                    |
|---|--|------------------------------------|------------------------------------|------------------------------------|
|   | <b>31 March<br/>2013<br/>£'000</b>       | <b>31 March<br/>2012<br/>£'000</b> | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
| Not later than one year                           | -  | -                                  | 25                                 | 25                                 |
| Later than one year and not later than five years | -  | -                                  | 59                                 | 68                                 |
| Later than five years                             | -  | -                                  | 254                                | 270                                |
|   | <b>-</b>                                 | <b>-</b>                           | <b>338</b>                         | <b>363</b>                         |

## NOTES TO CORE FINANCIAL STATEMENTS

### Disclosures as Lessor

#### *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
- 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:

|  | <b>31 March<br/>2013<br/>£'000</b>   | <b>31 March<br/>2012<br/>£'000</b> |                                    |                                    |
|--|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Finance lease debtor (net present value of minimum lease payments):  |                                      |                                    |                                    |                                    |
| current  | 23                                   | 26                                 |                                    |                                    |
| non current  | 99                                   | 112                                |                                    |                                    |
| Unearned finance income  | 44                                   | 50                                 |                                    |                                    |
| Gross investment in the lease  | <b>166</b>                           | <b>188</b>                         |                                    |                                    |
| The gross investment in the lease and the minimum lease payments will be received over the following periods:  |                                      |                                    |                                    |                                    |
|  | <b>Gross Investment in the Lease</b> |                                    | <b>Minimum Lease Payments</b>      |                                    |
|  | <b>31 March<br/>2013<br/>£'000</b>   | <b>31 March<br/>2012<br/>£'000</b> | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
| Not later than one year  | 30                                   | 34                                 | 30                                 | 34                                 |
| Later than one year and not later than five years  | 62                                   | 68                                 | 62                                 | 68                                 |
| Later than five years  | 71                                   | 81                                 | 74                                 | 81                                 |
|  | <b>163</b>                           | <b>183</b>                         | <b>166</b>                         | <b>183</b>                         |
| The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under finance leases for 2011/12 and 2012/13. |                                      |                                    |                                    |                                    |

## NOTES TO CORE FINANCIAL STATEMENTS

### *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
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

|   | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| Not later than one year                           | 460                                | 481                                |
| Later than one year and not later than five years | 1,800                              | 1,826                              |
| Later than five years                             | <u>23,316</u>                      | <u>23,763</u>                      |
|   | <b><u>25,576</u></b>               | <b><u>26,070</u></b>               |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under operating leases for 2011/12 and 2012/13.

The carrying value of assets where the Council is lessor under an operating lease is as follows:

|   | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012 Re-<br/>stated<br/>£'000</b> |
|---|------------------------------------|---|
| Other Land and Buildings - Gross Book Value         | 11,141                             | 11,000  |
| Other Land and Buildings - Accumulated Depreciation | <u>(273)</u>                       | <u>(169)</u>                                      |
| Other Land and Buildings - Net Book Value           | <b><u>10,868</u></b>               | <b><u>10,831</u></b>                              |



## NOTES TO CORE FINANCIAL STATEMENTS

### 38 Impairment Losses

During 2012/13, the Council has recognised the following impairment losses in the Comprehensive Income and Expenditure Statement:

|  |  | <b>31 March<br/>2013<br/>£'000</b> |
|--|--|------------------------------------|
| <b>Impairment Loss</b>                   | <b>Comprehensive Income &amp; Expenditure Line</b> |                                    |
| Loss of value through vandalism          | General Fund                                       | 87                                 |
| Loss of value through fire               | Housing Revenue Account                            | 17                                 |
| Reversal of Impairments through disposal | General Fund                                       | (363)                              |
|  |  | <hr/> <b>(259)</b> <hr/>           |

Impairment losses have been charged to the appropriate line in the Comprehensive Income and Expenditure Statement.

### 39 Termination Benefits

The Council terminated the contracts of employment for 11 employees in 2012/13, incurring General Fund liabilities of £91,989 (chargeable to the Consolidated Income & Expenditure Account), (£92,558 for 11 staff in 2011/12) for redundancy and associated pension costs (see note 33 for the number of exit packages and total cost per band). No amounts were payable during 2012/13 or 2011/12 to any designated senior officer, in the form of compensation for loss of office and enhanced pension benefits, as disclosed in note 33 earlier in this Statement.

No members of General Fund staff were retired on ill-health grounds during 2012/13. (1 member of staff in 2011/12 was retired on ill-health grounds with all costs chargeable to the Pension Fund). Payments totalling £31,433 were made to the Suffolk County Council Pension Fund in respect of 3 former employees who retired under ill-health regulations.

Additionally contracts of employment for 16 HRA staff were terminated due to redundancy/ill health at a cost of £130,377. These costs were

Further more detailed information is set out on Exit Packages in Note 33 to the Core Financial Statements.

### 40 Pensions

#### Participation in the pension scheme

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

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

#### Transactions relating to post employment benefits

Retirement benefits are reported in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## NOTES TO CORE FINANCIAL STATEMENTS

| <b>Comprehensive Income and Expenditure Statement</b>   | <b>Local Government Pension Scheme</b> |                |
|---|--|----------------|
|   | <b>2012/13</b>                         | <b>2011/12</b> |
|   | <b>£'000</b>                           | <b>£'000</b>   |
| <i>Cost of Services:</i>  |  |                |
| Current service cost  | 1,604                                  | 1,618          |
| Settlements and Curtailments  | (159)                                  | 8              |
| <i>Financing and Investment Income and Expenditure</i>  |  |                |
| Interest cost   | 5,111                                  | 5,468          |
| Expected return on scheme assets  | (4,361)                                | (5,339)        |
| <i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>   | 2,195                                  | 1,755          |
| <i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>  |  |                |
| Actuarial (gains) and losses  | 5,628                                  | 10,486         |
|   | 5,628                                  | 10,486         |
| <i>Movement in Reserves Statement</i>   |  |                |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code   | (2,195)                                | (1,755)        |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>   |  |                |
| Employers' contributions payable to scheme  | 3,047                                  | 3,031          |
| <b><i>Pensions Reserve appropriation</i></b>  | 852                                    | 1,276          |
| <p>The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pensions assets and liabilities line was at 31 March 2013 a loss of £37,422m (£31.794m loss at 31 March 2012)</p> |  |                |

## NOTES TO CORE FINANCIAL STATEMENTS

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

|   | <b>Local Government<br/>Pension Scheme</b> |                          |
|---|--|--------------------------|
|   | <b>2012/13<br/>£'000</b>                   | <b>2011/12<br/>£'000</b> |
| Opening balance 1 April                 | 109,619                                    | 100,536                  |
| Current service cost                    | 1,604                                      | 1,618                    |
| Interest cost                           | 5,111                                      | 5,468                    |
| Contributions by scheme participants    | 531  | 557                      |
| Actuarial gains and losses              | 12,415                                     | 5,875                    |
| Benefits paid                           | (4,475)                                    | (4,443)                  |
| Settlements and curtailments            | 13   | 8                        |
| Liabilities extinguished on Settlements | (1,074)                                    | -                        |
| Closing balance at 31 March             | <b><u>123,744</u></b>                      | <b><u>109,619</u></b>    |

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

|                                      | <b>Local Government<br/>Pension Scheme</b> |                          |
|--------------------------------------|--|--------------------------|
|                                      | <b>2012/13<br/>£'000</b>                   | <b>2011/12<br/>£'000</b> |
| Opening balance 1 April              | 79,980                                     | 80,107                   |
| Expected rate of return              | 4,361                                      | 5,339                    |
| Actuarial gains and losses           | 6,787                                      | (4,611)                  |
| Employer contributions               | 3,047                                      | 3,031                    |
| Contributions by scheme participants | 531  | 557                      |
| Assets distributed on Settlements    | (902)                                      | -                        |
| Benefits paid                        | (4,475)                                    | (4,443)                  |
| Closing balance at 31 March          | <b><u>89,329</u></b>                       | <b><u>79,980</u></b>     |

## NOTES TO CORE FINANCIAL STATEMENTS

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

The actual return on scheme assets in the year was a gain of £11.148m (2011/12: gain of £741k).

| <b>Scheme history - Local Government Pension Scheme</b> | <b>Year to<br/>31 Mar '13<br/>£'000</b> | <b>Year to<br/>31 Mar '12<br/>£'000</b> | <b>Year to<br/>31 Mar '11<br/>£'000</b> | <b>Year to<br/>31 Mar '10<br/>£'000</b> | <b>Year to<br/>31 Mar '09<br/>£'000</b> |
|---|---|---|---|---|---|
| <b>Present value of liabilities</b>                     | (123,744)                               | (109,619)                               | (100,536)                               | (128,285)                               | (80,985)                                |
| <b>Fair value of assets</b>                             | 89,329                                  | 79,980                                  | 80,107                                  | 73,666                                  | 54,833                                  |
| <b>Surplus/(deficit) in the scheme</b>                  | <u>(34,415)</u>                         | <u>(29,639)</u>                         | <u>(20,429)</u>                         | <u>(54,619)</u>                         | <u>(26,152)</u>                         |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £34.415m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council is not significantly affected. The deficit on the scheme is being reduced by increased contributions over a 15 year period, as assessed by the scheme actuary.

The total contributions expected to be made to the Pension Scheme by the Council in the year to 31 March 2014 is £2.958m. Transfers have been allowed for in the IAS19 31 March 2013 in respect of staff transfers to Sentinell Leisure Trust (1/4/2011) and Marina Leisure Trust (1/5/2012).

## NOTES TO CORE FINANCIAL STATEMENTS

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

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

## NOTES TO CORE FINANCIAL STATEMENTS

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

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

### History of experience gains and losses

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

|  | <b>Year to<br/>31 Mar '13</b> | <b>Year to<br/>31 Mar '12</b> | <b>Year to<br/>31 Mar '11</b> | <b>Year to<br/>31 Mar '10</b> | <b>Year to<br/>31 Mar '09</b> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | %                             | %                             | %                             | %                             | %                             |
| Differences between the expected and actual return on assets | 7.6                           | (5.8)                         | 2.1                           | 20.0                          | (39.8)                        |
| Experience gains/(losses) on liabilities                     | 10.0                          | 5.4                           | (21.0)                        | 33.9                          | (8.8)                         |

### 41 Contingent Liabilities

At 31 March 2013, 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 31 March 2013 claims settled for this Council amounting to £394k (£316k in 2011/12) together with estimated outstanding claims of £332k (£188k in 2011/12). The Council's maximum liability will be the value of claims settled/outstanding less £50,000.

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

The latest position is that the Board of Directors of MMI made the decision to trigger the Scheme of Arrangement on 13 November 2012, and control of the Company has passed to the Scheme Administrator (Ernst and Young LLP), who wrote to the Council on 2 April 2013 proposing an initial Levy of 15% of Established Scheme Liabilities. The Scheme Administrator has since notified the Council that the Levy Notice for £52,000 (based on 15% of Claims Payments of £393,588 less £50,000) will be issued later in 2013. The Council has provided for 50% of the Levy Notice (£26K) in the 2012/13 Accounts for General Fund and 50% in the HRA as a Creditor.

