

# Waveney District Council Statement of Accounts 2011-12



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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 2012 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (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 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 UK Generally Accepted Accounting Principles (UK GAAP), International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice for Local Authorities (SeRCOP).
- **Balance Sheet** – shows the Council's balances and reserves and long-term indebtedness at the financial year end, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
- **Cash Flow Statement** – shows the changes in cash and cash equivalents arising from transactions with third parties for revenue and capital purposes.

### Supplementary Statements:

- **Housing Revenue Account (HRA) Income and Expenditure Account** – reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with part 6 of the Local Government and Housing Act 1989.
- **Collection Fund Income and Expenditure Account** – reflects the statutory requirement for Waveney District Council as a billing authority to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to Major Precepting bodies (Suffolk County Council and Suffolk Police Authority), and to the General Fund.
- **Statement of Responsibilities for the Statement of Accounts** - This outlines the responsibilities of the Council and the Director of Resources, with respect to the Statement of Accounts.
- **Group Accounts** - Following a review of the 2011 Code, it has been determined that, because of the implementation of IFRS, 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.

The Statement of Accounts for 2010/11 was the first to be prepared on an International Financial Reporting Standards (IFRS) basis, and there were specific transitional arrangements that applied only in 2010/11.

# Explanatory Foreword by Director of Resources

## 2. Changes to the Statement of Accounts

There were a number of changes to the Statement of Accounts for 2011/12. These changes were developed by the CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. CIPFA/LASAAC issued an Update in 2012 to the edition of the 2011/12 Code published in February 2011.

The 2011/12 Code Update is the first mid-year update to the Code, and applies for accounting periods commencing on or after 1 April 2011.

The key accounting changes within the Code and the Code Update (not all of which are applicable to this Council), are summarised below:

- The 2011/12 Code provides guidance on accounting for income from the Community Infrastructure Levy and Business Rate Supplements.
- Following the announcements in the Spending Review, the 2011/12 Code does not include any requirements in respect of the Carbon Reduction Commitment Scheme. CIPFA/LASAAC has agreed to defer consideration of this issue until the changes to the scheme are confirmed. CIPFA/LASAAC will issue an update to the 2012/13 Code that will incorporate the required changes to the Code.
- The 2011/12 Code requires additional disclosures in respect of remuneration and exit packages. The Code has introduced a requirement to disclose the number and cost of exit packages agreed. This requirement is consistent with the requirement to disclose similar information elsewhere in the public sector. See Note 33 to the Core Financial Statements.
- The 2011/12 Code introduces a requirement that, within the annual governance statement, an authority includes a specific statement on whether the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government*, which they do.
- The 2011/12 Code amends the related parties disclosures required and gives additional guidance in respect of central government departments, government agencies, NHS Bodies and other local authorities. See Note 35 to the Core Financial Statements for further information.
- The 2011/12 Code incorporates the effect of regulations and statutory guidance introduced to mitigate the impact of the transition to IFRS on the General Fund.
- The 2011/12 Code adopts the requirements of FRS 30 *Heritage Assets*. Heritage Assets are carried at valuation where possible and additional disclosures are required. The Code also permits, but does not require, authorities to adopt the measurement and disclosure requirements within FRS 30 for community assets. Further information is set out in Note 13 to the Core Financial Statements.
- The 2011/12 Code clarifies that financial instrument disclosures are required in respect of leases and PFI, PPP and similar schemes.
- The 2011/12 Code incorporates minor changes to the disclosures of the nature and extent of risks arising from financial instruments. Additional disclosures are also required where the level of soft loans is material.
- The 2011/12 Code includes clarification that where an authority is party to a joint venture, does not have joint control of that joint venture but does have significant influence, the interest in the joint venture should be accounted for as if it were an associate in line with IAS 31.
- The 2011/12 Code clarifies the requirements in a number of areas where uncertainty was identified in the 2010/11 Code. Most of the remaining issues were not directly relevant, or did not apply to the Council in the year, but consideration was given to their potential impact on the accounts.

# Explanatory Foreword by Director of Resources

**Impact of the Economic Climate.** This Explanatory Foreword provides information and explanation relevant to the Accounts. The Local Authority Accounting Panel in its Bulletin LAAP 81 dated April 2009 suggested authorities should consider including 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 13 later in this Explanatory Foreword.

- **Accounts and Audit (England) Regulations 2011.** The Accounts and Audit (England) Regulations 2011 came into force on 31 March 2011, and replaced the 2003 Regulations (as amended). The main changes to previous regulations were:
  - The Director of Resources now must, no later than 30<sup>th</sup> June immediately following the end of a financial year, sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the council at the end of the financial year to which it relates and of the Council's income and expenditure for the year.
  - No later than 30<sup>th</sup> September in the year following the financial year to which the statement relates the Council must:
    - consider, (either by way of a committee, or by the members meeting as a whole), the Statement of Accounts;
    - following that consideration, approve the Statement of Accounts by a resolution of that committee or meeting;
    - following approval, ensure that the Statement of Accounts is signed and dated by the person presiding at the committee or meeting, at which that approval was given; and
    - publish (which must include publication on the Council's website), the Statement of Accounts together with any certificate, opinion, or report issued, given or made by the auditor under section 9 of the Audit Commission Act 1998.
  - The 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.

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

- **Other Issues and Amendments.** Further guidance has been issued on a number of technical areas through LAAP Bulletins:
  - LAAP Bulletin 91 dated February 2012 (Accounting for the Carbon Reduction Commitment) which does not apply to this Council for 2011/12.
  - LAAP Bulletin 92 dated March 2012 (Accounting Transactions-HRA Settlement Payments). Further details are set out below in Paragraph 5 (HRA).
  - LAAP Bulletin 93 dated March 2012 (Closure of the 2011/12 Accounts) which provides supplementary advice on interpretation of the 2011/12 Code, and updated information where appropriate.

# Explanatory Foreword by Director of Resources

- Paragraph 3.3.4.3 of the 2011/12 Code states “An authority shall disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e on or before 1 January 2012 for 2011/12)”. Disclosure requirements are expected to be included in a subsequent edition of the Code”. Further information is set out in Note 2 to the Core Financial Statements.

### 3. Accounting Policies

The Council’s Accounting Policies are set out in Note 1 to the Core Financial Statements. The major changes to the Council’s Accounting Policies since the previous Statement of Accounts was produced for 2011/12 are in respect of The Code 2011, and the majority relate to Heritage Assets (referred to earlier in this Foreword), and all major changes have been added to Accounting Policies under the relevant headings.

These have been made following a review of the latest Code Guidance Notes for Practitioners for the 2011/12 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 Budget £000	Out-turn £000	Variance £000
Net Expenditure	15,008	14,763	(245)
Income from Government and Local Taxpayers	(15,008)	(15,008)	0
	<u>0</u>	<u>(245)</u>	<u>(245)</u>
<b>Analysed as:</b>			
De-recognition of Single Status Provision (Note 10)	0	(1,293)	(1,293)
Transfer to Short Life Assets Reserve (Note 12)	0	1,293	1,293
Change in General Fund balance (Original to Outturn)	<u>0</u>	<u>(245)</u>	<u>(245)</u>
	<u>0</u>	<u>(245)</u>	<u>(245)</u>

#### *Income from Government and Local Taxpayers*

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

	£000
Formula Grant	9,098
Transfer from Collection Fund regarding previous year’s (deficit) / surplus	0
Amount met by Local Council Taxpayers	5,910
Total income from Government & Local Taxpayers	<u>15,008</u>

The decrease in net expenditure of £245k between the original budget for 2011/12 and the out-turn is analysed in the table overleaf:

# Explanatory Foreword by Director of Resources

	£000
<i>Savings from:</i>	
Capital related accounting adjustments and lower interest payments	(487)
Additional Land Charges income, reported at Revised Estimate	(213)
Shared Services savings	(129)
Budget carry forwards-to be spent in 2012/13	(107)
Written off unrepresented cheques from earlier financial years	(94)
Rebate on Gate Fees	(45)
De-recognition of Single Status Provision-Council approved February 2012	(1,293)
Offset by approved transfer to Short Life Assets Reserve	<u>1,293</u>
Receipt of New Homes Bonus Grant	(201)
Offset by approved transfer to New Homes Bonus Reserve	<u>201</u>
<i>Offset additional costs/lower income from:</i>	
Transfers to Transformation & Efficiencies/Housing Benefits/R & M/Other (net) Reserves	513
Lower Car Parking income than budgeted -lower tickets/reduced penalties & period tickets	236
Higher than forecast deficit at Marina Theatre pre transfer	81
Final Concessionary Fares expenditure post transfer to SCC	58
Supplementary Estimate-Waste Recycling Centres	38
Net other variances	<u>(96)</u>
<b>Overall change in General Fund balance (Original Budget to Outturn)-surplus</b>	<b><u>(245)</u></b>

Further detailed analysis of the gross expenditure and income on services together with interest payable and receivable is set out in the Comprehensive Income and Expenditure Statement. In addition, Note 23 to the Core Financial Statements provides an analysis of Government Grants received. An additional contribution of £283k has been made to the Housing Benefits Subsidy Reserve in recognition of costs arising from Universal Credit. The Efficiencies Reserve set up in 2010/11 has been renamed the Transformation and Efficiencies Reserve with a further deposit of £300k. The Council agreed at its February 2012 meeting that the Provision for Single Status Back Pay should be derecognised within the Accounts, and the remaining balance revert back to the General Fund (£1,292,800) and HRA (£197,700).

The out-turn results show an increase in the amount taken to the General Fund balance of £245k compared to the break-even Original Budget, set in February 2011.

From the £245k surplus, £107k has been approved to be carried forward to be spent in 2012/13, to allow a small number of projects to be completed.

The transfer of the £245k surplus to the General Fund results in a balance of £3.265m at 31 March 2012 (£3.02m 2010/11); (Notes 8, 24 and 25 to the Core Financial Statements show the impact on reserves). The budget report in February 2012 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. The General Fund balance of £3.265m is now at its target level.

### *Redundancy/ill-health payments*

Included within the General Fund net expenditure above are payments to 11 staff (16 in 2010/11) who were made redundant during 2011/12, (1 ill-health retirement costing £2,709 in 2010/11 only). The costs of £92,558 in 2011/12 (£100,787 in 2010/11) have been charged to the General Fund Comprehensive Income and Expenditure Statement, and to the relevant service area where staff were employed.



# Explanatory Foreword by Director of Resources

The payments are analysed below:

	2011/12	2010/11
	£	£
Redundancy payments	88,611	79,383
Payments to Pension Fund	3,947	18,695
Ill-health-contribution to Pension Fund over ceiling	0	2,709
Total payments	<u>92,558</u>	<u>100,787</u>

In addition, payments to 7 staff who were made redundant totalled £30,049, (£14,778 in 2010/11) (3 in 2010/11), together with £2,401 pension payments, were charged directly to the Housing Revenue Account (see paragraph 5 below for details). A Pension Fund contribution above the Ceiling of £157,310 for one ill-health retirement was made in 2010/11, but there were no HRA ill-health payments above the Ceiling in 2011/12.

For 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. See Note 33 to the Core Financial Statements for further information. Additionally more detailed information is shown in Note 39 (Termination Benefits) to the Core Financial Statements.

## *Waveney Norse*

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, Waveney Norse Limited (WNL), was incorporated on 23 May 2008 and began trading on 1 July 2008. The full years' trading figures for WNL in 2010/11 were for its Accounts up to 30 January 2011. The audited WNL Accounts for the period ended 29 January 2012 were received by the Council in July 2012.

Payments made to Waveney Norse in respect of the package of services are included above in Net Expenditure, and under the appropriate heading within the Cost of Services in the Comprehensive Income and Expenditure Statement.

As part of the implementation of IFRS in 2010/11 it was determined that the Council's financial relationship with Waveney Norse Limited is that of an Associate, and so Group Accounts must be completed within this Council's Accounts to take account of the Council's investment in the Company. Further information is set out in Note 44 to the Core Financial Statements (Interest in Companies) and the Group Accounting Statements.

## General Fund - Future Budget Plans

Set out below is the Budget approved in February 2012 for the next four years, together with a Revised Estimate for 2011/12. The Medium Term Financial Strategy will be updated again in July.

### *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 £14,002,100 in 2012/13. This represents a headline decrease of £1,006,200 or 6.7% over the budget for 2011/12 of £15,008,300.