In addition the Scheme Administrator has modelled a number of projected outcomes for MMI, and has indicated that a Levy of up to 28% of claims is required to achieve a projected solvent run-off. The Council has set up a Provision in the 2012/13 Accounts for the balance up to 28% (£44k) split again equally between General Fund and HRA. In addition the Council has agreed to set up Reserves in General Fund and HRA of £52k each, (the Balance up to £100k) in order to provide additional funds if further claims are submitted in the future.

- b) With effect from 1 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 lease. 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.
- c) The Council is in legal negotiations regarding access to a car park that it leases from a charity. Although the access road is now open discussions are still ongoing but are expected to be concluded during 2013/14.
- d) The Council has denied ownership of a water course at New Reach within Town Park, Halesworth and beyond, and the Council's Land Terrier does not and never has indicated the Council's ownership of the land. A third party has raised concerns in relation to lack of maintenance but the Council has indicated it does not own New Reach. However, should litigation arise in respect of New Reach at Halesworth it may give rise to significant liabilities for repair.



### 42 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. The outcome of these discussions with HMRC, with ongoing Court proceedings, and the potential of any additional interest payment from HMRC cannot presently be determined.

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.

## NOTES TO CORE FINANCIAL STATEMENTS

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

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the finance team, 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).

Deposits are made with banks and financial institutions in conjunction with advice from the Council's Treasury Management advisors, and although Credit Ratings are used to minimise the risks, they are not the sole factor in determining where money is invested. Because of this prudent approach, the Council did not expose any public money to risks involving the Icelandic banking sector. The Council also has a policy of not lending more than £5m or £8m of its surplus balances as detailed in the Council's Treasury Management and Investment Strategy, thus limiting its exposure to failure of any financial institution. Changes to investment limits for specific counter-parties were amended in-year to reflect the assessed credit risk to the Council.

The main credit criteria in respect of financial assets held by the Council at 31 March 2013 are as detailed below:

| <b>Financial Asset Category</b>  | <b>Criteria</b>                              | <b>Maximum Investment</b> |
|----------------------------------|--|---------------------------|
| Deposits with UK Banks           | Short Term                                   | £5m (£8m group)           |
|                                  | Long Term: A- Rated                          |                           |
|                                  | Access to Government Credit Guarantee Scheme |                           |
| Deposits with Building Societies | Short Term                                   | £5m                       |
|                                  | Value of Assets: Top 5 Societies only        |                           |
| Money Market Fund Deposits       | AAA Rated                                    | 10% of portfolio          |
| Deposits with Non-UK Banks       | Short Term                                   | £3m (max 15% of holdings) |

## NOTES TO CORE FINANCIAL STATEMENTS

When considering the potential impairment of financial assets, material debtors are reviewed with regard to their financial position, payment history and other factors. A provision for bad debts is set-aside where the risk is seen as sufficiently high to recognise in the accounts, or impaired directly to the Comprehensive Income and Expenditure Statement where circumstances suggest any material debt would be irrecoverable, for example in the case of a bankrupt debtor.

The historical experience of financial asset write offs for 2012/13 was £75k (2011/12 £140k) and the provision carried in the balance sheet as at 31 March 2013 was £228k against a total sundry debt of £1,051k (31 March 2012 - provision of £227k against total debt of £1,586k).

The Council does not generally allow credit for customers, such that £878k of the £1,051k balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

|                        | £'000 |
|------------------------|-------|
| Not Due (0 to 30 days) | 173   |
| One to three months    | 564   |
| Three to six months    | 38    |
| Six months to one year | 34    |
| More than one year     | 242   |
|                        | 1,051 |

### ***Liquidity risk***

As 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   |
|----------------------------------|-------------|-------------|----------|
|                                  | %           | %           | 31/03/13 |
| Under 12 months (see note below) | 50%         | 0%          | 7%       |
| 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%          | 2%       |
| 10 years and within 20 years     | 75%         | 0%          | 32%      |
| 20 years and above               | 100%        | 0%          | 59%      |

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

## NOTES TO CORE FINANCIAL STATEMENTS

### **Market risk**

#### Interest rate risk

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

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

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

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

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

As an indication of the degree of risk associated with interest rates, if average rates in 2012/13 had been 1% higher with all other variables held constant, the financial effect would have been:

|  | <b>£'000</b> |
|--|--------------|
| Increase in interest payable on variable rate borrowings     | 203          |
| Increase in interest receivable on variable rate investments | (107)        |
| Increase in government grant receivable for financing costs  |              |
| Impact on Surplus or Deficit on the Provision of Services    | 96           |
| Share of overall impact debited to the HRA                   | 77           |

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The decrease in interest payable on variable rate borrowing would be limited to £116k as the interest rate as at 31 March 2013 averaged just 0.57%.

## NOTES TO CORE FINANCIAL STATEMENTS

### Price risk and foreign exchange Risk

The Council does not invest in equity shares and thus has no exposure to Price Risk

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

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

Local Authorities must consider all their interests in entities and 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 prepares its accounts for the period to the week ending closest to the end of January each year, closing its accounts two months before those of the Council. This is within the permissible period for consolidation, subject to there being no significant movements within that period. Therefore for both the current accounts and the comparative figures no adjustment has been made to the accounts of the Company to make it co-terminus with the Council. The Group Accounts are included in this document as separate Primary Statements, showing the extent of the Council's 19.9% interest in the Company.

## NOTES TO CORE FINANCIAL STATEMENTS

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

- a) The registered name of the Company is Waveney Norse Limited (W.N.L),
- 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 capital of Norse Group Limited,
- 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 W.N.L 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 W.N.L were £7.878m in 2012/13 (£7.845m in 2011/12) and included in the Accounting Statements as follows:

|                                   | <b>2012/13</b>      | 2011/12      |
|-----------------------------------|---------------------|--------------|
|                                   | <b>£'000</b>        | £'000        |
| Cultural and Related Services     | <b>1,722</b>        | 1,724        |
| Environmental Services            | <b>5,068</b>        | 5,119        |
| Planning and Development Services | <b>81</b>           | 81           |
| Highways, Roads and Transport     | <b>471</b>          | 471          |
| Housing Revenue Account           | <b>536</b>          | 450          |
|                                   | <b><u>7,878</u></b> | <u>7,845</u> |

## NOTES TO CORE FINANCIAL STATEMENTS

i) Details of the Company's annual financial results to 27 January 2013 are set out below:

|   | <b>2013</b>    | <b>2013</b>       | 2012           | 2012         |
|---|----------------|-------------------|----------------|--------------|
|   | <b>Waveney</b> | <b>Council</b>    | Waveney        | Council      |
|   | <b>Norse</b>   | <b>Investment</b> | Norse          | Investment   |
|   | <b>£000</b>    | <b>(19.9%)</b>    | £000           | (19.9%)      |
|   | <b>£000</b>    | <b>£000</b>       | £000           | £000         |
| Current Assets  |                |                   |                |              |
| Stock   | 44             | 9                 | 31             | 6            |
| Debtors   | 1,865          | 371               | 1,508          | 300          |
| Cash at Bank  | 9              | 2                 | 2              | -            |
| Gross Assets  | <u>1,918</u>   | <u>382</u>        | <u>1,541</u>   | <u>306</u>   |
| Creditors falling due within one year                               | <u>(1,330)</u> | <u>(265)</u>      | <u>(1,166)</u> | <u>(232)</u> |
| Net Assets / Shareholder's Funds                                    | <u>588</u>     | <u>117</u>        | <u>375</u>     | <u>74</u>    |
| Turnover  | <b>10,017</b>  | <b>1,993</b>      | 10,241         | 2,038        |
| Profit on ordinary activity before taxation                         | <b>282</b>     | <b>56</b>         | 136            | 27           |
| Tax on profit on ordinary activity                                  | <b>(69)</b>    | <b>(14)</b>       | (37)           | (7)          |
| Profit for the Financial Period                                     | <u>213</u>     | <u>42</u>         | <u>99</u>      | <u>20</u>    |
| <u>Tax components included in the above figures are as follows:</u> | <b>£000</b>    | <b>£000</b>       | £000           | £000         |
| Debtors   |                |                   |                |              |
| - Deferred Tax asset  | 8              | 2                 | 12             | 2            |
| Creditors falling due within one year                               |                |                   |                |              |
| - Corporation Tax   | 68             | 14                | 29             | 6            |
| Tax on profit on ordinary activity                                  |                |                   |                |              |
| - Current Tax (including £3k prior year adjustment)                 | (65)           | (13)              | (29)           | (6)          |
| - Deferred Tax  | (4)            | (1)               | (8)            | (2)          |
|   | <u>(69)</u>    | <u>(14)</u>       | <u>(37)</u>    | <u>(8)</u>   |

### **Other Partnerships**

#### Sentinel Leisure Trust

With effect from 1 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, one representative of The Friends of the Theatre 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 £150,000 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.



45 Prior Period Adjustments

a Recalculation of HRA Dwellings & Garages Revaluation Reserve Balances

HRA Dwellings and Garages have historically been held on a manual asset register. Reserves arising from revaluation movements have always been calculated by Beacon Reference with the net impact of those being charged to the Revaluation Reserve (within Unusable Funds on the Balance Sheet) and those being charges to the CIES being shown within the statement of Accounts. In 2012/13 the Authority converted this database onto its existing electronic asset register (Asset 4000) which already holds all General Fund assets and the remaining Non-Dwelling HRA assets. As part of this piece of work each Beacon valuation has been split into individual assets, asset reserve balances have been re-calculated on an individual asset basis with the write out of accumulated depreciation on revaluation being brought into the equation and the netting of total reserve balances no longer being applied.

The effects of the restatement are as follows:

|  | As at 31<br>March 2011 | 2011/12 | As at 31<br>March 2012 |
|--|------------------------|---------|------------------------|
| <b>Summary:</b>  |                        |         |                        |
| Change in Balance Sheet - Property, Plant and Equipment  | -                      | -       | -                      |
| (Increase) / Decrease in Balance Sheet Unusable Funds - Revaluation Reserve  | (340)                  | 462     | 122                    |
| (Increase) / Decrease in Balance Sheet Unusable Funds - Capital Adjustment Account   | 340                    | (462)   | (122)                  |
| (Decrease) in Cost of HRA Services Included in the CEIS  | (12,014)               | (3,229) | (15,243)               |
| Change in Adjustments to Movement in Reserves  | 12,014                 | 3,229   | 15,243                 |
| Change in Housing Revenue Account Balance  | -                      | -       | -                      |
| <b>Property, Plant and Equipment:</b>  |                        |         |                        |
| • Cost or Valuation - Revaluation Decreases recognised in the Revaluation Reserve  | -                      | (313)   | (313)                  |
| • Cost or Valuation - Revaluation Decreases recognised in the Surplus/Deficit on the Provision of Services   | -                      | 313     | 313                    |
|  | -                      | -       | -                      |
| <b>Revaluation Reserve:</b>  |                        |         |                        |
| • Upward Revaluation of Assets   | (7,833)                | (37)    | (7,870)                |
| • Downward Revaluations of Assets not charged to the Surplus/Deficit on the Provision of Services  | 7,327                  | 278     | 7,605                  |
| • Difference between Fair Value Depreciation and Historical Cost Depreciation  | 20                     | 208     | 228                    |
| • Accumulated Gains on Assets Sold or Scrapped   | 146                    | 13      | 159                    |
|  | (340)                  | 462     | 122                    |
| <b>Capital Adjustment Account</b>  |                        |         |                        |
| • Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account - Revaluation losses on Property, Plant and Equipment                                    | 506                    | (224)   | 282                    |
| • Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account - Amounts of non current assets written off on disposal or sale as part of the gain/loss | -                      | (17)    | (17)                   |
| • Adjusting Amounts written out of the Revaluation Reserve - Disposals   | (146)                  | (13)    | (159)                  |
| • Adjusting Amounts written out of the Revaluation Reserve - Amortisation  | (20)                   | (208)   | (228)                  |
|  | 340                    | (462)   | (122)                  |

b **Review of General Fund Asset Reserve Balances**

An old version of the Asset Register (Asset 4000) had historically treated enhancements as separate sub assets from the main asset to which value has been added. On revaluation of the whole asset, each sub asset was revalued down to nil before revaluing the main asset resulting in some movements being charged to the CIES where they should have been taken to an existing Revaluation Reserve. Work was undertaken in 2012/13 to restate asset reserves where required. An upgrade to the asset register in 2011/12 rectified this issue.

**The effects of the restatement are as follows:**

|   | <b>As at 31<br/>March 2011</b> | <b>2011/12</b> | <b>As at 31<br/>March 2012</b> |
|---|--------------------------------|----------------|--------------------------------|
| <b>Summary:</b>   |                                |                |                                |
| Decrease in Balance Sheet Unusable Funds - Revaluation Reserve  | 2,240                          | -              | 2,240                          |
| (Increase) in Balance Sheet Unusable Funds - Capital Adjustment Account   | (2,240)                        | -              | (2,240)                        |
| (Decrease) in Cost of HRA Services Included in the CEIS   | (2,240)                        | -              | (2,240)                        |
| Change in Adjustments to Movement in Reserves   | 2,240                          | -              | 2,240                          |
| <b>Revaluation Reserve:</b>   |                                |                |                                |
| • Upward Revaluations of Assets   | (135)                          | -              | (135)                          |
| • Downward Revaluations of Assets not charged to the Surplus/Deficit on the Provision of Services   | 2,375                          | -              | 2,375                          |
|   | 2,240                          | -              | 2,240                          |
| <b>Capital Adjustment Account</b>   |                                |                |                                |
| • Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account - Revaluation losses on Property, Plant and Equipment | (2,240)                        | -              | (2,240)                        |

**c Presentation of Notes to the Accounts**

Changes to the presentation of Notes to the accounts are required in order to correctly reflect transactions and for them to be a direct comparison to the 2012/13 statement of accounts.

**The effects of the restatement are as follows:**

|  | <b>As at 31<br/>March 2011</b> | <b>2011/12</b> | <b>As at 31<br/>March 2012</b> |
|--|--------------------------------|----------------|--------------------------------|
| <b>Property, Plant and Equipment:</b>  |                                |                |                                |
| Revaluation decreases incorrectly disclosed as Impairment Losses:  |                                |                |                                |
| • (Decrease) in Cost or Valuation - Revaluation Decreases recognised in the Surplus/Deficit on the Provision of Services   | (11,350)                       | (4,552)        | (15,902)                       |
| • (Decrease) in Accumulated Depreciation & Impairment - Impairment Losses recognised in the Surplus/Deficit on the Depreciation written out on Disposals incorrectly disclosed   | (11,350)                       | (4,552)        | (15,902)                       |
| • Depreciation Derecognition - Disposals   | -                              | (18)           | (18)                           |
| • Depreciation written out to the Surplus/Deficit on the Provision of Services on Revaluation  | -                              | 18             | 18                             |
| <b>Revaluation Reserve:</b>  |                                |                |                                |
| Change in presentation:  |                                |                |                                |
| • Difference between Fair Value Depreciation and Historical Cost Depreciation (previously shown as Amount written off to the Capital Account which is now the total of Difference between Fair Value depreciation and Historic depreciation and Accumulated Gains on Assets Sold | -                              | 115            | 115                            |
| <b>Capital Adjustment Account:</b>   |                                |                |                                |
| Change in presentation:  |                                |                |                                |
| • Adjusting Amounts written out of the Revaluation Reserve - Disposals   | -                              | (96)           | (96)                           |
| • Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account - Revaluation losses on Property, Plant and Equipment  | -                              | 96             | 96                             |
| • Difference between Fair Value Depreciation and Historical Cost Depreciation (previously shown as Adjusting amounts written out of the revaluation reserve heading) which is now shown on the Amortisation line under this heading  | -                              | 115            | 115                            |

**NOTES TO CORE FINANCIAL STATEMENTS**

d **Inclusion of Finance Lease (lessee)**

A material finance lease (lessee) was omitted from the 2011/12 statement of accounts due to the start date being earlier than anticipated. Adjustments were required in relation to the Asset the Lease Creditor, and finance lease interest

**The effects of the restatement are as follows:**

|   | <b>As at 31<br/>March 2011</b> | <b>2011/12</b> | <b>As at 31<br/>March 2012</b> |
|---|--------------------------------|----------------|--------------------------------|
| <b>Recognition of asset:</b>  |                                |                |                                |
| <b>Property, Plant and Equipment:</b>   |                                |                |                                |
| • Aquisitions   | -                              | 7,693          | 7,693                          |
| • Cost or Valuation - Revaluation Decreases recognised in the Revaluation Reserve                                   | -                              | (3,601)        | (3,601)                        |
| • Cost or Valuation - Revaluation Decreases recognised in the Surplus/Deficit on the Provision of Services          | -                              | (11,518)       | (11,518)                       |
|   | -                              | (7,426)        | (7,426)                        |
| <b>Revaluation Reserve:</b>   |                                |                |                                |
| • Upward Revaluations of Assets   | -                              | 3,601          | 3,601                          |
| <b>Capital Adjustment Account</b>   |                                |                |                                |
| • Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure | -                              | 11,518         | 11,518                         |
| <b>Recognition of finance lease creditor and reallocation of payments made:</b>                                     |                                |                |                                |
| Cultural and Related Services   | -                              | (164)          | (164)                          |
| Financing and Investment Income and Expenditure (Interest Payable)  | -                              | 111            | 111                            |
| Net Increase/Decrease before Transfers to Earmarked Reserves  | -                              | (53)           | (53)                           |
| Finance Lease Creditor  | -                              | 7,693          | 7,693                          |
| Payment made  | -                              | (53)           | (53)                           |
|   | -                              | 7,640          | 7,640                          |

The adjustments that have been made to the 2011/12 Statement of Accounts over the version published are as follows:

**Balance Sheet 2011/12**

There has been no restatement to the balance sheet as all restatements have a net nil impact

**Property, Plant & Equipment Note to the Accounts (Note 12) 2011/12**

**Movements in 2011/12:**

|  | Council Dwellings   |                   |   | Other Land and Buildings                                  |                   |   | Vehicles, Plant & Equipment                               |                   |   | Infrastructure  |                   |   | Total Property Plant & Equipment                          |                   |   |
|--|---|-------------------|---|---|-------------------|---|---|-------------------|---|---|-------------------|---|---|-------------------|---|
|  | Closing Balance at 31 March 2012 (2011/12 Accounts) £'000 | Restatement £'000 | Closing Balance at 31 March 2012 (Restated) £'000 | Closing Balance at 31 March 2012 (2011/12 Accounts) £'000 | Restatement £'000 | Closing Balance at 31 March 2012 (Restated) £'000 | Closing Balance at 31 March 2012 (2011/12 Accounts) £'000 | Restatement £'000 | Closing Balance at 31 March 2012 (Restated) £'000 | Closing Balance at 31 March 2012 (2011/12 Accounts) £'000 | Restatement £'000 | Closing Balance at 31 March 2012 (Restated) £'000 | Closing Balance at 31 March 2012 (2011/12 Accounts) £'000 | Restatement £'000 | Closing Balance at 31 March 2012 (Restated) £'000 |
| <b>Cost or Valuation</b>   |   |                   |   |   |                   |   |   |                   |   |   |                   |   |   |                   |   |
| At 1 April 2011  | 185,749   | (9,112)           | 176,637   | 39,103  | (2,117)           | 36,986  | 9,884   | (35)              | 9,849   | 23,005  | (86)              | 22,919  | 265,140   | (11,350)          | 253,790   |
| Additions  | 4,887   |                   | 4,887   | 537   | 7,693             | 8,230   | 1,124   |                   | 1,124   | 349   |                   | 349   | 6,950   | 7,693             | 14,643  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | -   | (329)             | (329)   | 9,419   | (3,256)           | 6,163   | -   | 6                 | 6   | -   |                   | -   | 9,419   | (3,579)           | 5,840   |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (3,933)   | (4,558)           | (8,491)   | (2,830)   | (11,534)          | (14,364)  | (18)  |                   | (18)  | -   |                   | -   | (7,490)   | (16,092)          | (23,582)  |
| Derecognition - Disposals  | (516)   | (524)             | (1,040)   | (160)   |                   | (160)   | (457)   |                   | (457)   | -   |                   | -   | (1,212)   | (524)             | (1,736)   |
| Derecognition - Other  | (524)   | 524               | -   | -   |                   | -   | -   |                   | -   | -   |                   | -   | (524)   | 524               | -   |
| Assets reclassified (to)/from Held for Sale  | -   |                   | -   | -   |                   | -   | -   |                   | -   | -   |                   | -   | -   | -                 | -   |
| Other movements in Cost or Valuation   | -   |                   | -   | (5)   |                   | (5)   | 10  |                   | 10  | (4)   |                   | (4)   | 17  |                   | 17  |
| <b>At 31 March 2012</b>  | <b>185,663</b>  | <b>(13,999)</b>   | <b>171,664</b>                                    | <b>46,064</b>   | <b>(9,214)</b>    | <b>36,850</b>                                     | <b>10,543</b>   | <b>(29)</b>       | <b>10,514</b>                                     | <b>23,350</b>   | <b>(86)</b>       | <b>23,264</b>                                     | <b>272,300</b>  | <b>(23,328)</b>   | <b>248,972</b>                                    |
| <b>Accumulated Depreciation and Impairment</b>   |   |                   |   |   |                   |   |   |                   |   |   |                   |   |   |                   |   |
| At 1 April 2011  | 9,112   | (9,112)           | -   | 5,452   | (2,117)           | 3,335   | 4,749   | (35)              | 4,714   | 8,885   | (86)              | 8,799   | 28,204  | (11,350)          | 16,854  |
| Depreciation charge  | 3,005   |                   | 3,005   | 976   |                   | 976   | 1,007   |                   | 1,007   | 745   |                   | 745   | 5,813   | -                 | 5,813   |
| Depreciation written out to the Revaluation Reserve on Revaluation                               | -   | (71)              | (71)  | (2,008)   |                   | (2,008)   | -   |                   | -   | -   |                   | -   | (2,008)   | (71)              | (2,079)   |
| Depreciation written out to the Surplus/Deficit on the Provision of Services on Revaluation      | (3,005)   | 89                | (2,916)   | -   |                   | -   | -   |                   | -   | -   |                   | -   | (3,005)   | 89                | (2,916)   |
| Impairment losses/(reversals) recognised in the Revaluation Reserve                              | -   |                   | -   | (329)   | 329               | -   | (6)   | 6                 | -   | -   |                   | -   | (335)   | 335               | -   |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services     | 4,887   | (4,887)           | -   | -   |                   | -   | -   |                   | -   | -   |                   | -   | 4,887   | (4,887)           | -   |
| Derecognition - Disposals  | -   | (18)              | (18)  | (1)   |                   | (1)   | (442)   |                   | (442)   | -   |                   | -   | (443)   | (18)              | (461)   |
| Derecognition - Other  | -   |                   | -   | -   |                   | -   | -   |                   | -   | -   |                   | -   | -   | -                 | -   |
| Other movements in Depreciation and Impairment   | -   |                   | -   | (17)  |                   | (17)  | 3   |                   | 3   | 10  |                   | 10  | (1)   |                   | (1)   |
| <b>At 31 March 2012</b>  | <b>13,999</b>   | <b>(13,999)</b>   | <b>-</b>  | <b>4,073</b>  | <b>(1,788)</b>    | <b>2,285</b>                                      | <b>5,311</b>  | <b>(29)</b>       | <b>5,282</b>                                      | <b>9,640</b>  | <b>(86)</b>       | <b>9,554</b>                                      | <b>33,112</b>   | <b>(15,902)</b>   | <b>17,210</b>                                     |
| <b>Net Book Value</b>  |   |                   |   |   |                   |   |   |                   |   |   |                   |   |   |                   |   |
| <b>At 31 March 2012</b>  | <b>171,664</b>  | <b>-</b>          | <b>171,664</b>                                    | <b>41,991</b>   | <b>(7,426)</b>    | <b>34,565</b>                                     | <b>5,232</b>  | <b>-</b>          | <b>5,232</b>                                      | <b>13,710</b>   | <b>-</b>          | <b>13,710</b>                                     | <b>239,188</b>  | <b>(7,426)</b>    | <b>231,762</b>                                    |
| <b>At 31 March 2011</b>  | <b>176,637</b>  | <b>-</b>          | <b>176,637</b>                                    | <b>33,651</b>   | <b>-</b>          | <b>33,651</b>                                     | <b>5,135</b>  | <b>-</b>          | <b>5,135</b>                                      | <b>14,120</b>   | <b>-</b>          | <b>14,120</b>                                     | <b>236,936</b>  | <b>-</b>          | <b>236,936</b>                                    |