## Explanatory Foreword by Director of Resources

The budget by portfolio holder that the Council approved from 1 April 2012 is set out below:

Priority Theme	2011/12 Original Budget £	2011/12 Revised Budget £	2012/13 Original Budget £	2013/14 Forecast Budget £	2014/15 Forecast Budget £	2015/16 Forecast Budget £
Community Health	870,900	790,300	805,100	813,000	836,800	860,400
Customers and Communities	386,200	411,400	407,300	384,000	386,100	389,300
Green Environment and Operational Partnerships	2,882,000	3,374,000	3,109,300	3,174,900	3,190,200	3,350,900
Housing	136,600	356,000	735,600	971,700	1,243,900	1,527,700
Leisure, Tourism and Economic Development	3,968,100	3,310,900	3,546,500	3,523,100	3,618,400	3,691,500
Planning	2,110,200	1,569,200	1,375,600	1,653,000	1,656,300	1,689,800
Resources	4,654,300	5,196,500	4,022,700	3,702,700	3,921,400	4,201,700
<b>Budget Requirement</b>	<b>15,008,300</b>	<b>15,008,300</b>	<b>14,002,100</b>	<b>14,222,400</b>	<b>14,853,100</b>	<b>15,711,300</b>
<b>Financed by:</b>						
Formula Grant	9,098,100	9,098,100	8,036,400	7,907,200	7,435,500	7,063,700
Collection Fund Deficit	0	0	42,700	0	0	0
Tax	5,910,200	5,910,200	5,923,000	6,071,200	6,223,000	6,378,400
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>244,000</b>	<b>1,194,600</b>	<b>2,269,200</b>

The reasons for the decrease in the 2012/13 Budget compared to 2011/12 are summarised below:

	£000
Budget Requirement 2011/12	15,008
Pay and Price Increases	109
Statutory Requirements	-560
Service Developments	128
Efficiencies and Savings	-790
Additional Income	-178
Movements in Reserves and other Financial Transactions	285
<b>Budget Requirement 2012/13</b>	<b>14,002</b>

Since the budget was set in February 2012, 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 has already identified a number of savings to offset the Budget Gap shown above.

# Explanatory Foreword by Director of Resources

## 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 Budget £000	Out-turn £000	Variance £000
Expenditure	14,710	14,976	266
HRA Self-financing. Payment to DCLG (See Note 2 below)	0	68,286	68,286
Income	(16,773)	(16,696)	77
HRA share of Corporate and Democratic Core	606	572	(34)
Interest and Gain/Loss adjustment	351	26	(325)
Net amount to be credited as required by Statute (exclude. impair)	876	304	(572)
<b>Summary outturn position, before impairment.</b>	<b>(230)</b>	<b>67,596</b>	<b>67,826</b>
Impairment of HRA assets (see Note 1 below)	0	8,830	8,830
HRA Self-financing. Reversal of expenditure above (See Note 2)	0	(68,286)	(68,286)
Amount credited by statute re Impairment (see Note 1 below)	0	(8,830)	(8,830)
<b>Taken from/ (Added to) reserves</b>	<b>(230)</b>	<b>(818)</b>	<b>(588)</b>

Note 1.

Impairment does not have an impact on either the HRA bottom line or setting of rents. Impairment loss for the HRA is the amount by which the carrying amount of a dwelling exceeds its recoverable amount. At the end of each financial year an assessment must take place as to whether there is any indication that an asset may be impaired. Further information on the reasons for the £8.830m (£46.151m in 2010/11) impairment included in the above table is set out below.

Note 2.

The self-financing of the HRA is based on authorities “buying” themselves out of a negative housing subsidy position. For most authorities this involves them no longer paying into housing subsidy and in return the authority’s debt is adjusted upwards to an appropriate level. Further information is set out below under “Self Financing”.

The surplus for the year was £588k more than the original budget. The main reasons for this are set out below:

	£000
<i>Savings from:</i>	
Prior to Self-financing from 01.04.12, balance on the Major Repairs Reserve used to fund capital expenditure, reducing the contribution from revenue.	(555)
Lower than anticipated Repairs & Maintenance works, in particular for structural & drainage	(190)
Decreasing warden service costs due to de-sheltering of schemes	(151)
Decreased HRA contribution to Corporate and Democratic Core	(33)
Reduction in Negative Subsidy	(264)
Other minor variances	(17)
<i>Offset by additional costs from:</i>	
Costs of implementing self-financing of the HRA from 01.04.12	117
Site clearance in preparation for the demolition of Meadowlands	105
Reduction in Supporting People funding	105
Increase in the bad debts provision - a prudent approach to the recoverability of rent arrears	92
Change in Item 8 Debit/Credit entries due to changes in interest rates	171
Redundancy payments – met from in-year savings and implementing restructuring	32
<b>Change from 2011/12 Original Budget to Outturn-surplus</b>	<b>(588)</b>

## Explanatory Foreword by Director of Resources

After taking the surplus of £818k for the year into account, the HRA working balance is £4.821m at 31 March 2012 (31 March 2011 £4.003m).

The 2011/12 financial results include £8.830m relating to impairment of HRA assets in the year (£46.151m in 2010/11). The Adjustment Factor is applied to the Total Vacant Possession valuation based on the beacon valuation, to identify the value for Existing Use Value-Social Housing. The adjustment factors for England were revised in 2010/11 from 46% to 39% to take account of the significant changes in the residential housing market over the last five years and will, in future, be reviewed annually. There was no change in the Adjustment Factor for 2011/12.

### *Single Status Job Evaluation*

The Provision for Single Status Back Pay has been derecognised within 2011/12. A sum of £197,700 has been returned to the HRA as its share of the total Provision of £1,490,500, with the balance being returned to the General Fund. A further detailed explanation is set out in Paragraph 10 below.

### *Redundancy/ill-health payments*

Included within the net expenditure in 2011/12 are payments to 7 HRA staff (3 in 2010/11) who were made redundant. The costs of £32,450 (£172,088 in 2010/11) have been charged to the HRA Income and Expenditure Account. More detailed information is shown in Note 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:

	2011/12	2010/11
	£	£
Redundancy payments	30,049	14,778
Payments to Pension Fund	2,401	0
Ill-health contribution to Pension Fund	<u>0</u>	<u>157,310</u>
Total payments	<u>32,450</u>	<u>172,088</u>

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

Government has made significant changes to the way in which the Housing Revenue Account is financed. From April 2012, this means the financing of the HRA is based on authorities "buying" themselves out of a negative housing subsidy position. For most authorities this involves them no longer paying into housing subsidy and in return the authority's debt is adjusted upwards 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 does not have cash reserves that could fund this payment and has therefore borrowed the settlement amount.

## **Explanatory Foreword by Director of Resources**

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

<b>Loan Amount</b>	<b>Loan Type</b>	<b>Number</b>	<b>Interest Rate</b>
<b>£ million</b>		<b>of Years</b>	<b>%</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

**£68.286 million.**

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.

# Explanatory Foreword by Director of Resources

Note 3.

## Future HRA Budget Plans

Set out below is the Budget approved in February 2012 for the next four years, together with a Revised Estimate for 2011/12. 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 2012.

Housing Revenue Account (HRA)	2011/12 Original Budget £	2011/12 Revised Budget £	2012/13 Original Budget £	2013/14 Forecast Budget £	2014/15 Forecast Budget £	2015/16 Forecast Budget £
Total Income	16,773,400	16,705,300	17,787,100	18,624,200	19,509,300	20,442,400
Less						
Total Expenditure	14,709,700	15,267,300	14,658,100	14,755,500	14,970,300	15,155,700
Net cost HRA Income & Expenditure a/c	(2,063,700)	(1,438,000)	(3,129,000)	(3,868,700)	(4,539,000)	(5,286,700)
Share of Corporate and Democratic Core	606,000	636,700	636,100	636,600	637,100	637,200
<b>Net cost of HRA Services</b>	<b>(1,457,700)</b>	<b>(801,300)</b>	<b>(2,492,900)</b>	<b>(3,232,100)</b>	<b>(3,901,900)</b>	<b>(4,649,500)</b>
Interest payable and similar charges	426,800	389,600	389,600	389,600	389,600	389,600
Interest and Investment Income	(75,500)	(45,100)	(45,100)	(45,100)	(45,100)	(45,100)
<b>Surplus for year on HRA services</b>	<b>(1,106,400)</b>	<b>(456,800)</b>	<b>(2,148,400)</b>	<b>(2,887,600)</b>	<b>(3,557,400)</b>	<b>(4,305,000)</b>
<b>Balance Summary</b>						
<b>Surplus for year-HRA Inc. &amp; Ex a/c</b>	<b>(1,106,400)</b>	<b>(456,800)</b>	<b>(2,148,400)</b>	<b>(2,887,600)</b>	<b>(3,557,400)</b>	<b>(4,305,000)</b>
Net additional amount required by Statute to be debited to the HRA	876,000	130,000	2,148,400	2,887,600	3,557,400	4,305,000
<b>(Increase)/decrease in HRA Balance for year</b>	<b>(230,400)</b>	<b>(326,800)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
HRA balance brought forward	(3,907,767)	(4,003,636)	(4,330,436)	(4,330,436)	(4,330,436)	(4,330,436)
<b>HRA balance carried forward</b>	<b>(4,138,167)</b>	<b>(4,330,436)</b>	<b>(4,330,436)</b>	<b>(4,330,436)</b>	<b>(4,330,436)</b>	<b>(4,330,436)</b>

## 6. Collection Fund

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

As at 31 March 2012, the Collection Fund has a surplus of £359,661, (2010/11 surplus £282,041), reflecting an in-year surplus of £77,620 (2010/11 £166,434). The £359,661 surplus is apportioned between Waveney District Council, Suffolk County Council and Suffolk Police Authority 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 2012, the Council forecast a surplus of £385,000 with this Council's share of the Collection Fund at 31 March 2012 being £42,694. The reduction in the in-year surplus to £359,661 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 2011/12. After taking into account the £42,694 surplus already calculated above for 2011/12 and distributed in 2012/13, Waveney's share carried forward will be a £2,801 deficit (2010/11 £31,277 surplus), which will be taken into account when setting 2013/14 Council Tax levels.

# Explanatory Foreword by Director of Resources

## 7. Capital

Capital expenditure relates to the acquisition of non-current assets or expenditure that adds to (and not merely maintains) the value of an existing non-current asset.

The following table shows the capital outturn results for 2011/12 against the original budgeted programme approved in February 2011, analysed by Portfolio: (See Note 36 to the Core Financial Statements for further information):

	Original Budget £000	Out-turn £000	Variance £000
Community Health	120	338	218
Customers and Communities	0	0	0
Green Environment and Operational Partnerships	842	480	(362)
Housing-Council Housing	4,730	5,002	272
Housing-Private Sector	811	399	(412)
Leisure, Tourism and Economic Development	105	424	319
Planning	3,792	352	(3,440)
Resources	350	357	7
<b>Total Capital Expenditure</b>	<b>10,750</b>	<b>7,352</b>	<b>(3,398)</b>

The out-turn was £3.398m below the Original Budget for 2011/12, (£2.748m below in 2010/11), as detailed in the table below:

<i>The following schemes were re-phased to 2012/13</i>	£000
Southwold Harbour-North Wall Replacement	(1,645)
Riverside Quay-heading works	(1,289)
Private Sector Housing works	(412)
Car Parks works	(320)
Gorleston to Lowestoft strategy study	(187)
Coast Protection	(114)
Lowestoft to Southwold Strategy	(100)
Southwold frontage	(75)
Sports Facilities, Halesworth	(60)
Waveney Norse vehicles and plant-savings/slippage to 2012/13	(20)
Other minor variations (net)	(17)
<b>Offset by:</b>	
Play Areas-funded from Grants & Contributions	379
Council Housing-brought forward from 2010/11	272
CCTV digitalisation-brought forward from 2010/11	190
<b>Variation between Original Budget and Outturn 2011/12</b>	<b>(3,398)</b>

## Explanatory Foreword by Director of Resources

The Capital Programme was financed as follows.

	Original Budget £000	Revised Budget £000	Out- turn £000
Unsupported Borrowing	4,772	3,158	397
Capital Receipts	0	186	423
Government Grants and Third Party Contributions	1,812	1,916	1,004
Major Repairs Reserve	4,166	4,634	4,634
Revenue / Revenue Reserves	0	1,016	894
	<u>10,750</u>	<u>10,910</u>	<u>7,352</u>

The most significant items of capital expenditure in the 2011/12 financial year related to Play Areas/Fountain works (£424k), Work to Corporate Buildings (£357k), the Waveney Norse vehicle replacement programme (£292k) and Southwold Harbour-North Wall replacement (£255k).

There were no significant asset disposals in the year.

The statutory limit on the Council's borrowing for capital purposes at 31 March 2012 was £122.0m (£34.0m 2010/11). The Council undertook new external borrowing of £68.286m for HRA self-financing (see paragraph 5 above) during 2011/12, and repaying debt of £10m. The total of external borrowing outstanding as at 31 March 2012 was £89.297m (£21.011m 31 March 2011). £5m is due for repayment in 2012/13, and therefore is 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:

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Capital Expenditure	9,052	11,087	5,958	5,792
<i>Financed by</i>				
Revenue/Revenue Reserves	5,816	4,163	3,950	3,822
Capital Receipts	0	0	0	0
External Grants and Contributions	1,030	890	700	700
Unsupported borrowing	2,206	6,034	1,308	1,270
	<u>9,052</u>	<u>11,087</u>	<u>5,958</u>	<u>5,792</u>

The most significant items in the Council's future capital programme as approved in January 2012, are the inclusion of *ongoing replacement of vehicles and plant* (£1.171m in 2012/13) and around £500k per annum in the following 3 years), Battery Green Car Park works (£400k in 2012/13), *Riverside Quay Heading Works* (£600k in 2012/13 and Accommodation Review (£5m in 2013/14), together with *housing schemes* totalling over £4.4m in 2012/13 and £3.7m in 2013/14.

### 8. Pensions

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

IAS19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown in the Movement in Reserves Statement and are disclosed in Note 7 (statutory adjustments) and Note 40 (Pensions).



## Explanatory Foreword by Director of Resources

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 £29.639m in 2011/12 (2010/11 £20.429m), 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.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31 March 2010. A revised 16% common rate of employer's contribution commenced on 1 April 2011, taking into account the net pension liability disclosed above.

### 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 Medium Term Financial Strategy (MTFS) during 2012/13. However, an additional contribution of £283k has been made to the Housing Benefits Subsidy Reserve to even out future year's audited subsidy claims. The Efficiencies Reserve set up in 2010/11 has now been renamed Transformation and Efficiencies Reserve with a further transfer of £300k from the 2011/12 surplus. 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 2012 £000	31 March 2011 £000
<b>Usable Reserves</b>		
<i>Held for revenue purposes</i>		
General Fund	3,265	3,020
Earmarked Reserves	3,730	1,607
Housing Revenue Account (HRA)	4,821	4,003
<i>Held for capital purposes</i>		
Capital Grants unapplied	315	119
Major Repairs Reserve (HRA)	0	1,629
<b>Total-Usable Reserves</b>	<b>12,131</b>	<b>10,378</b>
<b>Unusable Reserves</b>	<b>113,677</b>	<b>188,374</b>
	<b>125,808</b>	<b>198,752</b>

### 10. Single Status Job Evaluation

A further review of the Provision for Single Status Back Pay was carried out as part of the 2012 Budget setting process by the Human Resources and Workforce Development Manager, in consultation with trade unions. At 31 March 2011 a sum of £1,490,500 had been set aside for revised salaries and pay protection.

Waveney District Council has changed significantly since the original job evaluation was undertaken; a large number of staff have either left the organisation or been transferred to partner organisations. It has therefore been agreed with the unions that effectively Single Status is being undertaken as part of the team restructures (as part of the shared services programme), whereby all job descriptions will be revised and re-evaluated.

Given the above position the Council agreed at its February 2012 meeting that the Provision for Single Status Back Pay should be derecognised within the Accounts, and the remaining balance revert back to the General Fund (£1,292,800) and HRA (£197,700). (See Note 22 to the Core Financial Statements). It was also agreed by Council at the same meeting that the General Fund proportion of the derecognised Provision should be transferred to the Short Life Assets Reserve.

# Explanatory Foreword by Director of Resources

## 11. 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. In order to fully enable joint working partnership arrangements a Joint Partnership Board (JPB) has been established to enable a shared services programme to be jointly developed, evaluated and implemented. The inaugural meeting of the Board took place in February 2010.

With effect from 1 October 2010 the shared joint management structure was implemented with new Directors and Heads of Service appointed to run services for both councils. Further 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 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 Sentinel. 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 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 lease 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.

One of the considerations, when assessing the best way of delivering a service or a project, is the possible benefits of entering into a partnership in order to achieve this optimum solution. The Council had a number of strategic service delivery partnerships, either through third parties, or joint arrangements with local authorities, in operation during the 2011/12 financial year. These are listed in the table that follows:

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

# Explanatory Foreword by Director of Resources

<u>Joint Arrangements:</u>	
Suffolk Coastal and Waveney District Council.	Senior Management (Chief Executive, 3 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 Council.	Legal Services.
Suffolk Coastal and Waveney District Council, and Ipswich Borough Council Audit Partnership.	Internal Audit service.

## 12. Overall Financial Position

When members approved the General Fund budget for 2011/12 in February 2011, 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 2011 updated this position to take into account the General Fund Balance brought forward at 31 March 2011 of £3.02m and agreed to maintain the Balance at a level of around 3% of budgeted gross expenditure, which would lead to a Balance of between £2.5 m and £3m.

In addition the Council agreed at the meeting in February 2012 to derecognise the Provision for Single Status Back Pay and transfer the balance of £1,491k back to the General Fund (£1,293k) and HRA (£198k). Further information is set out at Paragraph 10 above and in Note 22 to the Core Financial Statements.

As referred to in Paragraph 11 above the Council formally agreed a partnership with Suffolk Coastal District Council with implementation of the new Senior Management Team from 1 October 2010. Heads of Service have continued to review their areas of service with a view to integrating teams within the two councils going forward into 2012/13.

The General Fund outturn for 2011/12 was underspent by £245k, after additional reserve transfers totalling £583k (see paragraph 9 above) which means that the overall General Fund balance at 31 March 2012 is £3.265m (31 March 2011 £3.02m). A number of approved commitments (£107k) are identified to be spent from the General Fund Balance in 2012/13.

A further, more detailed analysis of the variance between the Original Estimate for 2011/12 and the outturn is set out in Paragraph 4 above.

The Housing Revenue Account balance at 31 March 2012 increased to £4.821m (31 March 2011 £4.003m), (Paragraph 5 above).

As part of the Revised Budget process in February 2012, Council agreed to set aside £100k from the Efficiencies Reserve in 2011/12 to fund the development of new computer software for the Revenues and Benefits Service with the same amount to be paid back to the Reserve from the revenue budget, in order to maintain the level of the Reserve.

The Council undertook new borrowing of £68.286m during the year in respect of the payment to the Department of Communities and Local Government (DCLG) as part of the new self-financing of the HRA commencing on 1 April 2012 (see Paragraph 5 above for further details). Repayments of £10m of Public Works Loans Board (PWLB) debt were made during 2011/12, leaving the Council's outstanding long term borrowing at £89.297m. For presentation purposes, as £5m of this outstanding debt figure is due to be repaid to the Public Works Loans Board in less than one year (September 2012), it is shown in Short Term Borrowings within the Balance Sheet, and the balance shown in Longer Term Borrowings. See Note 51 to the Core Financial Statements for further information.

# **Explanatory Foreword by Director of Resources**

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

Nationally the economy has been severely affected by the worldwide credit crunch. The Bank of England's base 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 2011/12. Reduced income returns from investments, the reduction in growth in the economy and the slump in the housing market has had an impact on this Council's services. Service delivery pressures have increased on Housing Benefits from additional claimants; extra Homelessness applications; and pressure on collecting Council Tax, Non Domestic Rate and Rents, with difficulties in recovery of outstanding debts.

Although the Council had higher cash deposits available to invest, returns on investment interest income have continued to be at very low levels due to the earlier reductions in interest rates, together with the investment market impact on rates, and more risk adverse investment decisions following the failure of the Icelandic Banks and the rescue of other banks during 2008/09.

Note 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 2012, increased to £29.639m compared to £20.429m a year earlier. This increase in the Council's share of the deficit of just over £9m relates mainly to the liabilities side of the Fund Balance Sheet, as the Assets (equities, bonds, property and cash) are virtually unchanged from last year (£127k lower). However Liabilities for fund members (employees, deferred pensioners and pensioners) have increased by around £9.1m. This is principally because financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011. The Fund actuaries have updated their approach for setting the discount rate for the March 2012 IAS19 exercises. This update to the approach results in a higher discount rate than would have been the case if the same approach had been used as last year. All else being equal, a lower real discount rate leads to a higher value being placed on the liabilities. Therefore the change in the real discount rate (from 5.5% to 4.8%) will have a substantial negative impact on the IAS19 Balance Sheet, increasing the value of the liabilities by around 6% to 10% typically.

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. (See Note 38 to the Core Financial Statements for further details).

## **14. 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).

## **15. 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 to: [andrew.cook@waveney.gov.uk](mailto:andrew.cook@waveney.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 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 - 26 September 2012

### 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* ("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 2012 and its income and expenditure for the year ending on that date.

Alan McFarlane, Director of Resources - 26 September 2012

## 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 Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2010</b>	<b>(2,000)</b>	<b>(789)</b>	<b>(4,013)</b>	<b>(2,053)</b>	-	<b>(309)</b>	<b>(9,164)</b>	<b>(201,861)</b>	<b>(211,025)</b>
<b><u>Movement in reserves during 2010/11</u></b>									
(Surplus) or deficit on provision of services	(6,317)	-	45,408	-	-	-	39,091	-	39,091
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(26,632)	(26,632)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,317)</b>	<b>-</b>	<b>45,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,091</b>	<b>(26,632)</b>	<b>12,459</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	4,479	-	(45,398)	424	-	190	(40,305)	40,305	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,838)</b>	<b>-</b>	<b>10</b>	<b>424</b>	<b>-</b>	<b>190</b>	<b>(1,214)</b>	<b>13,673</b>	<b>12,459</b>
Transfer to/from Earmarked Reserves (note 8)	818	(818)	-	-	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	<b>(1,020)</b>	<b>(818)</b>	<b>10</b>	<b>424</b>	<b>-</b>	<b>190</b>	<b>(1,214)</b>	<b>13,673</b>	<b>12,459</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(3,020)</b>	<b>(1,607)</b>	<b>(4,003)</b>	<b>(1,629)</b>	<b>-</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	(1,483)	-	76,518	-	-	-	75,035	-	75,035
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(2,277)	(2,277)
<b>Total Comprehensive Expenditure and Income</b>	<b>(1,483)</b>	<b>-</b>	<b>76,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,035</b>	<b>(2,277)</b>	<b>72,758</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(885)	-	(77,336)	1,629	-	(196)	(76,788)	76,788	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,368)</b>	<b>-</b>	<b>(818)</b>	<b>1,629</b>	<b>-</b>	<b>(196)</b>	<b>(1,753)</b>	<b>74,511</b>	<b>72,758</b>
Transfer to/from Earmarked Reserves (note 8)	2,123	(2,123)	-	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>(245)</b>	<b>(2,123)</b>	<b>(818)</b>	<b>1,629</b>	<b>-</b>	<b>(196)</b>	<b>(1,753)</b>	<b>74,511</b>	<b>72,758</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(3,265)</b>	<b>(3,730)</b>	<b>(4,821)</b>	<b>-</b>	<b>-</b>	<b>(315)</b>	<b>(12,131)</b>	<b>(113,677)</b>	<b>(125,808)</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.

	Gross Expenditure £'000	2011/12 Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	2010/11 Gross Income £'000	Net Expenditure £'000
Central Services to the Public	13,168	(10,931)	2,237	13,228	(10,896)	2,332
Cultural and Related Services (see note 45)	5,337	(2,016)	3,321	11,410	(3,426)	7,984
Environmental and Regulatory Services (see note 45)	8,566	(2,550)	6,016	9,132	(2,578)	6,554
Planning Services (see note 45)	2,488	(1,533)	955	3,951	(1,369)	2,582
Highways and Transport Services	1,657	(2,086)	(429)	3,361	(2,956)	405
Housing Revenue Account	23,807	(16,697)	7,110	18,248	(15,550)	2,698
Other Housing Services	40,195	(40,505)	(310)	38,208	(38,317)	(109)
Social Services	132	(7)	125	280	(5)	275
Corporate and Democratic Core	2,015	(158)	1,857	2,578	(332)	2,246
Non-Distributed Costs	8	-	8	169	-	169
Exceptional Items (see note 5)	68,286	-	68,286	30,474	-	30,474
<b>Cost of Services</b>	<b>165,659</b>	<b>(76,483)</b>	<b>89,176</b>	<b>131,039</b>	<b>(75,429)</b>	<b>55,610</b>
Other Operating Expenditure (note 9)			1,391			699
Financing and Investment Income and Expenditure (note 10)			957			2,243
Taxation and Non-Specific Grant Income (note 11)			(16,489)			(19,461)
<b>(Surplus) or Deficit on Provision of Services (note 29)</b>			<b>75,035</b>			<b>39,091</b>
Surplus or deficit on revaluation of non-current assets			(12,763)			(3,736)
Impairment losses charged to Revaluation Reserve			-			-
Actuarial gains/losses on pension assets/liabilities (note 40)			10,486			(22,896)
<b>Other Comprehensive Income and Expenditure</b>			<b>(2,277)</b>			<b>(26,632)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>72,758</b>			<b>12,459</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 2012 £'000	31st March 2011 £'000
Property, Plant and Equipment	12	239,188	236,936
Heritage Assets	13	495	276
Intangible Assets	15	373	641
Long Term Investments	16 + 47	10	10
Long Term Debtors	16 + 48	540	622
<b>Long Term Assets</b>		<b>240,606</b>	<b>238,485</b>
Short Term Investments	16 + 20	-	14,102
Current Assets held for sale	19	784	736
Inventories	17	124	129
Short Term Debtors	18	6,922	6,153
Cash and Cash Equivalents	20	10,757	3,066
<b>Current Assets</b>		<b>18,587</b>	<b>24,186</b>
Cash and Cash Equivalents - Bank Overdraft	20	(10)	(1,296)
Short Term Borrowing	16	(5,000)	(10,009)
Short Term Creditors	21	(10,945)	(6,075)
Short Term Capital Grants Receipts in Advance	23	(1,310)	(1,854)
<b>Current Liabilities</b>		<b>(17,265)</b>	<b>(19,234)</b>
Long Term Creditors	16 + 49	(694)	(694)
Long Term Provisions	22	-	(1,491)
Long Term Borrowing	16	(84,297)	(21,011)
Long Term Capital Grants Receipts in Advance	23	(1,490)	(1,246)
Other Long Term Liabilities - Pension Liability	40	(29,639)	(20,429)
<b>Long Term Liabilities</b>		<b>(116,120)</b>	<b>(44,871)</b>
<b>Net Assets</b>		<b>125,808</b>	<b>198,566</b>
Usable reserves	24	(12,131)	(10,378)
Unusable reserves	25	(113,677)	(188,188)
<b>Total Reserves</b>		<b>(125,808)</b>	<b>(198,566)</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.