Only PPE categories requiring restatement are shown above

## NOTES TO CORE FINANCIAL STATEMENTS

### Revaluation Reserve Note to the Accounts (Note 25) 2011/2012

|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|---|--|----------------------|--|
| <b>Balance at 1 April</b>   | <b>(8,884)</b>   | <b>1,900</b>         | <b>(6,984)</b>   |
| Upward revaluation of assets  | (10,340)   | 3,564                | (6,776)  |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services        | 787  | 278                  | 1,065  |
| <b>Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement</b> |  |                      |  |
| Difference between fair value depreciation and historical cost depreciation   | -  | 322                  | 322  |
| Accumulated gains on assets sold or scrapped  | 96   | 13                   | 109  |
| Amount written off to the Capital Adjustment Account  | 115  | (115)                | -  |
| <b>Balance at 31 March</b>  | <b>(18,226)</b>  | <b>5,962</b>         | <b>(12,264)</b>  |

## NOTES TO CORE FINANCIAL STATEMENTS

### Capital Adjustment Account Note to the Accounts (Note 25) 2011/2012

|  | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|--|--|----------------------|--|
| <b>Balance at 1 April</b>  | <b>(200,791)</b>   | <b>(1,900)</b>       | <b>(202,691)</b>   |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:                               |  |                      |  |
| • Charges for depreciation and impairment of non current assets  | 11,055   | -                    | 11,055   |
| • Revaluation losses on Property, Plant and Equipment  | 4,839  | 8,289                | 13,128   |
| • Amortisation of intangible assets  | 268  | -                    | 268  |
| • Revenue expenditure funded from capital under statute  | 68,688   | -                    | 68,688   |
| • 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 | 1,204  | 79                   | 1,283  |
| Adjusting amounts written out of the Revaluation Reserve   | (115)  | 115                  | -  |
| • Disposals  | -  | (109)                | (109)  |
| • Amortisation   | -  | (322)                | (322)  |
| Net written out amount of the cost of non current assets consumed in the year  | (3,172)  | 3,005                | (167)  |
| Capital financing applied in the year:   |  |                      |  |
| • Use of Capital Receipts Reserve to finance new capital expenditure   | (423)  | -                    | (423)  |
| • Use of the Major Repairs Reserve to finance new capital expenditure  | (4,634)  | -                    | (4,634)  |
| • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (399)  | -                    | (399)  |
| • Application of grants to capital financing from the Capital Grants Unapplied Account   | (605)  | -                    | (605)  |
| • Statutory provision for the financing of capital investment charged against the General Fund Balance   | (1,132)  | -                    | (1,132)  |
| • Capital expenditure charged against the General Fund balance   | (894)  | -                    | (894)  |
| <b>Balance at 31 March</b>   | <b>(126,111)</b>   | <b>9,157</b>         | <b>(116,954)</b>   |

### Long Term Creditors Note to the Accounts (Note 49) 2011/2012

|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|---|--|----------------------|--|
| Recognition of Finance Lease                  | -  | 7,693                | 7,693  |
| Capital element of Finance Lease Payment made | -  | (54)                 | (54)   |
| Finance Leases                                | -  | 7,639                | 7,639  |

## NOTES TO CORE FINANCIAL STATEMENTS

### Housing Revenue Account 2011/12

|  | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|--|--|----------------------|--|
| <b>Income</b>  |  |                      |  |
| Gross Rental Income:                                     |  |                      |  |
| - Dwelling Rents   | 15,552   | -                    | 15,552   |
| - Non-Dwelling Rents                                     | 220  | -                    | 220  |
| Charges for Services and Facilities                      | 924  | -                    | 924  |
|  | <b>16,696</b>  | <b>-</b>             | <b>16,696</b>  |
| <b>Expenditure</b>                                       |  |                      |  |
| Repairs, Maintenance and Management:                     |  |                      |  |
| - Repairs and Maintenance                                | 3,268  | -                    | 3,268  |
| - Supervision and Management                             | 3,182  | -                    | 3,182  |
| - Redundancy and Associated Pension Costs                | 32   | -                    | 32   |
| Rents, rates and other charges                           | 41   | -                    | 41   |
| Negative Subsidy   | 4,895  | -                    | 4,895  |
| Increase in Bad Debts Provision                          | 92   | -                    | 92   |
| Depreciation of Non-Current Assets                       |  |                      |  |
| - Dwellings  | 3,005  | -                    | 3,005  |
| - Other Assets   | 423  | -                    | 423  |
| Impairment of HRA Assets                                 | 8,830  | (3,229)              | 5,601  |
| Self-Financing payment to Central Government             | 68,286   | -                    | 68,286   |
| Debt Management Costs                                    | 38   | -                    | 38   |
|  | <b>92,092</b>  | <b>(3,229)</b>       | <b>88,863</b>  |
| <b>Cost of HRA Services included in the CIES</b>         | <b>75,396</b>  | <b>(3,229)</b>       | <b>72,167</b>  |
| - Corporate and Democratic Core Contribution             | 42   | -                    | 42   |
| <b>Net Cost of HRA Services</b>                          | <b>75,438</b>  | <b>(3,229)</b>       | <b>72,209</b>  |
| HRA share of CIES operating income and expenditure:      |  |                      |  |
| - Gains/losses on the disposal of non current assets     | 237  | -                    | 237  |
| - Interest payable and similar charges                   | 353  | -                    | 353  |
| - Pensions Cost Contribution                             | 531  | -                    | 531  |
| - Interest receivable and similar income                 | (41)   | -                    | (41)   |
| <b>(Surplus) or Deficit on Provision of HRA Services</b> | <b>76,518</b>  | <b>(3,229)</b>       | <b>73,289</b>  |



**NOTES TO CORE FINANCIAL STATEMENTS**

|  |                 |                |                 |
|--|-----------------|----------------|-----------------|
| <b>Movement on the HRA Statement</b>   | -               |                | -               |
| <b>HRA Balance brought forward</b>   | <b>(4,003)</b>  | -              | <b>(4,003)</b>  |
| (Surplus) or Deficit on Provision of HRA Services  | <b>76,518</b>   | <b>(3,229)</b> | <b>73,289</b>   |
| Adjustments between accounting basis and funding basis under regulations (note 7 to Core Statements) | <b>(77,336)</b> | <b>3,229</b>   | <b>(74,107)</b> |
| <b>Movement in HRA Balance for the Year</b>  | <b>(818)</b>    | -              | <b>(818)</b>    |
| <b>HRA Balance carried forward</b>   | <b>(4,821)</b>  | -              | <b>(4,821)</b>  |

## NOTES TO CORE FINANCIAL STATEMENTS

### Comprehensive Income and Expenditure Statement 2011/12

Effect on line items in the Comprehensive Income and Expenditure Statement

|  | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|--|--|----------------------|--|
| Cultural & Related Services                                    | 3,321  | 2,394                | 5,715  |
| Housing Revenue Account  | 7,110  | (3,229)              | 3,881  |
| Exceptional items  | 68,286   | 8,960                | 77,246   |
| <b>Cost of Services</b>  | <b>89,176</b>  | <b>(835)</b>         | <b>88,341</b>  |
| Interest Payable & Other Similar Charges                       | 1,019  | 111                  | 1,130  |
| <b>Financing and Investment Income and Expenditure</b>         | <b>957</b>   | <b>111</b>           | <b>1,068</b>   |
| <b>(Surplus) or Deficit on Provision of Services (note 29)</b> | <b>75,035</b>  | <b>(724)</b>         | <b>74,311</b>  |

### Reserves Adjustments (Note 7) 2011/12

Effect on line items in the Reserve Adjustment Note to the Accounts

#### Usable Reserves - Housing Revenue Account

|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|---|--|----------------------|--|
| <b>Adjustments Involving the Capital Adjustment Account:</b>  |  |                      |  |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> |  |                      |  |
| Charges for depreciation and impairment of non current assets                                       | (4,887)  | 4,887                | -  |
| Revaluation losses on Property, Plant and Equipment   | (3,943)  | (1,658)              | (5,601)  |
| <b>Total Adjustments</b>  | <b>77,336</b>  | <b>3,229</b>         | <b>74,107</b>  |

## NOTES TO CORE FINANCIAL STATEMENTS

### Movement in Reserves Statement 2011/12

#### Housing Revenue Account

|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|---|--|----------------------|--|
| <b>Balance at 31 March 2011</b>   | <b>(4,003)</b>   | -                    | <b>(4,003)</b>   |
| <b><u>Movement in reserves during 2011/12</u></b>                                 |  |                      |  |
| (Surplus) or deficit on provision of services                                     | 76,518   | (3,229)              | 73,289   |
| Other Comprehensive Expenditure and Income  | -  | -                    | -  |
| <b>Total Comprehensive Expenditure and Income</b>                                 | <b>76,518</b>  | <b>(3,229)</b>       | <b>73,289</b>  |
| Adjustments between accounting basis and funding basis under regulations (note 7) | (77,336)   | 3,229                | (74,107)   |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>(818)</b>   | -                    | <b>(818)</b>   |
| Transfer to/from Earmarked Reserves (note 8)                                      | -  | -                    | -  |
| <b>Increase/Decrease in 2011/12</b>   | <b>(818)</b>   | -                    | <b>(818)</b>   |
| <b>Balance at 31 March 2012 carried forward</b>                                   | <b>(4,821)</b>   | -                    | <b>(4,821)</b>   |

Effect on line items in the Reserve Adjustment Note to the Accounts

#### Usable Reserves - General Fund

|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
|---|--|----------------------|--|
| <b><u>Adjustments Involving the Capital Adjustment Account:</u></b>                                 |  |                      |  |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u> |  |                      |  |
| Revaluation losses on Property, Plant and Equipment   | (896)  | (11,518)             | (12,414)   |
| <b>Total Adjustments</b>  | <b>(885)</b>   | <b>(11,518)</b>      | <b>(12,403)</b>  |

## NOTES TO CORE FINANCIAL STATEMENTS

### Movement in Reserves Statement 2011/12

|   | General Fund   |                      |  |
|---|--|----------------------|--|
|   | Closing Balance at<br>31 March 2012<br>(2011/12 Accounts)<br>£'000 | Restatement<br>£'000 | Closing Balance at<br>31 March 2012<br>(Restated)<br>£'000 |
| <b>Balance at 31 March 2011</b>   | <b>(3,020)</b>   | -                    | <b>(3,020)</b>   |
| <b><u>Movement in reserves during 2011/12</u></b>                                 |  |                      |  |
| (Surplus) or deficit on provision of services                                     | (1,483)  | 11,465               | 9,982  |
| Other Comprehensive Expenditure and Income  | -  | -                    | -  |
| <b>Total Comprehensive Expenditure and Income</b>                                 | <b>(1,483)</b>   | 11,465               | <b>9,982</b>   |
| Adjustments between accounting basis and funding basis under regulations (note 7) | (885)  | (11,518)             | (12,403)   |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>(2,368)</b>   | <b>(53)</b>          | <b>(2,421)</b>   |
| Transfer to/from Earmarked Reserves (note 8)                                      | 2,123  | -                    | 2,123  |
| <b>Increase/Decrease in 2011/12</b>   | <b>(245)</b>   | <b>(53)</b>          | <b>(298)</b>   |
| <b>Balance at 31 March 2012 carried forward</b>                                   | <b>(3,265)</b>   | <b>(53)</b>          | <b>(3,318)</b>   |

## NOTES TO CORE FINANCIAL STATEMENTS

### 46 Interest and Investment Income

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

|                                | <b>2012/13</b><br><b>£'000</b> | <b>2011/12</b><br><b>£'000</b> |
|--------------------------------|--------------------------------|--------------------------------|
| Banks                          | <b>85</b>                      | 123                            |
| Building Societies             | -                              | 42                             |
| Interest on other loans/leases | <b>44</b>                      | 26                             |
|                                | <b><u>129</u></b>              | <u>191</u>                     |

## NOTES TO CORE FINANCIAL STATEMENTS

### 47 Long Term Investments

|                          | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|--------------------------|------------------------------------|------------------------------------|
| Government stocks        | 3                                  | 3                                  |
| Other Public Authorities | 7                                  | 7                                  |
|                          | <b>10</b>                          | <b>10</b>                          |

### 48 Long Term Debtors

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

|                         | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|-------------------------|------------------------------------|------------------------------------|
| Other Local Authorities | 321                                | 343                                |
| Loans to Third Parties  | 13                                 | 56                                 |
| Finance Leases          | 121                                | 138                                |
| Mortgagors:             |                                    |                                    |
| Sale of Council Houses  | 2                                  | 3                                  |
|                         | <b>457</b>                         | <b>540</b>                         |

### 49 Long Term Creditors and Deferred Capital Receipts

|                                  | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>(Restated)<br/>£'000</b> |
|----------------------------------|------------------------------------|---|
| <u>Deferred Capital Receipts</u> |                                    |   |
| Council House Mortgages          | 2                                  | 3   |
| <u>Long Term Creditors</u>       |                                    |   |
| Finance Leases                   | 8,387                              | 8,333   |
|                                  | <b>8,387</b>                       | <b>8,333</b>                                      |

Deferred Capital Receipts are amounts due from the sale of Council Dwellings which will be received in instalments over an agreed period.

## NOTES TO CORE FINANCIAL STATEMENTS

### 50 Charity Accounts and Trust Funds

#### Charity Accounts

The Council acts as trustee for a number of leisure charities. Transactions and assets in respect of these charities forms part of the Council's accounts and is included in the financial statements. Details of these transactions and assets are shown below:

|  | Income<br>£'000 | Expenditure<br>£'000 | <b>Council's<br/>Contribution<br/>£'000<br/>2012/13</b> | Council's<br>Contribution<br>£'000<br>2011/12 |
|--|-----------------|----------------------|---|---|
| Bungay Town Sports Association<br><i>Provides recreational facilities in the town of Bungay and the surrounding district</i>   |                 |                      | -   | 15.0  |
| Halesworth Rifle Hall<br><i>Provision of a village hall for the benefit of the inhabitants of Halesworth and its immediate vicinity</i>                              |                 | 2.3                  | <b>2.3</b>  | 0.3   |
| Halesworth Swimming Pool<br><i>Provision of a public swimming pool for the inhabitants of Halesworth and the immediate vicinity</i>                                  |                 | 16.7                 | <b>16.7</b>   | 3.4   |
| Nicholas Everitt Park<br><i>Provides an open space for people of the Lowestoft area</i>  | 19.5            | 56.1                 | <b>36.6</b>   | 33.6  |
| Frank Thomas Arnold Bequest<br><i>Provision of facilities for recreation or other leisure time occupation for the inhabitants of the former Borough of Lowestoft</i> | 8.0             | 0.3                  | <b>(7.7)</b>  | -   |
|  | <b>27.5</b>     | <b>75.4</b>          | <b>47.9</b>   | <b>52.3</b>                                   |
|  |                 |                      | Assets<br>£'000   | Liabilities<br>£'000                          |
| Nicholas Everitt Park  |                 |                      | 454.0   | -   |
| Frank Thomas Arnold Bequest  |                 |                      | 18.0  | -   |
|  |                 |                      | <b>472.0</b>  | -   |

## NOTES TO CORE FINANCIAL STATEMENTS

### 51 Longer Term Borrowings

|  | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
| Analysis by Lender:                      |                                    |                                    |
| Public Works Loan Board                  | <b>84,296</b>                      | 84,297                             |
| Analysis by Maturity:                    |                                    |                                    |
| Repayable within                         |                                    |                                    |
| 2 years                                  | 1                                  | 1                                  |
| 2 to 5 years                             | 1                                  | 1                                  |
| 5 to 10 years                            | 21,289                             | 21,289                             |
| over 10 years                            | <b>63,005</b>                      | 63,006                             |
|  | <b>84,296</b>                      | 84,297                             |
| Fair Value of PWLB Loans at the year-end | <b>92,512</b>                      | 94,499                             |

For 2012/13 no Long Term Debt is repayable within 1 year and therefore no amount is included within Short-Term Borrowings in the Balance Sheet (2011/12 £5m shown as short term).

#### *Self Financing the HRA from 1 April 2012*

As part of the introduction of Self Financing of the HRA from 1 April 2012, the Council made a payment of £68.286 million to the Department of Communities and Local Government (DCLG) in order to "buy out" the Council's HRA from a negative Housing Subsidy position. In order to fund this repayment on 28 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:

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



## HOUSING REVENUE ACCOUNT

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

|  | <b>HRA Note</b> | <b>2012/13</b>         | <b>2011/12</b>              |
|--|-----------------|------------------------|-----------------------------|
|  |                 | <b>£'000</b>           | <b>(Restated)<br/>£'000</b> |
| <b>Income</b>  |                 |                        |                             |
| Gross rental income:   |                 |                        |                             |
| - Dwelling rents   | 1               | <b>(16,610)</b>        | <b>(15,552)</b>             |
| - Non-dwelling rents   |                 | <b>(201)</b>           | <b>(220)</b>                |
| Charges for services and facilities  | 2               | <b>(845)</b>           | <b>(924)</b>                |
| <b>Total Income</b>  |                 | <b><u>(17,656)</u></b> | <b><u>(16,696)</u></b>      |
| <b>Expenditure</b>   |                 |                        |                             |
| Repairs, maintenance and management:   |                 |                        |                             |
| - Repairs and maintenance  | 3               | <b>3,095</b>           | <b>3,268</b>                |
| - Supervision and management   |                 | <b>3,676</b>           | <b>3,182</b>                |
| - Redundancy and associated pension costs  | 15              | <b>130</b>             | <b>32</b>                   |
| Rents, rates and other charges   |                 | <b>30</b>              | <b>41</b>                   |
| Negative Housing Revenue Account subsidy payable   | 11              | <b>-</b>               | <b>4,895</b>                |
| Movement in the allowance for bad debts  | 1               | <b>533</b>             | <b>92</b>                   |
| Depreciation of HRA non-current assets:  |                 |                        |                             |
| - Dwellings  | 13              | <b>2,616</b>           | <b>3,005</b>                |
| - Other assets   | 13              | <b>476</b>             | <b>423</b>                  |
| Downward Revaluations & Impairment of HRA assets   | 17              | <b>(442)</b>           | <b>5,601</b>                |
| Self-Financing payment to Central Government   | 16              | <b>-</b>               | <b>68,286</b>               |
| Debt management costs  | 6               | <b>20</b>              | <b>38</b>                   |
| <b>Total Expenditure</b>   |                 | <b><u>10,134</u></b>   | <b><u>88,863</u></b>        |
| <b>Net Expenditure or (Income) of HRA Services as included in the whole authority CIES</b> |                 | <b><u>(7,522)</u></b>  | <b><u>72,167</u></b>        |
| - HRA share of Corporate and Democratic Core   |                 | <b>79</b>              | <b>42</b>                   |
| <b>Net Expenditure of HRA Services</b>   |                 | <b><u>(7,443)</u></b>  | <b><u>72,209</u></b>        |
| HRA share of the operating income and expenditure included in the whole authority CIES:    |                 |                        |                             |
| - Gain or loss on sale of HRA non-current assets   | 14              | <b>(372)</b>           | <b>237</b>                  |
| - Interest payable and similar charges   | 6               | <b>2,317</b>           | <b>353</b>                  |
| - Pensions cost contribution   | 9               | <b>545</b>             | <b>531</b>                  |
| - HRA interest and similar income  | 6               | <b>(72)</b>            | <b>(41)</b>                 |
| <b>(Surplus) or deficit for the year on HRA services</b>                                   |                 | <b><u>(5,025)</u></b>  | <b><u>73,289</u></b>        |

## HOUSING REVENUE ACCOUNT

|   | 2012/13<br>£'000 | 2011/12<br>(Restated)<br>£'000 |
|---|------------------|--------------------------------|
| <b>Movement on the HRA Statement</b>  |                  |                                |
| <b>HRA balance brought forward</b>  | (4,821)          | (4,003)                        |
| (Surplus) or deficit for the year on the HRA Income and Expenditure Statement                               | (5,025)          | 73,289                         |
| Adjustments between accounting basis and funding basis under regulations<br>(Note 7 to the Core Statements) | 4,372            | (74,107)                       |
| <b>Net (increase) or decrease before transfers to or from reserves</b>                                      | (653)            | (818)                          |
| Transfers (from) or to HRA Earmarked Reserves (Note 8 to the Core Statements)                               | 3,258            | -                              |
| <b>(Increase) or decrease in year on the HRA</b>  | 2,605            | (818)                          |
| <b>Balance on the HRA at the end of the year</b>  | (2,216)          | (4,821)                        |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 Dwelling Rents

**2012/13      2011/12**

The account shows the rent due in the year after allowing for voids and other losses in collection.

|   |       |       |
|---|-------|-------|
| Average rent per week (£)                                   | 70.32 | 65.48 |
| Rent arrears at 31 March (£'000)                            | 551   | 432   |
| Rent arrears at 31 March as % of the gross rent collectable | 3.1%  | 2.6%  |
| Provision for bad debts at 31 March (£'000)                 | 1,027 | 494   |

In response to the welfare reforms it has been considered prudent to add an additional £500k to the Bad Debt Provision in 2012/13.