	2011/12 £'000	2010/11 £'000
Net (surplus) or deficit on the provision of services	75,035	39,091
Adjust net surplus or deficit on the provision of services for non cash movements (note 26)	(17,845)	(49,575)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,198	754
Net cash flows from Operating Activities	<b>59,388</b>	<b>(9,730)</b>
Investing Activities (note 27)	(9,531)	9,807
Financing Activities (note 28)	(58,834)	(1,563)
Net increase or decrease in cash and cash equivalents	<b>(8,977)</b>	<b>(1,486)</b>
Cash and cash equivalents at the beginning of the reporting period	(1,770)	(284)
<b>Cash and cash equivalents at the end of the reporting period (note 20)</b>	<b>(10,747)</b>	<b>(1,770)</b>

## STATEMENT OF ACCOUNTING POLICIES

### 1 Accounting Policies

#### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. 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 2011/12 and the Service Reporting Code of Practice 2011/12, 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 fixed 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.

#### 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.

## STATEMENT OF ACCOUNTING POLICIES

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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

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.

### 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.

## STATEMENT OF ACCOUNTING POLICIES

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

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.



## STATEMENT OF ACCOUNTING POLICIES

### 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.

#### *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.

## STATEMENT OF ACCOUNTING POLICIES

### *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.

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.

## STATEMENT OF ACCOUNTING POLICIES

Following a review of the Group Accounting requirements of the 2011/12 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 2011/12 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 30 January, with adjustments for items between that date and 31 March 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.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

#### 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 provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a Minimum Revenue Provision (MRP) charge 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 asset. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example where there is a rent-free period at the commencement of the lease).

## STATEMENT OF ACCOUNTING POLICIES

### 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.

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.

## STATEMENT OF ACCOUNTING POLICIES

### 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 2011/12* (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 the Cost of 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.

#### 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:

## STATEMENT OF ACCOUNTING POLICIES

- 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.

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.

## STATEMENT OF ACCOUNTING POLICIES

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

- Council Dwellings - Based on Major Repairs Allowance (equivalent useful life 50 years)
- 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 5 years for HRA Garages, 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.



## STATEMENT OF ACCOUNTING POLICIES

### 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.

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.

## STATEMENT OF ACCOUNTING POLICIES

### 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.

#### 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.

## STATEMENT OF ACCOUNTING POLICIES

### **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 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 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.

### **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.

## STATEMENT OF ACCOUNTING POLICIES

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

Local Authorities are 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 amendments to IFRS 7 *Financial Instruments: Disclosures (Transfers of Financial Assets)*. The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to the transfer of financial assets, and the effect of those risks on the Council's financial position. The changes will come into effect from 1 April 2012.

The transfers described by the Accounting Standard are not ones that occur frequently in Local Authorities, and is not expected to have a material impact on the financial statements of this Council.

### 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.
- Waveney Norse Limited continues to be recognised as an Associate in the Council's financial statements and Group Accounts have been prepared as in 2010/11. 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.
- The Council had previously made provision of £1.491m for the potential settlement of claims for back pay arising from the Equal Pay initiative. Following additional information as to the national position, and as a result of the Council addressing a number of equal pay issues through its ongoing restructuring and as part of Shared Services, it has been judged that the provision is no longer required and has been reversed in the 2011/12 accounts.

## 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 2012 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	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, they are complex and inter-related. Any change in estimates can have a material impact on the Council's Accounts. 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.
Arrears	At 31 March 2012, the Council had a Sundry Debtors balance of £1.586 million. A review of significant balances suggested that an allowance for doubtful debts of 14.3% (£227k) was appropriate. However, in the current economic climate it is not always certain that any such allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of doubtful debts would require an additional £72k to be set aside as an allowance. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.
Benefits	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. 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.	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.

## 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>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Housing Revenue Account - Impairment due to reduction in Social Housing Discount Factor	-	31,704
Housing Revenue Account - Material impairment due to change in valuation of Council Dwellings	-	10,279
Non-Distributed Costs - Change to Pension Obligation due to change in Inflation assumptions from RPI to CPI	-	(11,509)
Housing Revenue Account - Self-Financing Settlement payment to Central Government	<b>68,286</b>	-
<b>Total</b>	<b>68,286</b>	<b>30,474</b>

### 6 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Director of Resources on 26 September 2012. 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 2012, 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 2011/12 Accounts.

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

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



## 7 MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

### **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 controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied Account**

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

## 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.

	Usable Reserves				Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000				
<b>2010/11</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	(4,238)	(4,152)	(3,381)			<b>(11,771)</b>	11,771	-
Revaluation losses on Property, Plant and Equipment	(4,211)	(41,999)				<b>(46,210)</b>	46,210	-
Amortisation of intangible assets	(352)					<b>(352)</b>	352	-
Finance Lease capital payments	(32)					<b>(32)</b>	32	-
Capital grants and contributions that have been applied to capital financing					2,080	<b>2,080</b>	(2,080)	-
Revenue expenditure funded from capital under statute	(7)	(8)				<b>(15)</b>	15	-
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	(192)	(406)				<b>(598)</b>	598	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Statutory provision for the financing of capital investment	923	204				<b>1,127</b>	(1,127)	-
Capital expenditure charged against the General Fund and HRA balances	150	828				<b>978</b>	(978)	-
<b>Adjustment involving the Capital Grants Unapplied Account</b>								
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,307				(1,890)	<b>(583)</b>	583	-

## 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.

	Usable Reserves					Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000			
<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	191	566		(762)		(5)	5	-
Use of the Capital Receipts Reserve to finance new capital expenditure				348		348	(348)	-
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(2)	(2)		4		-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(412)			412		-	-	-
Transfer from Deferred Capital Receipts Reserve on receipt of cash				(2)		(2)	2	-
<b>Adjustments involving the Major Repairs Reserve</b>								
Reversal of Major Repairs Allowance credited to the HRA		(417)	417			-	-	-
Use of the Major Repairs Reserve to fund new capital expenditure			3,388			3,388	(3,388)	-
<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> )	8,549	(586)				7,963	(7,963)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	2,757	574				3,331	(3,331)	-

## 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.

	Usable Reserves					Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000			
<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	19					19	(19)	-
<b>Total Adjustments</b>	<b>4,479</b>	<b>(45,398)</b>	<b>424</b>	<b>-</b>	<b>190</b>	<b>(40,305)</b>	<b>40,305</b>	<b>-</b>

## 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.

	Usable Reserves				Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000				
<b>2011/12</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)	(4,887)	(3,428)			<b>(11,055)</b>	11,055	-
Revaluation losses on Property, Plant and Equipment	(896)	(3,943)				<b>(4,839)</b>	4,839	-
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)	-
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	-

## 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.

	Usable Reserves					Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000			
<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)	-

## 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.

	Usable Reserves					Total Usable Reserves £'000	Movement in Unusable Reserves £'000	Total £'000
	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000			
<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>(885)</b>	<b>(77,336)</b>	<b>1,629</b>	<b>-</b>	<b>(196)</b>	<b>(76,788)</b>	<b>76,788</b>	<b>-</b>

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11 and 2011/12.

	Balance 1 April 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance 31 March 2011 £'000	Transfers Out 2011/12 £'000	Transfers in 2011/12 £'000	Balance 31 March 2012 £'000	Purpose of the Earmarked Reserve
<b>General Fund:</b>								
Lowestoft Charter Trustees	17	(5)	2	14	-	1	15	To cover the Trustees role including mayoral and civic expenses.
Conservation, Planning & Building Control	259	(109)	56	206	(40)	59	225	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling three year period, and a fund set up to carry out improvement and maintenance work on Lowestoft Scores.
District Elections	50	(50)	-	-	-	-	-	- To support costs of future elections.
Private Sector Housing Stock Survey	50	(39)	-	11	(11)	-	-	- For future survey obligation.
Backlog Repairs and Maintenance	48	-	-	48	-	97	145	To meet maintenance demands for corporate buildings.
Concessionary fares Reserve	215	(215)	-	-	-	-	-	- Set aside for any potential liability with a local bus company in respect of the 2009/10 travel scheme. No longer required.
Leisure Outsourcing Reserve	150	(77)	3	76	(74)	-	2	Set aside towards potential legal costs and other services required to achieve any outsourcing of leisure services.
Actuarial Adjustments Reserve	-	-	500	500	(11)	-	489	To support any pressure on finances for redundancies / capital contributions to the Pension Fund as a result of the Council's progress with Shared Services agenda.
Housing Benefits Subsidy Reserve	-	-	217	217	-	283	500	To even out future years' pressure from the final audit of Housing Benefit Subsidy claims.
Efficiencies Reserve	-	-	200	200	-	320	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	4	-	116	120	To match revenue grants received in advance with its related expenditure in subsequent years.
Short Life Assets Reserve	-	(150)	372	222	-	1,126	1,348	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	To support the General Fund from the impact of any future changes to recycling credits.
New Homes Bonus Reserve	-	-	-	-	-	201	201	To support economic development and business growth initiatives.
<b>Total</b>	<b>789</b>	<b>(645)</b>	<b>1,463</b>	<b>1,607</b>	<b>(136)</b>	<b>2,259</b>	<b>3,730</b>	



## NOTES TO CORE FINANCIAL STATEMENTS

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

	2011/12 £'000	2010/11 £'000
Parish council precepts	513	445
Levies	-	(3)
Payments to the Government Housing Capital Receipts Pool	574	412
Gains/losses on the disposal of non current assets (see note 12)	304	(155)
<b>Total</b>	<b><u>1,391</u></b>	<b><u>699</u></b>

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

	2011/12 £'000	2010/11 £'000
Interest payable and similar charges	1,019	1,111
Pensions interest cost and expected return on pensions assets	129	1,385
Interest receivable and similar income (note 46)	(191)	(253)
<b>Total</b>	<b><u>957</u></b>	<b><u>2,243</u></b>

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

	2011/12 £'000	2010/11 £'000
Council tax income	(6,442)	(6,357)
Non domestic rates	(6,950)	(10,216)
Non-ringfenced government grants	(2,296)	(1,581)
Capital grant and contributions	(801)	(1,307)
<b>Total</b>	<b><u>(16,489)</u></b>	<b><u>(19,461)</u></b>

**NOTES TO CORE FINANCIAL STATEMENTS**

**12 Property, Plant and Equipment**

<b>Movements on Balances</b>									
<b>Movements in 2011/12:</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Land awaiting Development £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>									
At 1 April 2011	185,749	39,103	9,884	23,005	2,779	2,657	686	1,277	265,140
Additions	4,887	537	1,124	349	42	-	11	-	6,950
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	9,419	-	-	-	-	-	-	9,419
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,933)	(2,830)	(18)	-	-	22	(54)	(677)	(7,490)
Derecognition - Disposals	(516)	(160)	(457)	-	(47)	(32)	-	-	(1,212)
Derecognition - Other	(524)	-	-	-	-	-	-	-	(524)
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>185,663</b>	<b>46,064</b>	<b>10,543</b>	<b>23,350</b>	<b>2,774</b>	<b>2,663</b>	<b>643</b>	<b>600</b>	<b>272,300</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2011	9,112	5,452	4,749	8,885	-	6	-	-	28,204
Depreciation charge	3,005	976	1,007	745	-	80	-	-	5,813
Depreciation written out to the Revaluation Reserve	-	(2,008)	-	-	-	-	-	-	(2,008)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,005)	-	-	-	-	-	-	-	(3,005)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	(329)	(6)	-	-	-	-	-	(335)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	4,887	-	-	-	-	-	-	-	4,887
Derecognition - Disposals	-	(1)	(442)	-	-	-	-	-	(443)
Derecognition - Other	-	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	(17)	3	10	3	-	-	-	(1)
<b>At 31 March 2012</b>	<b>13,999</b>	<b>4,073</b>	<b>5,311</b>	<b>9,640</b>	<b>3</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>33,112</b>
<b>Net Book Value</b>									
<b>At 31 March 2012</b>	<b>171,664</b>	<b>41,991</b>	<b>5,232</b>	<b>13,710</b>	<b>2,771</b>	<b>2,577</b>	<b>643</b>	<b>600</b>	<b>239,188</b>
<b>At 31 March 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>

**NOTES TO CORE FINANCIAL STATEMENTS**

<b>Comparative Movements in 2010/11:</b>	<b>Council Dwellings £'000</b>	<b>Other Land and Buildings £'000</b>	<b>Vehicles, Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Surplus Assets £'000</b>	<b>Assets Under Construction £'000</b>	<b>Land awaiting Development £'000</b>	<b>Total Property, Plant and Equipment £'000</b>
<b>Cost or Valuation</b>									
At 1 April 2010	226,057	40,670	8,987	22,779	2,484	2,657	668	1,277	305,579
Additions	4,152	1,694	897	226	20	-	18	-	7,007
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,981)	1,908	-	-	-	-	-	-	(73)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(41,984)	(5,029)	-	-	-	-	-	-	(47,013)
Derecognition - Disposals	(406)	(140)	-	-	(1)	-	-	-	(547)
Derecognition - Other	(89)	-	-	-	-	-	-	-	(89)
Other movements in Cost or Valuation	-	-	-	-	276	-	-	-	276
<b>At 31 March 2011</b>	<b>185,749</b>	<b>39,103</b>	<b>9,884</b>	<b>23,005</b>	<b>2,779</b>	<b>2,657</b>	<b>686</b>	<b>1,277</b>	<b>265,140</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	4,960	3,992	3,771	8,145	-	6	-	-	20,874
Depreciation charge	2,964	1,073	952	740	-	-	-	-	5,729
Depreciation written out to the Revaluation Reserve	-	(629)	-	-	-	-	-	-	(629)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(2,964)	(836)	-	-	-	-	-	-	(3,800)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	4,152	1,852	26	-	-	-	-	-	6,030
Derecognition - Disposals	-	-	-	-	-	-	-	-	-
<b>At 31 March 2011</b>	<b>9,112</b>	<b>5,452</b>	<b>4,749</b>	<b>8,885</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>28,204</b>
<b>Net Book Value</b>									
<b>At 31 March 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>
<b>At 1 April 2010</b>	<b>221,097</b>	<b>36,678</b>	<b>5,216</b>	<b>14,634</b>	<b>2,484</b>	<b>2,651</b>	<b>668</b>	<b>1,277</b>	<b>284,705</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### Depreciation

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

	<b>Estimated Life (Years)</b>
Council Dwellings	Based on Major Repairs Allowance (approx 50 years)
Other Land and Buildings	30 to 60
HRA Garages	5
Vehicles, Plant and Equipment	5 to 20
Infrastructure Assets	40 to 60
Other depreciating assets	40 to 60

### Capital Commitments

At 31 March 2012 the Council had a contractual commitment on the Southwold Harbour Wall capital scheme of £2m.

### Effects of Changes in Estimates

There were no material changes to accounting estimates for Property, Plant and Equipment.

## NOTES TO CORE FINANCIAL STATEMENTS

### 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.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Land awaiting Development £'000	Total £'000
Carried at historical cost			10,543	23,350	2,774				36,667
Value at fair value as at:									
31 March 2012	186,187	24,254				2,663	11	600	213,715
31 March 2011		16,823					18		16,841
31 March 2010		4,987					-		4,987
31 March 2009							614		614
31 March 2008									-
<b>Total Cost or Valuation</b>	<b>186,187</b>	<b>46,064</b>	<b>10,543</b>	<b>23,350</b>	<b>2,774</b>	<b>2,663</b>	<b>643</b>	<b>600</b>	<b>272,824</b>

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

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

## NOTES TO CORE FINANCIAL STATEMENTS

### 13 Heritage Assets

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

Tangible Heritage Assets (all reported at Valuation)	Civic Regalia Portraits & Medals £'000	Paintings, Prints & Photographs £'000	Lowestoft Porcelain £'000	Total Assets £'000
1 April 2010	225	51	-	<b>276</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses/(reversals) recognised in Surplus / Deficit on Provision of Services	-	-	-	-
Depreciation	-	-	-	-
<b>31 March 2011</b>	<b>225</b>	<b>51</b>	<b>-</b>	<b>276</b>
Additions	-	-	189	<b>189</b>
Disposals	-	-	-	-
Revaluations	30	-	-	<b>30</b>
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-
Impairment losses/(reversals) recognised in Surplus / Deficit on Provision of Services	-	-	-	-
Depreciation	-	-	-	-
<b>31 March 2012</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 2011/12 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 2011/12 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 2011/12 and will be revalued in accordance with the Council Policy.

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

#### *Transactions in 2011/12*

The Council was in possession of all of its Heritage Assets prior to 1 April 2007 with material items identified on the balance sheet of the 2010/11 accounts. Further work on the Lowestoft Porcelain collection was completed during 2011/12 which identified £189k of Council owned Porcelain which has been recognised within the 2011/12 accounts. There has been no additions to the Heritage Assets during this period.



## NOTES TO CORE FINANCIAL STATEMENTS

### 14 Investment Properties

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

### 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, Financial Information System, Website Infrastructure

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £268k charged to revenue in 2011/12 was charged to the IT Support cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

## NOTES TO CORE FINANCIAL STATEMENTS

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

	2011/12			2010/11		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
• Gross carrying amount	-	1,718	1,718	-	1,641	1,641
• Accumulated amortisation	-	(1,077)	(1,077)	-	(725)	(725)
Net carrying amount at start of year	-	641	641	-	916	916
Additions:						
• Purchases	-	-	-	-	77	77
Amortisation for the period	-	(268)	(268)	-	(352)	(352)
Net carrying amount at end of year	-	373	373	-	641	641
Comprising						
• Gross carrying amount	-	1,718	1,718	-	1,718	1,718
• Accumulated amortisation	-	(1,345)	(1,345)	-	(1,077)	(1,077)
	-	373	373	-	641	641
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:

	Carrying Amount		Remaining Amortisation Period
	31 March 2012 £'000	31 March 2011 £'000	
LAMP Project Software	119	282	1 to 3 Years
Integrated Housing ITC System	119	143	1 to 6 Years
IT Operating System	38	94	1 to 7 Years

There are no contractual commitments for the acquisition of intangible assets as at 31st March 2012.

## 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 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
<b>Investments</b>				
Loans and receivables	10	10	10,755	17,163
<b>Total investments</b>	<u>10</u>	<u>10</u>	<u>10,755</u>	<u>17,163</u>
<b>Debtors</b>				
Loans and receivables	198	268	4,683	4,283
<b>Total debtors</b>	<u>198</u>	<u>268</u>	<u>4,683</u>	<u>4,283</u>
<b>Borrowings</b>				
Financial liabilities at amortised cost	(84,297)	(21,011)	(5,000)	(10,009)
<b>Total borrowings</b>	<u>(84,297)</u>	<u>(21,011)</u>	<u>(5,000)</u>	<u>(10,009)</u>
		(see <a href="#">Note 51</a> for further information).		
<b>Creditors</b>				
Financial liabilities at amortised cost	(698)	(698)	(8,375)	(5,802)
<b>Total creditors</b>	<u>(698)</u>	<u>(698)</u>	<u>(8,375)</u>	<u>(5,802)</u>
<b>Total Financial Instruments</b>	<u>(84,787)</u>	<u>(21,431)</u>	<u>2,063</u>	<u>5,635</u>

## NOTES TO CORE FINANCIAL STATEMENTS

### Income, Expense, Gains and Losses

	2011/12					2010/11				
	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	1,019	-	-	-	1,019	1,111	-	-	-	1,111
Impairment losses	-	140	-	-	140	-	37	-	-	37
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>1,019</b>	<b>140</b>	<b>-</b>	<b>-</b>	<b>1,159</b>	<b>1,111</b>	<b>37</b>	<b>-</b>	<b>-</b>	<b>1,148</b>
Interest income	-	(191)	-	-	(191)	-	(253)	-	-	(253)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(191)</b>	<b>-</b>	<b>-</b>	<b>(191)</b>	<b>-</b>	<b>(253)</b>	<b>-</b>	<b>-</b>	<b>(253)</b>
<b>Net (gain) / loss for the year</b>	<b>1,019</b>	<b>(51)</b>	<b>-</b>	<b>-</b>	<b>968</b>	<b>1,111</b>	<b>(216)</b>	<b>-</b>	<b>-</b>	<b>895</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)

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities at amortised cost - PWLB Loans	(89,297)	(94,499)	(31,020)	(33,097)

**NOTES TO CORE FINANCIAL STATEMENTS**

**17 Inventories**

	<b>Trading Stocks</b>		<b>Other Minor Stocks</b>		<b>Works in Progress</b>		<b>Total</b>	
	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance outstanding at start of year</b>	81	69	44	75	4	19	<b>129</b>	<b>163</b>
Purchases	782	-	-	-	-	-	<b>782</b>	-
Recognised as an expense in the year	(768)	12	(15)	(31)	-	(15)	<b>(783)</b>	<b>(34)</b>
Written off balances	-	-	-	-	(4)	-	<b>(4)</b>	-
<b>Balance outstanding at year-end</b>	<b>95</b>	<b>81</b>	<b>29</b>	<b>44</b>	<b>-</b>	<b>4</b>	<b>124</b>	<b>129</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 18 Debtors

	31 March 2012 £'000	31 March 2011 £'000
Central Government bodies	1,261	789
Other Local Authorities	920	1,238
Council Taxpayers	436	415
Other entities and individuals	5,828	5,303
Prepayments	257	176
Unsecured Loans (falling due after one year)	7	6
<b>Total</b>	<b>8,709</b>	<b>7,927</b>
<b>less Bad Debt Impairment Provisions</b>		
Council Taxpayers	(186)	(165)
Other service debtors	(1,601)	(1,609)
<b>Total</b>	<b>6,922</b>	<b>6,153</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 19 Assets Held for Sale

	Current Assets		Non Current Assets	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
<b>Balance outstanding at start of year</b>	<b>736</b>	<b>788</b>	-	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Revaluation gains	95	-	-	-
Impairment losses	(40)	(12)	-	-
Assets declassified as held for sale:				
Property, Plant and Equipment	-	-	-	-
Assets sold	(7)	(52)	-	-
Transfers from non current to current	-	-	-	-
Other costs	-	12	-	-
<b>Balance outstanding at year-end</b>	<b>784</b>	<b>736</b>	-	-

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

	2011/12 £'000	2010/11 £'000
Cash held by officers	2	5
Short-term deposits with building societies	10,755	3,061
<b>Sub-Total - Cash and Cash Equivalents</b>	<b>10,757</b>	<b>3,066</b>
Bank Overdraft	(10)	(1,296)
<b>Total</b>	<b>10,747</b>	<b>1,770</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 21 Creditors

	31 March 2012 £'000	31 March 2011 £'000
Central Government bodies	7,418	948
Other Local Authorities	560	504
Other entities and individuals	2,089	3,530
Receipts in Advance	878	1,093
<b>Total</b>	<b>10,945</b>	<b>6,075</b>

### 22 Provisions

	Outstanding Legal Cases £'000	Single Status Backpay £'000	Other Provisions £'000	Total £'000
<u>Long Term Provisions</u>				
<b>Balance at 1 April 2011</b>	-	1,491	-	1,491
Additional provisions made in 2011/12	-	-	-	-
Amounts used in 2011/12	-	-	-	-
Unused amounts reversed in 2011/12	-	(1,491)	-	(1,491)
<b>Balance at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Short Term Provisions</u>				
There are no Short-Term Provisions that affect the current accounting period.				

#### *Outstanding Legal Cases*

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



## NOTES TO CORE FINANCIAL STATEMENTS

### *Single Status Backpay*

A provision was set aside to meet backpay liabilities arising on implementation of Single Status - a national agreement to harmonise service conditions within Local Government. The Council reviewed the Single Status Back Pay Provision as part of the Budget process and it decided that, because of the reduction in the Council's workforce and the transfer of staff to partner organisations over the last few years the Provision was now no longer needed. The Council, when considering it's Revised Budget in February 2012, approved the de-recognition of the Provision of £1,490,500 and therefore the return of £1,292,800 to the General Fund and £197,700 to the HRA.