### 2 Charges for Services and Facilities

These charges relate to heating, warden and other communal services provided to residents in sheltered accommodation. They also include charges to tenants for central heating servicing.

### 3 Housing Repairs and Maintenance

Expenditure on repairs and maintenance can be seen on the face of the HRA Income & Expenditure Account and for 2012/13 this amounted to £3,095k compared to the Original Budget of £3,482k (£3,268k in 2011/12).

### 4 Major Repairs Reserve

|   | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|---|------------------------------------|------------------------------------|
| The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below; |                                    |                                    |
| MRR opening balance   | -                                  | 1,629                              |
| Amounts transferred to the MRR during the year  | 3,092                              | 3,005                              |
| Debits to the MRR during the year in respect of HRA capital expenditure                   | -                                  | (4,634)                            |
| <b>MRR closing balance</b>  | <b>3,092</b>                       | <b>-</b>                           |

The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below;

MRR opening balance

Amounts transferred to the MRR during the year

Debits to the MRR during the year in respect of HRA capital expenditure

**MRR closing balance**

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

### 5 Capital Receipts - Disposal of Council Dwellings

**2012/13      2011/12**

Capital receipts from sales of council houses can be summarised as follows:

|                              |       |     |
|------------------------------|-------|-----|
| - Number of disposals        | 12    | 14  |
| - Value of disposals (£'000) | 1,313 | 789 |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 6 Capital-Related Charges

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Depreciation charge  | 3,092          | 3,428          |
| Revenue Expenditure funded by Capital under Statute (reversed) | -              | 3              |
| Debt management expenses                                       | 20             | 38             |
| Interest payable   | 2,276          | 353            |
| Premium charges for early repayment of debt                    | 41             | -              |
| Housing Subsidy - Major Repairs Allowance                      | -              | (3,005)        |
| Transfer to Capital Financing Account via MRR                  | -              | 423            |
| Interest income on notional cash balances                      | (45)           | (41)           |
| Discounts for early repayment of debt                          | (27)           | -              |

As part of the introduction of Self-Financing of the HRA from 1 April 2012, the Council made a settlement payment of £68.286m to the Department of Communities and Local Government (DCLG) in order to "buy out" the Council's HRA from a negative Housing Subsidy position. In order to fund this repayment on 28 March 2012 the Council borrowed £68.286m from the Public Works Loans Board. In 2012/13 the interest payment on this borrowing was £2,009k and is included within interest payable disclosed above.

### 7 Capital Expenditure funded by the HRA

Capital expenditure which cannot be financed from other sources is funded by revenue contributions. The original budget provision made in 2012/13 for a direct financing contribution was £5,468k and the actual amount was £3,444k. (2011/12 figures were Budget of £876k and £321k actual).

### 8 Housing Stock

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
| The stock of dwellings has changed as follows:             |                |                |
| Opening stock of dwellings                                 | 4,551          | 4,586          |
| Add: new build/purchases/additions                         | 2              | -              |
| Less: sales  | (12)           | (14)           |
| Less: properties lost to conversion, disposal and deletion | (5)            | (21)           |
| <b>Closing stock of dwellings</b>                          | <b>4,536</b>   | <b>4,551</b>   |
| Analysis of closing stock numbers:                         |                |                |
| Houses   | 2,118          | 2,124          |
| Bungalows  | 1,142          | 1,142          |
| Flats  | 1,276          | 1,285          |
|  | <b>4,536</b>   | <b>4,551</b>   |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 9 HRA 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 40 to the Core Financial Statements for a fuller explanation.

### 10 Capital Expenditure

|   | <b>2012/13</b> | <b>2011/12</b> |
|---|----------------|----------------|
|   | <b>£'000</b>   | <b>£'000</b>   |
| Dwellings                                     | 4,357          | 4,887          |
| Dwelling acquisitions                         | 94             | -              |
| Other Land and Buildings                      | 45             | -              |
| Vehicles                                      | 70             | 57             |
| Equipment - funded from capital under statute | -              | 4              |
| IT infrastructure                             | 67             | 54             |
|   | <b>4,633</b>   | <b>5,002</b>   |
| Financed by:                                  |                |                |
| Usable capital receipts                       | 1,091          | -              |
| Revenue contributions                         | 3,444          | 321            |
| Major Repairs Reserve                         | -              | 4,634          |
| Grants and contributions                      | 98             | 47             |
|   | <b>4,633</b>   | <b>5,002</b>   |

### 11 Housing Subsidy

The HRA Subsidy payable to the Government is split into the following elements:

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |
| Rent Income                                    | -              | (15,333)       |
| Prior Years Adjustments                        | -              | (1)            |
| Management and Maintenance                     | -              | 6,661          |
| Capital Charges                                | -              | 749            |
| Interest on self-financing settlement          | -              | 24             |
| <b>Negative subsidy</b>                        | <b>-</b>       | <b>(7,900)</b> |
| Major Repairs Allowance (MRA) - Grant received | -              | 3,005          |
| <b>HRA subsidy payable to the Government</b>   | <b>-</b>       | <b>(4,895)</b> |

2011/12 was the final year in which a negative subsidy payment was due by the Council to the Department of Communities and Local Government (DCLG). As from 1 April 2012, the HRA Subsidy arrangements were abolished and instead the HRA must be Self-Financing with the Council retaining all rental income in exchange for taking on a proportion of the National Housing Debt.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 12 Non-Current Assets

|  | <b>31 March<br/>2013<br/>£'000</b> | <b>31 March<br/>2012<br/>£'000</b> |
|--|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|

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

|  |                |                |
|--|----------------|----------------|
| Council dwellings  | 173,293        | 171,664        |
| Other land and buildings   | 2,314          | 2,684          |
| Vehicles, plant, furniture and equipment                         | 578            | 321            |
| Surplus assets not held for sale                                 | 153            | 153            |
| Assets held for sale   | 1              | 1              |
| <b>Total Balance Sheet value of HRA non-current assets (PPE)</b> | <b>176,339</b> | <b>174,823</b> |
| Intangibles  | 95             | 119            |
| <b>Total Balance Sheet value of HRA non-current assets</b>       | <b>176,434</b> | <b>174,942</b> |
| Dwellings- Vacant Possession Value                               | 444,334        | 440,166        |

### 13 Depreciation

|  | <b>2012/13<br/>£'000</b> | <b>2011/12<br/>£'000</b> |
|--|--------------------------|--------------------------|
|--|--------------------------|--------------------------|

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

|   |              |              |
|---|--------------|--------------|
| Council dwellings   | 2,616        | 3,005        |
| Other land and buildings                                  | 293          | 297          |
| Vehicles, plant, furniture and equipment                  | 159          | 102          |
| <b>Total charge for depreciation within the HRA (PPE)</b> | <b>3,068</b> | <b>3,404</b> |
| Intangibles   | 24           | 24           |
| <b>Total charge for depreciation within the HRA</b>       | <b>3,092</b> | <b>3,428</b> |

### **14 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.

### **15 Redundancy Payments**

Charged to the HRA Income and Expenditure Account are payments totalling £130,377 in respect of redundancy/ill health in 2012/13 for 16 housing staff, (2011/12 £32,450 for eight staff).

### **16 HRA Self-Financing Payment to Central Government**

As part of the introduction of Self-Financing of the HRA from 1 April 2012, the Council made a settlement payment of £68.286m to the Department of Communities and Local Government (DCLG) in order to "buy out" the Council's HRA from a negative Housing Subsidy position. In order to fund this repayment on 28 March 2012 the Council borrowed £68.286m from the Public Works Loans Board. The settlement figure was charged to the Comprehensive Income and Expenditure Statement in 2011/12 and reversed out in the Movement in Reserves Statement in 2011/12 and therefore did not affect the fund balances for the year. See Note 51 to the Core Statements for further details on this borrowing.

### **17 Revaluation Losses and Impairment Charges**

The 2012/13 financial results include £442k credit (2011/12 restated £5.601m) for Revaluation Losses and Impairment of HRA Assets charged to the Comprehensive Income and Expenditure Statement. Of this figure £459k credit relates to the reversal of Revaluation Losses charged in previous years and £17k debit relates to the physical impairment of an HRA dwelling. With the exception of £9k relating to Non-Dwelling HRA assets the amount credited to the HRA has been reversed out in the Movement in Reserves Statement and therefore does not affect the overall working balance of the HRA.

### **18 Prior Period Adjustments**

Note 45 details all prior period adjustments reflected in the HRA.

### **19 HRA Earmarked Reserves**

The 2012/13 financial results include a transfer of £3,258k to the HRA Earmarked Reserves. See Note 8 to the Core Statement for further details on the HRA Earmarked Reserves.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund Statement is an agent's statement that reflects the statutory obligation for Billing Authorities to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NDR).

|  | <b>Coll<br/>Fund<br/>Notes</b> | <b>2012/13<br/>£'000</b> | <b>2011/12<br/>£'000</b> |
|--|--------------------------------|--------------------------|--------------------------|
| <b>Income</b>  |                                |                          |                          |
| Income from Council Tax                                      | 1                              | 48,789                   | 48,331                   |
| Transfer from General Fund - Council Tax Benefits            | 2                              | 10,097                   | 10,055                   |
| Income collectable from Business Ratepayers                  | 3                              | 25,360                   | 24,683                   |
|  |                                | <b>84,246</b>            | <b>83,069</b>            |
| <b>Expenditure</b>   |                                |                          |                          |
| Precepts and Demands:  |                                |                          |                          |
| - Suffolk County Council                                     |                                | 45,234                   | 45,136                   |
| - Suffolk Police Authority                                   |                                | 6,696                    | 6,440                    |
| - Waveney District Council                                   |                                | 6,453                    | 6,433                    |
| Business rates:  |                                |                          |                          |
| - Payment to National Pool                                   | 3                              | 25,157                   | 24,479                   |
| - Cost of Collection Allowance                               | 3                              | 203                      | 204                      |
| Bad and Doubtful Debts:                                      |                                |                          |                          |
| - Write Offs   | 5                              | (34)                     | 109                      |
| - Change in Bad Debt Provision                               | 5                              | 495                      | 190                      |
| Share of previous years' Collection Fund Surplus / (Deficit) |                                |                          |                          |
| - Suffolk County Council                                     | 4                              | 300                      | -                        |
| - Suffolk Police Authority                                   |                                | 43                       | -                        |
| - Waveney District Council                                   |                                | 43                       | -                        |
|  |                                | <b>84,590</b>            | <b>82,991</b>            |
| <b>Deficit / (Surplus) for Year</b>                          |                                | <b>344</b>               | <b>(78)</b>              |
| <b>Balance brought forward - (Surplus) / Deficit</b>         |                                | <b>(360)</b>             | <b>(282)</b>             |
| <b>Balance carried forward - (Surplus) / Deficit</b>         |                                | <b>(16)</b>              | <b>(360)</b>             |



## NOTES TO THE COLLECTION FUND

### 1 Income from Council Tax

This figure shows the amount receivable from Council Taxpayers after allowing for Council Tax Benefits. The Council Tax is set to meet the demands of Suffolk County Council, Suffolk Police Authority (Suffolk Police & Crime Commissioner from November 2012), 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.