### 23 Grant Income

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

	2011/12 £'000	2010/11 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Non domestic rates - National Pool redistribution grant	(6,950)	(10,216)
Non-ringfenced government grants - Formula Grant	(2,148)	(1,483)
Non-ringfenced government grants - Area Based Grant	-	(98)
Non-ringfenced government grants - Council Tax Freeze Grant	(148)	-
Capital grant and contributions	(801)	(1,307)
<b>Total</b>	<b><u>(10,047)</u></b>	<b><u>(13,104)</u></b>
<b>Credited to Services</b>		
Council Tax Benefits Subsidy	(10,150)	(10,117)
Housing Benefits Subsidy	(37,817)	(35,999)
Benefits Administration Grant	(1,128)	(1,200)
HRA Negative Subsidy	4,895	4,101
New Homes Bonus Grant	(244)	-
Homelessness Grants	(116)	-
Concessionary Fares Grant	-	(580)
Disabled Facilities Grants	(384)	(553)
Pathfinder Grant	(187)	(201)
Other Grants	(67)	(298)
<b>Total</b>	<b><u>(45,198)</u></b>	<b><u>(44,847)</u></b>

## NOTES TO CORE FINANCIAL STATEMENTS

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 2012 £'000	31 March 2011 £'000
<b>Capital Grants Receipts in Advance (Short-Term)</b>		
s106 Contributions	263	533
Gunton Community Park - Suffolk County Council	-	11
DEFRA - Coastal Change Pathfinder Grant	1,047	1,310
<b>Total</b>	<b>1,310</b>	<b>1,854</b>
<b>Capital Grants Receipts in Advance (Long-Term)</b>		
s106 Contributions	1,490	1,246
<b>Total</b>	<b>1,490</b>	<b>1,246</b>
<b>Donated Assets Account</b>		
No Donated Assets are currently recognised in the Accounts	-	-
<b>Total</b>	<b>-</b>	<b>-</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 2012 £'000</b>	<b>31st March 2011 £'000</b>
<u>Held for Capital Purposes</u>		
Capital Receipts Reserve	-	-
Capital Grants Unapplied	(315)	(119)
Major Repairs Reserve	-	(1,629)
	(315)	(1,748)
<u>Held for Revenue Purposes</u>		
General Fund	(3,265)	(3,020)
Earmarked Reserves	(3,730)	(1,607)
Housing Revenue Account	(4,821)	(4,003)
	(11,816)	(8,630)
<b>Total Usable Reserves</b>	<b>(12,131)</b>	<b>(10,378)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 25 Balance Sheet - Unusable Reserves

	31st March 2012 £'000	31st March 2011 £'000
Revaluation Reserve	(18,226)	(8,884)
Capital Adjustment Account	(126,111)	(200,791)
Financial Instruments Adjustment Account	1,064	1,093
Deferred Capital Receipts Reserve	(3)	(4)
Pensions Reserve	29,639	20,429
Collection Fund Adjustment Account	(40)	(31)
<b>Total Unusable Reserves</b>	<b>(113,677)</b>	<b>(188,188)</b>

#### Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>(8,884)</b>	<b>(8,443)</b>
Upward revaluation of assets	(10,340)	(2,639)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	787	2,024
Accumulated gains on assets sold or scrapped	96	65
Amount written off to the Capital Adjustment Account	115	109
<b>Balance at 31 March</b>	<b>(18,226)</b>	<b>(8,884)</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>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(200,791)</b>	<b>(249,139)</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	11,771
• Revaluation losses on Property, Plant and Equipment	4,839	46,177
• Amortisation of intangible assets	268	352
• Revenue expenditure funded from capital under statute	68,688	598
• 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	534
Adjusting amounts written out of the Revaluation Reserve	(115)	(109)
Net written out amount of the cost of non current assets consumed in the year	(3,172)	(3,053)
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	(423)	(349)
• Use of the Major Repairs Reserve to finance new capital expenditure	(4,634)	(3,388)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(399)	(583)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(605)	(1,496)
• Statutory provision for the financing of capital investment charged against the General Fund Balance	(1,132)	(1,128)
• Capital expenditure charged against the General Fund balance	(894)	(978)
<b>Balance at 31 March</b>	<b><u>(126,111)</u></b>	<b><u>(200,791)</u></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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	1,093	1,121
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
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)	(28)
<b>Balance at 31 March</b>	1,064	1,093

### 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	(4)	(6)
Transfer to the Capital Receipts Reserve upon receipt of cash	1	2
<b>Balance at 31 March</b>	(3)	(4)

## 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>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>20,429</b>	<b>54,619</b>
Actuarial gains or losses on pensions assets and liabilities	10,486	(22,896)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,755	(7,963)
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,031)	(3,331)
<b>Balance at 31 March</b>	<b>29,639</b>	<b>20,429</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>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at 1 April</b>	<b>(31)</b>	<b>(13)</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)	(18)
<b>Balance at 31 March</b>	<b>(40)</b>	<b>(31)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

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

	2011/12 £'000	2010/11 £'000
The following non-cash items have been adjusted in the Cash Flow Statement:		
Depreciation and Amortisation	(11,323)	(6,082)
Impairment and Downward valuations	(4,839)	(52,252)
Change in Creditors	(4,260)	(1,132)
Change in Debtors	1,059	(3,259)
Change in Inventory	(5)	(34)
Pension Liability	1,276	11,294
Carrying value of Non-Current Assets disposed	(1,204)	(599)
Other non-cash items charged to Surplus / Deficit on Provision of Services	1,451	2,489
	<u>(17,845)</u>	<u>(49,575)</u>
The cash flows for Operating Activities include the following items:		
Interest received	(191)	(225)
Interest paid	996	1,111
Dividends received	-	-
<b>Total</b>	<u>805</u>	<u>886</u>

### 27 Cash Flow Statement - Investing Activities

	2011/12 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets	6,796	7,532
Purchase of short-term and long-term investments	16,587	17,000
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(793)	(754)
Proceeds from short-term and long-term investments	(30,689)	(11,990)
Other receipts from investing activities	(1,432)	(1,981)
<b>Net cash flows from investing activities</b>	<u>(9,531)</u>	<u>9,807</u>



## NOTES TO CORE FINANCIAL STATEMENTS

### 28 Cash Flow Statement - Financing Activities

	2011/12 £'000	2010/11 £'000
Cash receipts of short- and long-term borrowing	(68,286)	-
Other receipts from financing activities	(548)	(1,530)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	-	(33)
Repayments of short- and long-term borrowing	10,000	-
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>(58,834)</b>	<b>(1,563)</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	2011/12									
	Community Health £'000	Customers & Communities £'000	Green Environment & Operational Partnerships £'000	Housing £'000	HRA £'000	Leaders £'000	Leisure, Tourism & Economic Development £'000	Planning £'000	Resources £'000	Total £'000
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	83,932	57	3,958	713	12,349	<b>146,754</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>88,912</b>	<b>29</b>	<b>5,039</b>	<b>2,449</b>	<b>15,778</b>	<b>159,699</b>
<b>Net Expenditure</b>	<b>605</b>	<b>375</b>	<b>2,646</b>	<b>(337)</b>	<b>72,216</b>	<b>(19)</b>	<b>2,481</b>	<b>1,004</b>	<b>4,602</b>	<b>83,573</b>

**NOTES TO CORE FINANCIAL STATEMENTS**

**Service Income and Expenditure**

**2010/11 Comparative Figures**

	Community Health £'000	Customers & Communities £'000	Green Environment & Operational Partnerships £'000	Housing £'000	HRA £'000	Leaders £'000	Leisure, Tourism & Economic Development £'000	Planning £'000	Resources £'000	Total £'000
Fees, charges & other service income	(325)	(9)	(3,756)	(382)	(15,550)	(70)	(4,214)	(1,066)	(1,124)	<b>(26,496)</b>
Government grants	(20)	(580)	-	(37,317)	-	-	-	(218)	(10,260)	<b>(48,395)</b>
<b>Total Income</b>	<b>(345)</b>	<b>(589)</b>	<b>(3,756)</b>	<b>(37,699)</b>	<b>(15,550)</b>	<b>(70)</b>	<b>(4,214)</b>	<b>(1,284)</b>	<b>(11,384)</b>	<b>(74,891)</b>
Employee expenses	831	982	68	693	4,237	847	2,074	1,492	4,546	<b>15,770</b>
Other service expenses	659	2,081	6,476	36,239	51,825	61	4,159	968	12,762	<b>115,230</b>
Support services recharges	(539)	(949)	287	548	763	(861)	1,010	380	(703)	<b>(64)</b>
<b>Total Expenditure</b>	<b>951</b>	<b>2,114</b>	<b>6,831</b>	<b>37,480</b>	<b>56,825</b>	<b>47</b>	<b>7,243</b>	<b>2,840</b>	<b>16,605</b>	<b>130,936</b>
<b>Net Expenditure</b>	<b>606</b>	<b>1,525</b>	<b>3,075</b>	<b>(219)</b>	<b>41,275</b>	<b>(23)</b>	<b>3,029</b>	<b>1,556</b>	<b>5,221</b>	<b>56,045</b>

Between year variances are broadly due to:

Customers & Communities - responsibility for Concessionary Travel transferred from District to County Councils on 1 April 2011.

Green Environment & Operational Partnerships - reduction in other service expenses primarily arising from savings and general budget variations within the Waveney Norse partnership.

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

HRA - between year differences in impairment charges and the self financing settlement (see note 5 exceptional items).

Leisure, Tourism & Economic Development - changes at total income and expenditure level due to Leisure services now being provided by Sentinel Leisure Trust, net expenditure reductions through the de-recognition of the Single Status provision and re-allocation of support service recharges.

Planning - additional government grant through the New Homes Bonus, and also the de-recognition of the Single Status provision.

Resources - includes general savings and efficiencies across service areas, including the de-recognition of the Single Status provision.

Additional detail around the de-recognition of the Single Status provision can be found within Note 10 to the Explanatory Foreword. This sum was applied to the Short Life Asset reserve. This transfer falls outside of the net cost of services analysis and is accounted for within the Movement In Reserves Statement.

**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>2011/12 £'000</b>	<b>2010/11 £'000</b>
Net expenditure in the Service Analysis		
Net expenditure of services and support services not included in the Analysis	<b>83,573</b>	<b>56,045</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<b>6</b>	<b>15</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	<b>5,597</b>	<b>(450)</b>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>89,176</b>	<b>55,610</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.

	2011/12								
	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Authority Total £'000	Group Accounting Items £'000	Group Total £'000
Fees, charges & other service income	(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	146,754	7	(54)		146,707		146,707		146,707
Support Service recharges	(96)				(96)		(96)		(96)
Depreciation, amortisation and impairment			6,004		6,004		6,004		6,004
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 Fixed Assets					-	304	304		304
<b>Total Expenditure</b>	<b>159,699</b>	<b>10</b>	<b>5,950</b>	<b>-</b>	<b>165,659</b>	<b>2,539</b>	<b>168,198</b>	<b>-</b>	<b>168,198</b>
<b>Surplus or deficit on the provision of services</b>	<b>83,573</b>	<b>6</b>	<b>5,597</b>	<b>-</b>	<b>89,176</b>	<b>(14,141)</b>	<b>75,035</b>	<b>(20)</b>	<b>75,015</b>

**NOTES TO CORE FINANCIAL STATEMENTS**

	2010/11 comparative figures								
	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to mgmt £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Authority Total £'000	Group Accounting Items £'000	Group Total £'000
Fees, charges & other service income	(26,496)	(1)	(537)		(27,034)		(27,034)		(27,034)
Surplus or deficit on associates and joint ventures					-		-	(20)	(20)
Interest and investment income					-	(253)	(253)		(253)
Income from council tax					-	(6,357)	(6,357)		(6,357)
Government grants and contributions	(48,395)				(48,395)	(13,104)	(61,499)		(61,499)
<b>Total Income</b>	<b>(74,891)</b>	<b>(1)</b>	<b>(537)</b>	<b>-</b>	<b>(75,429)</b>	<b>(19,714)</b>	<b>(95,143)</b>	<b>(20)</b>	<b>(95,163)</b>
Employee expenses	15,770	4			15,774		15,774		15,774
Other services expenses	115,230	7	(54)		115,183		115,183		115,183
Support Service recharges	(64)	5			(59)		(59)		(59)
Depreciation, amortisation and impairment			141		141		141		141
Interest Payments					-	2,496	2,496		2,496
Precepts & Levies					-	442	442		442
Payments to Housing Capital Receipts Pool					-	412	412		412
Gain or Loss on Disposal of Fixed Assets					-	(155)	(155)		(155)
<b>Total Expenditure</b>	<b>130,936</b>	<b>16</b>	<b>87</b>	<b>-</b>	<b>131,039</b>	<b>3,195</b>	<b>134,234</b>	<b>-</b>	<b>134,234</b>
<b>Surplus or deficit on the provision of services</b>	<b>56,045</b>	<b>15</b>	<b>(450)</b>	<b>-</b>	<b>55,610</b>	<b>(16,519)</b>	<b>39,091</b>	<b>(20)</b>	<b>39,071</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:

#### Revenue Account

	2011/12 £'000	2010/11 £'000
Income	(207)	(186)
Expenditure	237	138
(Surplus) / Deficit for the Year	<u>30</u>	<u>(48)</u>

The deficit position is a result of an impairment charge that occurred in 2011/12.