The average Band D Council Tax set was:

|  | <b>2012/13</b>  | <b>2011/12</b> |
|--|-----------------|----------------|
|  | <b>£</b>        | <b>£</b>       |
|  | <b>1,454.01</b> | 1,447.83       |

|  | Chargeable dwellings | Band D Equivalents |
|--|----------------------|--------------------|
| The Council estimated its Tax Base for 2012/13 as follows: |                      |                    |
| Valuation Band   |                      |                    |
| A  | 15,710               | 10,467             |
| B  | 13,582               | 10,564             |
| C  | 9,367                | 8,326              |
| D  | 5,777                | 5,777              |
| E  | 2,700                | 3,299              |
| F  | 903                  | 1,304              |
| G  | 517                  | 862                |
| H  | 31                   | 62                 |
|  | <u>48,586</u>        | <u>40,661</u>      |
| Less:  |                      |                    |
| Provision for bad and doubtful debts (1.25%)               |                      | (508)              |
| <b>Tax Base 2012/13 (Band D equivalents)</b>               |                      | <b>40,153</b>      |

The income from Council Tax can be analysed as follows:

|   | <b>2012/13</b>  | <b>2011/12</b> |
|---|-----------------|----------------|
|   | <b>£'000</b>    | <b>£'000</b>   |
| Gross amounts charged                   | <b>66,647</b>   | 66,181         |
| Less: exemptions, discounts and reliefs | <b>(7,761)</b>  | (7,795)        |
| Council Tax Benefits                    | <b>(10,097)</b> | (10,055)       |
|   | <b>48,789</b>   | 48,331         |

## NOTES TO THE COLLECTION FUND

### 2 Transfer from General Fund

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

### 3 Business Rates

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

|                                    | <b>2013</b>   | <b>2012</b> |
|------------------------------------|---------------|-------------|
| The rateable value at 31 March was | <b>£70.3m</b> | £69.6m      |
| The multiplier was                 | <b>45.8p</b>  | 43.3p       |

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

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

### 5 Movement in Bad Debt Provision

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

- Council Tax
- Business Rates

|  | <b>Balance 1<br/>April 2012<br/>£'000</b> | <b>Applied in<br/>Year<br/>£'000</b> | <b>Change in<br/>provision<br/>£'000</b> | <b>Balance 31<br/>March 2013<br/>£'000</b> |
|--|---|--------------------------------------|--|--|
|  | 1,680                                     | (34)                                 | 495                                      | 2,141                                      |
|  | 280                                       | (481)                                | 475                                      | 274  |
|  | <b>1,960</b>                              | <b>(515)</b>                         | <b>970</b>                               | <b>2,415</b>                               |

## NOTES TO THE COLLECTION FUND

### 6 Collection Fund Balance

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |

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

(Surplus) / Deficit relating to:

Council Tax:

|                          |      |       |
|--------------------------|------|-------|
| Suffolk County Council   | (12) | (280) |
| Suffolk Police Authority | (2)  | (40)  |
| Waveney District Council | (2)  | (40)  |
| Total Council Tax        | (16) | (360) |

Community Charges:

|  |      |       |
|--|------|-------|
|  | -    | -     |
|  | (16) | (360) |

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

### 7 Parish / Town Precepts

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

|  | <b>2012/13</b> | <b>2011/12</b> |
|--|----------------|----------------|
|  | <b>£'000</b>   | <b>£'000</b>   |

|                          |     |     |
|--------------------------|-----|-----|
| Parish and Town Precepts | 523 | 512 |
|--------------------------|-----|-----|

### 8 Collection Fund Adjustment Account

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

## GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e. including Waveney Norse), analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. Additional information on the structure of this Statement is contained within the Authority Movement in Reserves Statement, presented earlier in the Statement of Accounts.

|   | General<br>Fund Balance<br>£'000 | Earmarked<br>General<br>Fund Reserves<br>£'000 | Housing<br>Revenue<br>Account<br>£'000 | Earmarked<br>Housing<br>Revenue<br>Account<br>Reserves<br>£'000 | Major<br>Repairs<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>Account<br>£'000 | Total Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>£'000 | Total<br>Authority<br>Reserves<br>£'000 | Council's<br>share of<br>Reserves of<br>Associate<br>£'000 | Total<br>Reserves<br>£'000 |
|---|----------------------------------|--|--|---|--------------------------------------|--|-----------------------------------|-------------------------------|---|--|----------------------------|
| <b>Balance at 31 March 2011</b>   | <b>(3,020)</b>                   | <b>(1,607)</b>                                 | <b>(4,003)</b>                         | -   | <b>(1,629)</b>                       | <b>(119)</b>                                       | <b>(10,378)</b>                   | <b>(188,188)</b>              | <b>(198,566)</b>                        | <b>(54)</b>  | <b>(198,620)</b>           |
| <b><u>Movement in reserves during 2011/12</u></b>   |                                  |  |  |   |                                      |  |                                   |                               |   |  |                            |
| (Surplus) or deficit on provision of services (Restated)  | 9,982                            | -  | 73,289                                 | -   | -                                    | -  | 83,271                            | -                             | <b>83,271</b>                           | -  | <b>83,271</b>              |
| Other Comprehensive Income and Expenditure  | -                                | -  | -                                      | -   | -                                    | -  | -                                 | 4,552                         | <b>4,552</b>                            | -  | <b>4,552</b>               |
| <b>Total Comprehensive Income and Expenditure</b>   | <b>9,982</b>                     | <b>-</b>                                       | <b>73,289</b>                          | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>83,271</b>                     | <b>4,552</b>                  | <b>87,823</b>                           | <b>-</b>   | <b>87,823</b>              |
| Adjustment between Group and Authority Accounts:<br>- Purchase of Goods and Services from Associate |                                  |  |  |   |                                      |  | -                                 |                               | -                                       | (20)   | (20)                       |
| <b>Net (Increase) / Decrease before Transfers</b>   | <b>9,982</b>                     | <b>-</b>                                       | <b>73,289</b>                          | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>83,271</b>                     | <b>4,552</b>                  | <b>87,823</b>                           | <b>(20)</b>  | <b>87,803</b>              |
| Adjustments between accounting basis and funding basis<br>under regulations (note 7) (Restated)     | (12,403)                         | -  | (74,107)                               | -   | 1,629                                | (196)  | (85,077)                          | 85,077                        | -                                       | -  | -                          |
| <b>Net (Increase) / Decrease before Transfers to<br/>Earmarked Reserves</b>                         | <b>(2,421)</b>                   | <b>-</b>                                       | <b>(818)</b>                           | <b>-</b>  | <b>1,629</b>                         | <b>(196)</b>                                       | <b>(1,806)</b>                    | <b>89,629</b>                 | <b>87,823</b>                           | <b>(20)</b>  | <b>87,803</b>              |
| Transfer to/from Earmarked Reserves (note 8)  | 2,123                            | (2,123)  | -                                      | -   | -                                    | -  | -                                 | -                             | -                                       | -  | -                          |
| <b>(Increase) / Decrease in Year</b>  | <b>(298)</b>                     | <b>(2,123)</b>                                 | <b>(818)</b>                           | <b>-</b>  | <b>1,629</b>                         | <b>(196)</b>                                       | <b>(1,806)</b>                    | <b>89,629</b>                 | <b>87,823</b>                           | <b>(20)</b>  | <b>87,803</b>              |
| <b>Balance at 31 March 2012 carried forward</b>   | <b>(3,318)</b>                   | <b>(3,730)</b>                                 | <b>(4,821)</b>                         | <b>-</b>  | <b>-</b>                             | <b>(315)</b>                                       | <b>(12,184)</b>                   | <b>(98,559)</b>               | <b>(110,743)</b>                        | <b>(74)</b>  | <b>(110,817)</b>           |
| <b><u>Movement in reserves during 2012/13</u></b>   |                                  |  |  |   |                                      |  |                                   |                               |   |  |                            |
| Surplus or (deficit) on provision of services   | 3,741                            | -  | (5,025)                                | -   | -                                    | -  | (1,284)                           | -                             | <b>(1,284)</b>                          | -  | <b>(1,284)</b>             |
| Other Comprehensive Income and Expenditure  | -                                | -  | -                                      | -   | -                                    | -  | -                                 | 5,091                         | <b>5,091</b>                            | -  | <b>5,091</b>               |
| <b>Total Comprehensive Income and Expenditure</b>   | <b>3,741</b>                     | <b>-</b>                                       | <b>(5,025)</b>                         | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>(1,284)</b>                    | <b>5,091</b>                  | <b>3,807</b>                            | <b>-</b>   | <b>3,807</b>               |
| Adjustment between Group and Authority Accounts:<br>- Purchase of Goods and Services from Associate |                                  |  |  |   |                                      |  | -                                 |                               | -                                       | (42)   | (42)                       |
| <b>Net (Increase) / Decrease before Transfers</b>   | <b>3,741</b>                     | <b>-</b>                                       | <b>(5,025)</b>                         | <b>-</b>  | <b>-</b>                             | <b>-</b>   | <b>(1,284)</b>                    | <b>5,091</b>                  | <b>3,807</b>                            | <b>(42)</b>  | <b>3,765</b>               |
| Adjustments between accounting basis and funding basis<br>under regulations (note 7)                | (3,958)                          | -  | 4,372                                  | -   | (3,092)                              | (215)  | (2,893)                           | 2,893                         | -                                       | -  | -                          |
| <b>Net (Increase) / Decrease before Transfers to<br/>Earmarked Reserves</b>                         | <b>(217)</b>                     | <b>-</b>                                       | <b>(653)</b>                           | <b>-</b>  | <b>(3,092)</b>                       | <b>(215)</b>                                       | <b>(4,177)</b>                    | <b>7,984</b>                  | <b>3,807</b>                            | <b>(42)</b>  | <b>3,765</b>               |
| Transfer to/from Earmarked Reserves (note 8)  | (783)                            | 783  | 3,258                                  | (3,258)   | -                                    | -  | -                                 | -                             | -                                       | -  | -                          |
| <b>(Increase) / Decrease in Year</b>  | <b>(1,000)</b>                   | <b>783</b>                                     | <b>2,605</b>                           | <b>(3,258)</b>  | <b>(3,092)</b>                       | <b>(215)</b>                                       | <b>(4,177)</b>                    | <b>7,984</b>                  | <b>3,807</b>                            | <b>(42)</b>  | <b>3,765</b>               |
| <b>Balance at 31 March 2013 carried forward</b>   | <b>(4,318)</b>                   | <b>(2,947)</b>                                 | <b>(2,216)</b>                         | <b>(3,258)</b>  | <b>(3,092)</b>                       | <b>(530)</b>                                       | <b>(16,361)</b>                   | <b>(90,575)</b>               | <b>(106,936)</b>                        | <b>(116)</b>   | <b>(107,052)</b>           |