#### Fixed Assets

	Public Conveniences 2011/12 £'000	Harbour 2011/12 £'000	Total 2011/12 £'000
<b>Gross Book Value</b>			
Balance 1 April 2011	170	878	1,048
Additions	-	-	-
Restatements	-	152	152
Balance 31 March 2012	<u>170</u>	<u>1,030</u>	<u>1,200</u>
Additions	-	-	-
Restatements	-	-	-
Balance 31 March 2012	<u>170</u>	<u>1,030</u>	<u>1,200</u>
<b>Depreciation</b>			
Balance 1 April 2011	12	39	51
Additions	6	6	12
Restatements	-	(16)	(16)
Balance 31 March 2012	<u>18</u>	<u>29</u>	<u>47</u>
Additions	-	-	-
Restatements	-	-	-
Balance 31 March 2012	<u>18</u>	<u>29</u>	<u>47</u>
<b>Net Book Value</b>			
Balance 1 April 2011	158	839	997
Additions	(6)	(6)	(12)
Restatements	-	168	168
Balance 31 March 2012	<u>152</u>	<u>1,001</u>	<u>1,153</u>
Additions	-	-	-
Restatements	-	-	-
Balance 31 March 2012	<u>152</u>	<u>1,001</u>	<u>1,153</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 :

	2011/12 Expenditure £'000	2011/12 Income £'000	2010/11 Expenditure £'000	2010/11 Income £'000
Cultural, Environmental, Regulatory and Planning Services				
Industrial Estates	149	444	1,004	474
Markets	84	50	77	47
Caravan and Camping Sites	275	348	395	466
Sea Front Activities	137	119	493	231
Other Activities	-	2	4	2
Highways and Transport Services				
Yacht Stations	175	145	482	361
	<u>820</u>	<u>1,108</u>	<u>2,455</u>	<u>1,581</u>
Net (Surplus) / Deficit to General Fund		<u>(288)</u>		<u>874</u>
	<u><u>820</u></u>	<u><u>820</u></u>	<u><u>2,455</u></u>	<u><u>2,455</u></u>

The reduction in expenditure in 2011/12 is largely a result of impairment charges for valuation decreases for an industrial estate unit and seafront chalets that occurred in 2010/11 only.

The operation of the Beach Lifeguard Service, Lowestoft Chalets, Lowestoft Beach Shops (Sea Front Activities) together with Mutford Lock, Oulton Broad Yacht Station and Beccles Yacht Station (Yacht Stations) was transferred to Sentinel Leisure Trust as at 1st April 2011. Therefore no Income and Expenditure for these services has been included in 2011/12.

## NOTES TO CORE FINANCIAL STATEMENTS

### 32 Members' Allowances

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

	2011/12 £'000	2010/11 £'000
Basic, Attendance and Special Responsibility Allowances	248	258
Subsistence and Expenses	16	12
Total	<u>264</u>	<u>270</u>



## 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 2011/12 or 2010/11.

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compen- sation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total Including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Director of Resources	<b>2011/12</b>	<b>85,886</b>	-	-	<b>85,886</b>	<b>13,742</b>	<b>99,628</b>	-
	2010/11	83,891	-	-	83,891	12,584	96,475	-
Assistant Chief Executive	<b>2011/12</b>	<b>79,121</b>	-	-	<b>79,121</b>	<b>12,659</b>	<b>91,780</b>	-
	2010/11	73,945	69	-	74,014	11,092	85,106	-
Strategic Director. <i>See Note 1 below.</i>	<b>2011/12</b>	<b>30,547</b>	-	-	<b>30,547</b>	<b>4,888</b>	<b>35,435</b>	-
	2010/11	73,945	-	-	73,945	11,092	85,037	-
Partnership Programme Manager from 1/06/2010. Formerly Head of Customer Services- <i>See Note 2 below</i>	<b>2011/12</b>	<b>57,506</b>	-	-	<b>57,506</b>	<b>9,201</b>	<b>66,707</b>	-
	2010/11	57,263	16	-	57,279	8,590	65,869	-
Head of Strategic Housing & Tenant Services (01.10.10). Formerly Head of Environment and Housing	<b>2011/12</b>	<b>57,506</b>	-	-	<b>57,506</b>	<b>9,201</b>	<b>66,707</b>	-
	2010/11	57,506	375	-	57,881	8,626	66,507	-
Head of Revenues and Benefits (1/10/2010). Formerly Head of Revenues, Benefits and Tenant Services	<b>2011/12</b>	<b>57,506</b>	-	-	<b>57,506</b>	<b>9,201</b>	<b>66,707</b>	-
	2010/11	57,506	518	-	58,024	8,626	66,650	-
Head of Customer Services & Commercial Partnerships (1/10/2010). Formerly Head of Partnership Management and Procurement	<b>2011/12</b>	<b>57,506</b>	-	-	<b>57,506</b>	<b>9,201</b>	<b>66,707</b>	-
	2010/11	57,506	-	-	57,506	8,626	66,132	-

## NOTES TO CORE FINANCIAL STATEMENTS

Note 1. 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% (2010/11-50%) funded externally (£47,897) (2010/11 £32,103), and 18.65% by each council (£14,251) (2010/11 £16,051 each).

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:

Remuneration band	2011/12		2010/11	
	Number of employees Total	Left in Year	Number of employees Total	Left in Year
£50,000 - £54,999				
£55,000 - £59,999	5	1	4	
£60,000 - £64,999				
£65,000 - £69,999	1		1	
£70,000 - £74,999			2	
£75,000 - £79,999	1			
£80,000 - £84,999			1	
£85,000 - £89,999	1			
£90,000 - £94,999				
£95,000 - £99,999				
£100,000 - £104,999				
£105,000 - £109,999				
£110,000 - £114,999				
	8	1	8	-

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

Up to 30 September 2010 the Council contributed £50,537 in 2010/11 towards the costs of the shared Chief Executive and £24,517 in relation to the shared Head of Planning relating to the first six months. These costs reflect total contributions inclusive of salary and expense payments made to the employee as well as National Insurance and Pension Fund contributions. Both are employed by Suffolk Coastal District Council and their remuneration, in the format of the table above, is disclosed in that Authority's Statement of Accounts.

## 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. Nine 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. 2010/11 costs are for the 6 months from 1 October 2010. In addition other transactions are disclosed in Note 35, Related Parties.

Shared Senior Management costs from 1 October 2010	2011/12	2011/12	2010/11	2010/11
	Expenditure by WDC £	Expenditure by SCDC £	Expenditure by WDC £	Expenditure by SCDC £
Chief Executive		173,121		85,225
Strategic Director		108,192		53,115
Strategic Director (Left 28.08.11)	41,257		50,373	
Assistant Chief Executive	106,042		49,440	
Director of Resources	115,179		54,747	
Head of Environmental Services and Port Health		77,708		37,763
Head of Customer Services and Commercial Partnerships	77,347		38,781	
Head of Planning Services & Coastal Management		92,719		45,686
Head of Legal and Democratic Services		78,264		37,862
Head of Strategic Housing and Tenant Services	76,809		37,874	
Head of ICT and Corporate Services (Left 31.03.12)		93,144		35,823
Head of Revenues and Benefits	77,551		38,287	
Head of Financial Services		80,026		38,780
Head of Community and Economic Services		81,329		38,003
Senior Management direct support costs	85,197	48,794	41,456	26,671
Audit Partnership Manager. (Left 30.09.11)		19,865		18,074
Total spend	579,382	853,162	310,958	417,002
Net adjustment between councils	136,890	-136,890	53,022	-53,022
	<u>716,272</u>	<u>716,272</u>	<u>363,980</u>	<u>363,980</u>

## 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 cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£								
0 to 40,000	8	13	11	5	19	18	112,856	125,008
40,001 to 60,000	0	0	0	0	0	0	0	0
60,001 to 80,000	0	0	0	0	0	0	0	0
80,001 to 100,000	0	0	0	0	0	0	0	0
100,001 to 150,000	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>8</b>	<b>13</b>	<b>11</b>	<b>5</b>	<b>19</b>	<b>18</b>	<b>112,856</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. The Code also requires that bands are combined where it is necessary to ensure that individual packages cannot be identified. For this reason the 0-20,000 and 20,001-40,000 bands have been combined.

## 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

	2011/12 £'000	2010/11 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	118	150
Fees payable to the Audit Commission in respect of Statutory Inspections	-	8
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	53	54
<b>Total</b>	<b>171</b>	<b>212</b>

The table above shows planned fees payable to the auditors for the year of account in advance of the audit work being completed. Actual amounts charged to 2011/12 for 2010/11 audit work were as follows:

Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	129
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	47
	<b>176</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 totalling £3,257k included income and expenditure relating to:

Waste recycling credits - £1,483k

Highways maintenance service level agreement - £264k

Redundancy and early retirement costs - £213k

Footway lighting and maintenance - £199k

Energy management services - £552k

Payroll services - £68k

Concessionary Fares - £54k

Joint Emergency Planning agreement - £36k

Local Strategic Partnership funding award - £42k

#### Great Yarmouth Borough Council

Included within transactions of £101k was expenditure of £91k related to shared homelessness scheme costs.

#### Environment Agency

Expenditure of £14k related to survey fees and permits.

## NOTES TO CORE FINANCIAL STATEMENTS

### 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 2011/12 is shown in [note 32](#). During 2011/12, the Council made payments totalling £109,988 to 4 organisations in which 7 Members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

### Other Public Bodies

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

	<b>2011/12</b>		<b>2010/11</b>	
	<b>Transactions</b>	<b>Balance</b>	<b>Transactions</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Precepts and levies paid:				
Parish Councils	512	-	445	-
Rivers and Drainage Authorities	21	-	17	-
Contributions received:				
Broads Authority	-	-	6	-
Transactions with Councillors	110	-	110	-

### 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.

	2011/12 £'000	2010/11 £'000
<b><i>Opening Capital Financing Requirement</i></b>	<b>28,493</b>	<b>28,720</b>
<i>Capital investment</i>		
Property, Plant and Equipment	6,950	7,020
Intangible Assets	-	77
HRA Self-Financing payment	68,286	-
Revenue Expenditure Funded from Capital under Statute	402	598
Impairment of Long Term Debtor	(31)	-
<b>Total Capital Investment</b>	<b>75,607</b>	<b>7,695</b>
<i>Sources of finance</i>		
Capital receipts	423	349
Government grants and other contributions	1,004	2,079
Sums set aside from revenue:		
Direct revenue contributions	894	978
Minimum Revenue Provision	1,132	1,128
Major Repairs Reserve	4,634	3,388
<b>Closing Capital Financing Requirement</b>	<b>96,013</b>	<b>28,493</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	67,520	(227)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>67,520</b>	<b>(227)</b>

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

Legislation allows some expenditure to be classified as Capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset, for example 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 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:

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Other Land and Buildings	1,127	1,213
	<b><u>1,127</u></b>	<b><u>1,213</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 2012 £'000</b>	<b>31 March 2011 £'000</b>
Finance lease liabilities (net present value of minimum lease payments):		
current	-	-
non current	694	695
Finance costs payable in future years	3,842	3,895
Minimum lease payments	<b>4,536</b>	<b>4,590</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>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Not later than one year	54	54
Later than one year and not later than five years	216	216
Later than five years	4,266	694
	<b>4,536</b>	<b>694</b>
	<b>4,590</b>	<b>694</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 2010/11 and 2011/12.

The Council does not sub-let any property for which it is a lessee under a finance lease.

## 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 Equipment</b>		<b>Other Land and Buildings</b>	
	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Not later than one year	-	-	25	34
Later than one year and not later than five years	-	-	68	76
Later than five years	-	-	270	287
	<u>-</u>	<u>-</u>	<u>363</u>	<u>397</u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
Minimum lease payments	<u>-</u>	<u>9</u>
	<u>-</u>	<u>9</u>

## 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 2012 £'000</b>	<b>31 March 2011 £'000</b>		
Finance lease debtor (net present value of minimum lease payments):				
current	26	37		
non current	112	138		
Unearned finance income	50	59		
Gross investment in the lease	<b>188</b>	<b>234</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 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Not later than one year	34	46	34	46
Later than one year and not later than five years	68	101	68	101
Later than five years	81	87	81	87
	<b>183</b>	<b>234</b>	<b>183</b>	<b>234</b>
The Council has set aside an allowance for uncollectible amounts in respect of the above finance leases of £3k (£3k at 31 March 2011 ).				
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 2010/11 and 2011/12.				

## 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 2012 £'000</b>	<b>31 March 2011 £'000</b>
Not later than one year	481	522
Later than one year and not later than five years	1,826	1,866
Later than five years	<u>23,763</u>	<u>24,446</u>
	<b><u>26,070</u></b>	<b><u>26,834</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 2010/11 and 2011/12.