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

|   | 2012/13                       |                          |                             | 2011/12 (Restated)            |                          |                             |
|---|-------------------------------|--------------------------|-----------------------------|-------------------------------|--------------------------|-----------------------------|
|   | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 | Gross<br>Expenditure<br>£'000 | Gross<br>Income<br>£'000 | Net<br>Expenditure<br>£'000 |
| Central Services to the Public  | 13,153                        | (10,843)                 | <b>2,310</b>                | 13,168                        | (10,931)                 | <b>2,237</b>                |
| Cultural and Related Services   | 9,130                         | (1,479)                  | <b>7,651</b>                | 7,731                         | (2,016)                  | <b>5,715</b>                |
| Environmental and Regulatory Services   | 8,736                         | (2,468)                  | <b>6,268</b>                | 8,566                         | (2,550)                  | <b>6,016</b>                |
| Planning Services   | 2,937                         | (1,355)                  | <b>1,582</b>                | 2,488                         | (1,533)                  | <b>955</b>                  |
| Highways and Transport Services   | 1,382                         | (1,954)                  | <b>(572)</b>                | 1,657                         | (2,086)                  | <b>(429)</b>                |
| Housing Revenue Account   | 10,133                        | (17,656)                 | <b>(7,523)</b>              | 20,578                        | (16,697)                 | <b>3,881</b>                |
| Other Housing Services  | 42,817                        | (41,993)                 | <b>824</b>                  | 40,195                        | (40,505)                 | <b>(310)</b>                |
| Social Services   | (28)                          | (4)                      | <b>(32)</b>                 | 132                           | (7)                      | <b>125</b>                  |
| Corporate and Democratic Core   | 1,965                         | (128)                    | <b>1,837</b>                | 2,015                         | (158)                    | <b>1,857</b>                |
| Non-Distributed Costs   | (159)                         | -                        | <b>(159)</b>                | 8                             | -                        | <b>8</b>                    |
| Exceptional Items (note 5)  | -                             | -                        | -                           | 77,246                        | -                        | <b>77,246</b>               |
| <b>Cost of Services</b>   | <b>90,066</b>                 | <b>(77,880)</b>          | <b>12,186</b>               | <b>173,784</b>                | <b>(76,483)</b>          | <b>97,301</b>               |
| Other Operating Expenditure (note 9)  |                               |                          | <b>803</b>                  |                               |                          | <b>1,391</b>                |
| Financing and Investment Income and Expenditure (note 10)                           |                               |                          | <b>3,132</b>                |                               |                          | <b>1,068</b>                |
| Taxation and Non-Specific Grant Income (note 11)                                    |                               |                          | <b>(17,405)</b>             |                               |                          | <b>(16,489)</b>             |
| <b>(Surplus) or Deficit on Provision of Services (note 28)</b>                      |                               |                          | <b>(1,284)</b>              |                               |                          | <b>83,271</b>               |
| Share of (Surplus)/Deficit on the Provision of services by Associate (Group Note 2) |                               |                          | <b>(56)</b>                 |                               |                          | <b>(27)</b>                 |
| Tax expenses of Associate (Group Note 2)  |                               |                          | <b>14</b>                   |                               |                          | <b>7</b>                    |
| <b>Group (Surplus)/Deficit</b>  |                               |                          | <b>(1,326)</b>              |                               |                          | <b>83,251</b>               |
| Surplus or deficit on revaluation of non-current assets                             |                               |                          | <b>(535)</b>                |                               |                          | <b>(5,934)</b>              |
| Actuarial (gains)/losses on pension assets/liabilities                              |                               |                          | <b>5,626</b>                |                               |                          | <b>10,486</b>               |
| <b>Other Comprehensive Income and Expenditure</b>                                   |                               |                          | <b>5,091</b>                |                               |                          | <b>4,552</b>                |
| <b>Total Comprehensive Income and Expenditure</b>                                   |                               |                          | <b>3,765</b>                |                               |                          | <b>87,803</b>               |

## GROUP BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable and Unusable Reserves held by the Group are contained within Notes 23 and 24 to the Council's Core Financial Statements and Note 3 to the Group Accounts.

|   | Note         | 31st March<br>2013<br>£'000 | 31st March<br>2012<br>£'000 |
|---|--------------|-----------------------------|-----------------------------|
| Property, Plant and Equipment                   | 12           | 229,643                     | 231,762                     |
| Heritage Assets                                 | 13           | 495                         | 495                         |
| Intangible Assets                               | 15           | 244                         | 373                         |
| Long Term Investments                           | 16 + 47      | 10                          | 10                          |
| Investment in Associate                         | Group Note 3 | 116                         | 74                          |
| Long Term Debtors                               | 16 + 48      | 457                         | 540                         |
| <b>Long Term Assets</b>                         |              | <b>230,965</b>              | <b>233,254</b>              |
| Current Assets held for sale                    | 19           | 1,193                       | 784                         |
| Inventories                                     | 17           | 128                         | 124                         |
| Short Term Debtors                              | 18           | 5,839                       | 6,922                       |
| Cash and Cash Equivalents                       | 20           | 7,415                       | 10,757                      |
| <b>Current Assets</b>                           |              | <b>14,575</b>               | <b>18,587</b>               |
| Cash and Cash Equivalents                       | 20           | -                           | (10)                        |
| Short Term Borrowing                            | 16 + 51      | (5,000)                     | (5,000)                     |
| Short Term Creditors                            | 21           | (3,861)                     | (10,945)                    |
| Short Term Capital Grants Receipts in Advance   | 23           | (1,083)                     | (1,310)                     |
| <b>Current Liabilities</b>                      |              | <b>(9,944)</b>              | <b>(17,265)</b>             |
| Long Term Creditors                             | 16 + 49      | (8,387)                     | (8,333)                     |
| Long Term Provisions                            | 22           | (44)                        | -                           |
| Long Term Borrowing                             | 16 + 51      | (84,297)                    | (84,297)                    |
| Long Term Capital Grants Receipts in Advance    | 23           | (1,401)                     | (1,490)                     |
| Other Long Term Liabilities - Pension Liability | 40           | (34,415)                    | (29,639)                    |
| <b>Long Term Liabilities</b>                    |              | <b>(128,544)</b>            | <b>(123,759)</b>            |
| <b>Net Assets</b>                               |              | <b>107,052</b>              | <b>110,817</b>              |
| Usable reserves                                 | Group Note 3 | (16,477)                    | (12,258)                    |
| Unusable reserves                               | 25           | (90,575)                    | (98,559)                    |
| <b>Total Reserves</b>                           |              | <b>(107,052)</b>            | <b>(110,817)</b>            |

## GROUP CASH FLOW STATEMENT

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

|  | <b>2012/13</b>  | <b>2011/12</b>              |
|--|-----------------|-----------------------------|
|  | <b>£'000</b>    | <b>(Restated)<br/>£'000</b> |
| Net (surplus) or deficit on the provision of services  | (1,284)         | 83,271                      |
| Adjust net surplus or deficit on the provision of services for non cash movements (note 26)                                      | (7,697)         | (26,134)                    |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | <b>4,668</b>    | 2,198                       |
| Net cash flows from Operating Activities   | <b>(4,313)</b>  | <b>59,335</b>               |
| Investing Activities (note 27)   | <b>6,726</b>    | (9,531)                     |
| Financing Activities (note 28)   | <b>919</b>      | (58,781)                    |
| Net increase or decrease in cash and cash equivalents  | <b>3,332</b>    | <b>(8,977)</b>              |
| Cash and cash equivalents at the beginning of the reporting period   | <b>(10,747)</b> | (1,770)                     |
| <b>Cash and cash equivalents at the end of the reporting period (note 20)</b>  | <b>(7,415)</b>  | <b>(10,747)</b>             |

## NOTES TO GROUP ACCOUNTING STATEMENTS

### Note 1 Statement of Accounting Policies

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

### Note 2 Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and expenditure Statement has been prepared incorporating the Council's share of Waveney Norse's surplus on provision of services and its tax liability. Additional information in respect of Waveney Norse's trading results for the year are contained within [Note 44](#) to the Core Financial Statements.

### Note 3 Group Balance Sheet

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

|   | 31st March<br>2013<br>£'000 | 31st March<br>2012<br>£'000 |
|---|-----------------------------|-----------------------------|
| Waveney Norse - Profit and Loss Reserve (WDC Investment)                  | (116)                       | (74)                        |
| Waveney District Council - Usable Reserves (see <a href="#">Note 24</a> ) | (16,361)                    | (12,184)                    |
| Total Group Usable Reserves   | <u>(16,477)</u>             | <u>(12,258)</u>             |

Additional information in respect of Waveney Norse's assets and liabilities at the Balance Sheet date are contained within [Note 44](#) to the Core Financial Statements.

### Note 4 Cash Flow

No adjustment to the Council's Cash Flow Statement is required in respect of its holding in Waveney Norse.

### Note 5 Significant Influence

Although the Council have less than a 20% share of Waveney Norse, the assumption that the Council does not have significant influence has been rebutted as a result of the Council's representation on the Waveney Norse board, together with the fact that the majority of Waveney Norse's business is with the Council, which is usually regarded as strong evidence of participation.

### Note 6 Reporting Date

Waveney Norse's annual accounts are reported to the end of January each year, two months before those of the Council. This is within the permissible period for consolidation, subject to there being no significant movements within that period. No adjustment has been made to the Norse accounts to make it co-terminus with the Council.



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

### **Opinion on the Authority's financial statements**

We have audited the financial statements of Waveney District Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 51. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Waveney District Council as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 20, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **Opinion on other matters**

In our opinion, the information given in the Statement of Accounts 2012-13 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

### **Respective responsibilities of the Authority and the auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Basis of conclusion**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

We certify that we have completed the audit of the accounts of Waveney District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil Harris  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Luton  
30 September 2013

# Glossary of Financial Terms

## **Accounting Period**

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

## **Accruals**

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

## **Business Rates**

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

## **Capital Adjustment Account**

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

## **Capital Charge**

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

## **Capital Expenditure**

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

## **Capital Receipts**

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

## **Capital Receipts Reserve**

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

## **Collection Fund**

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

## **Community Assets**

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

Community Assets to Heritage Assets from 1 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.

## **Council Tax**

The system of local taxation on dwellings that replaced the Community Charge with effect from 1 April 1993

## **Council Tax Benefit**

See 'Housing Benefits'

## **Creditors**

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

## **Debt**

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

## **Debtors**

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

## **Deferred Capital Receipts**

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

## **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a 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.

# Glossary of Financial Terms

## Non-Current Assets

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

## General Fund

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

## Government Grants

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

## Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. It is expected that these assets would previously have been classified as community assets prior to 1 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.

## 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.

## National Non Domestic Rates (NNDR)

See Business Rates

## National Non-Domestic Rate Pool

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

## 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

# Glossary of Financial Terms

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).

## **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.

## **Rent Allowances / Rebates**

See 'Housing Benefits'

## **Revaluation Reserve**

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

## **Revenue Expenditure**

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

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

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

## **Revenue Support Grant**

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

## **Section 151 Officer**

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

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

The self-financing HRA commenced on 1 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.

## **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.

# Glossary of Financial Terms

## 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                             |
| NNDR  | National Non-Domestic Rates                           |
| SSAP  | Statement of Standard Accounting Practice             |