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

	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Other Land and Buildings - Gross Book Value	24,110	10,002
Other Land and Buildings - Accumulated Depreciation	<u>(432)</u>	<u>(263)</u>
Other Land and Buildings - Net Book Value	<b><u>23,678</u></b>	<b><u>9,739</u></b>

The above now includes assets leased to Sentinel Leisure Trust (see [note 44](#))

## NOTES TO CORE FINANCIAL STATEMENTS

### 38 Impairment Losses

During 2011/12, the Council has recognised the following impairment losses in the Comprehensive Income and Expenditure Statement:

<b>Impairment Loss</b>	<b>Comprehensive Income &amp; Expenditure Line</b>	<b>31 March 2012 £'000</b>
Capital Works not adding value - General Fund	Various lines	356
Capital Works not adding value - Housing Revenue Account	Housing Revenue Account	4,887
		<u><b>5,243</b></u>

The recoverable amount of these assets has been reduced to its value in use and the impairment loss charged to the appropriate line in the Comprehensive Income and Expenditure Statement.

In addition the following Valuation Losses have also been written down to the Comprehensive Income and Expenditure Statement in the year:

<b>Valuation Loss</b>	<b>Comprehensive Income &amp; Expenditure Line</b>	<b>31 March 2012 £'000</b>
General Fund valuations	Various lines	896
Housing Revenue Account valuations	Housing Revenue Account	3,943
		<u><b>4,839</b></u>
<b>Total valuation / impairment losses charged to the Comprehensive Income and Expenditure Statement</b>		<u><u><b>10,082</b></u></u>

### 39 Termination Benefits

The Council terminated the contracts of employment for 11 employees in 2011/12, incurring General Fund liabilities of £92,558 (chargeable to the Consolidated Income & Expenditure Account), (£98,079 for 16 staff in 2010/11) 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 2011/12 or 2010/11 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.

In addition one member of staff was retired on ill-health grounds during 2011/12 but all costs were chargeable to the Pension Fund (1 staff in 2010/11 with £2,709 unrecoverable from the Pension Fund chargeable to the General Fund).

Additionally contracts of employment for 7 HRA staff were terminated, and were paid a total of £32,450 redundancy and associated pension costs. These costs were charged to the Housing Revenue Account (HRA) Consolidated Income & Expenditure Account (2010/11 £14,778 for 3 housing staff).

In addition one HRA member of staff was retired on ill-health grounds during 2011/12 but all costs were chargeable to the Pension Fund (1 staff in 2010/11 with costs totalling £157,310 unrecoverable from the Pension Fund charged to the HRA).

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.



## NOTES TO CORE FINANCIAL STATEMENTS

### 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:

<b>Comprehensive Income and Expenditure Statement</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
<i>Cost of Services:</i>		
Current service cost	1,618	1,992
Past Service cost	-	(11,509)
Settlements and Curtailments	8	169
<i>Financing and Investment Income and Expenditure</i>		
Interest cost	5,468	6,522
Expected return on scheme assets	(5,339)	(5,137)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<u>1,755</u>	<u>(7,963)</u>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial (gains) and losses	10,486	(22,896)
	<u>10,486</u>	<u>(22,896)</u>
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(1,755)	7,963
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	3,031	3,331
<b><i>Pensions Reserve appropriation</i></b>	<u>1,276</u>	<u>11,294</u>
<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 2012 a loss of £31.794m (£21.308m loss at 31 March 2011)</p>		

## NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation of present value of the scheme liabilities (defined benefit obligation):		
	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	100,536	128,285
Current service cost	1,618	1,992
Interest cost	5,468	6,522
Contributions by scheme participants	557	613
Actuarial gains and losses	5,875	(21,163)
Benefits paid	(4,443)	(4,373)
Settlements and curtailments	8	169
Past service costs	-	(11,509)
Closing balance at 31 March	<b><u>109,619</u></b>	<b><u>100,536</u></b>
Reconciliation of fair value of the scheme (plan) assets:		
	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance 1 April	80,107	73,666
Expected rate of return	5,339	5,137
Actuarial gains and losses	(4,611)	1,733
Employer contributions	3,031	3,331
Contributions by scheme participants	557	613
Settlements	-	-
Benefits paid	(4,443)	(4,373)
Closing balance at 31 March	<b><u>79,980</u></b>	<b><u>80,107</u></b>

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

The actual return on scheme assets in the year was a gain of £741k (2010/11: gain of £5.293m).

## NOTES TO CORE FINANCIAL STATEMENTS

### Scheme history - Local Government Pension Scheme

	Year to 31 Mar '12 £'000	Year to 31 Mar '11 £'000	Year to 31 Mar '10 £'000	Year to 31 Mar '09 £'000	Year to 31 Mar '08 £'000
<b>Present value of liabilities</b>	(109,619)	(100,536)	(128,285)	(80,985)	(88,634)
<b>Fair value of assets</b>	79,980	80,107	73666	54,833	77,005
<b>Surplus/(deficit) in the scheme</b>	<u>(29,639)</u>	<u>(20,429)</u>	<u>(54,619)</u>	<u>(26,152)</u>	<u>(11,629)</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 £29.639m 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 2013 is £3,025,000.

## 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:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	<b>6.3%</b>	7.5%
Bonds	<b>3.3%</b>	4.9%
Property	<b>4.4%</b>	5.5%
Cash	<b>3.5%</b>	4.6%
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	<b>3.1%</b>	3.6%
Rate of increase in salaries	<b>4.8%</b>	5.1%
Rate of increase in pensions	<b>2.5%</b>	2.8%
Rate for discounting scheme liabilities	<b>4.8%</b>	5.5%
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 2012 %</b>	<b>31 March 2011 %</b>
Equity investments	72	69
Bonds	15	18
Property	10	9
Cash	3	4
	<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 31 Mar '12 %</b>	<b>Year to 31 Mar '11 %</b>	<b>Year to 31 Mar '10 %</b>	<b>Year to 31 Mar '09 %</b>	<b>Year to 31 Mar '08 %</b>
Differences between the expected and actual return on assets	(5.8)	2.1	20.0	(39.8)	(20.3)
Experience gains/(losses) on liabilities	(1.6)	10.6	-	-	6.2

### 41 Contingent Liabilities

At 31 March 2012, the Council had the following material contingent liabilities:

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 2012 claims settled for this Council amounting to £316k (£313k in 2010/11) could be the subject of a reclaim at a future date. The Council's maximum liability will be the value of claims settled/outstanding less £50,000.

The latest position received from MMI is that the Company's solvency (previously a solvent run-off had been projected) is now uncertain as a result of the Supreme Court decision relating to the litigation set out below, and also resolution of the many uncertainties surrounding the "Incurred But Not Recorded" (IBNR) provision, including numbers of future claims, inflation rates as well as future investment returns.

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's exposure to asbestos was liable to pay compensation for the employee's mesothelioma. Estimated outstanding claims as at 31 March 2012 totalled £188,304 (2010/11 £40,824) relating to 3 (2 in 2010/11) Employer's Liability claims.

The Judgement has significant implications not only for MMI and its members, but also for the 729 Scheme Creditors (including this Council) who are party to the contingent Scheme of Arrangement sanctioned by the Court in January 1994. The Board of Directors is now seeking legal, financial and actuarial advice from its professional advisers in order to determine the full implications of the Judgement, and the most appropriate way forward for MMI. MMI have advised that this process is complex and will take some time to resolve.

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.

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 2012/13.

As at 31 March 2012 a third party loan of £56k that was advanced to facilitate the building of a community centre remained outstanding. Loan terms are due to be renegotiated in early 2012/13.

A potential claim in connection with the SLP/Ness Point wind turbine has been made in respect of third party access and right of way, and is currently being investigated by the Council's legal department. No significant expenditure is anticipated.

HM Revenue and Customs (HMRC), in March 2010, agreed an amount to be refunded of £574,239 plus interest of £552,282, (reduced by a fee payable to the Council's VAT advisors), which was accounted for in the 2009/10 financial year. The Council's VAT consultants have advised that it is still possible that HMRC may seek to recover all or part of the above refund if further information comes to light over the next year.

### 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 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 2012 are as detailed below:

Financial Asset Category	Criteria	Maximum Investment
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 2011/12 was £140k (2010/11 £37k) and the provision carried in the balance sheet as at 31 March 2012 was £227k against a total sundry debt of £1,586k (31 March 2011 - provision of £320k against total debt of £1,731k).

The Council does not generally allow credit for customers, such that £865k of the £1,586k 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)	721
One to three months	502
Three to six months	71
Six months to one year	45
More than one year	247
	1,586

### ***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:

	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual</b>
Maturity of Fixed Rate Debt:	%	%	31/03/12 %
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%

These limits were set in January 2012 based on the anticipated borrowing for HRA Self Financing occurring in 2012/13, see HRA [Note 16](#). 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 2011/12 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	(175)
Impact on Surplus or Deficit on the Provision of Services	<u>28</u>
Share of overall impact debited to the HRA	<u>61</u>

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 £125k as the interest rate as at 31 March 2012 averaged just 0.615%.

## 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 £7.845m in 2011/12 (£8.357m in 2010/11) and included in the Accounting Statements as follows:

	<b>2011/12</b>	2010/11
	<b>£'000</b>	£'000
Corporate and Democratic Core	<b>0</b>	1
Cultural and Related Services	<b>1,724</b>	1,750
Environmental Services	<b>5,119</b>	5,222
Planning and Development Services	<b>81</b>	99
Highways, Roads and Transport	<b>471</b>	726
General Fund Housing	<b>0</b>	1
Housing Revenue Account	<b>450</b>	558
Social Services	<b>0</b>	-
Capital Expenditure	<b>0</b>	-
	<b><u>7,845</u></b>	<u>8,357</u>

## NOTES TO CORE FINANCIAL STATEMENTS

i) Details of the Company's annual financial results to 29 January 2012 are set out below:

	<b>2012</b>	<b>2012</b>	2011	2011
	<b>Waveney</b>	<b>Council</b>	Waveney	Council
	<b>Norse</b>	<b>Investment</b>	Norse	Investment
	<b>£000</b>	<b>(19.9%)</b>	£000	<b>(19.9%)</b>
	<b>£000</b>	<b>£000</b>	£000	£000
Current Assets				
Stock	31	6	120	24
Debtors	1,508	300	1,489	296
Cash at Bank	2	-	22	4
Gross Assets	<u>1,541</u>	<u>306</u>	<u>1,631</u>	<u>324</u>
Creditors falling due within one year	<u>(1,166)</u>	<u>(232)</u>	<u>(1,355)</u>	<u>(270)</u>
Net Assets / Shareholder's Funds	<u>375</u>	<u>74</u>	<u>276</u>	<u>54</u>
Turnover	10,241	2,038	9925	1,975
Profit on ordinary activity before taxation	136	27	123	24
Tax on profit on ordinary activity	<u>(37)</u>	<u>(7)</u>	<u>(22)</u>	<u>(4)</u>
Profit for the Financial Period	<u>99</u>	<u>20</u>	<u>101</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	12	2	21	4
Creditors falling due within one year				
- Corporation Tax	29	6	42	8
Tax on profit on ordinary activity				
- Current Tax	(29)	(6)	(41)	(8)
- Deferred Tax	<u>(8)</u>	<u>(2)</u>	<u>19</u>	<u>4</u>
	<u>(37)</u>	<u>(8)</u>	<u>(22)</u>	<u>(4)</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 have been appointed as Trustees and Directors of the new Trust and are joined by 2 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

#### Heritage Assets: Change in Accounting Policy required by the CIPFA Code of Practice

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see [Note 1](#)).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within property, plant and equipment at £0.3 million should now be recognised as heritage assets with any increase in valuation being recognised in the Revaluation Reserve. These assets relate to a proportion of the Museum's art collection which was previously recognised in the community assets classification of property, plant and equipment. The Authority will also recognise in 2011/12 an additional £0.2 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again any subsequent increase in valuation will be recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- \* At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £0.3 million. The element that was previously recognised in property, plant and equipment has been reclassified and written down by £0.3 million. The revaluation reserve has increased by £0.3 million.
- \* The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:



## NOTES TO CORE FINANCIAL STATEMENTS

### Effect on Opening Balance Sheet 1 April 2010

	Opening Balance at 1 April 2010 (2010/11 £'000)	Restatement £'000	Opening Balance at 1 April 2010 (Restated) £'000
Property, Plant and Equipment	284,981	(276)	284,705
Heritage Assets	-	276	276

### Comprehensive Income and Expenditure Statement 2010-11

There has been no restatement to the Income and Expenditure Statement

### Movement in Reserves Statement - Unusable Reserves 2010-11

There has been no reserves restatement

### Effect on Balance Sheet 31 March 2011

	Closing Balance at 31 March 2011 (2010/11 £'000)	Restatement £'000	Closing Balance at 31 March 2011 (Restated) £'000
Property, Plant and Equipment	237,212	(276)	236,936
Heritage Assets	-	276	276

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £0.3 million on the Balance Sheet and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment).

## NOTES TO CORE FINANCIAL STATEMENTS

### Cultural, Environmental, Regulatory and Planning Services - Amended Reporting requirements

The *2011/12 Service Reporting Code of Practice for Local Authorities* required a more detailed analysis of Cultural, Environmental, Regulatory and Planning expenditure that had previously been reported in the Councils Comprehensive Income and Expenditure Statement (CIES). This heading in the CIES, previously shown as one line, is now split between the three lines as shown below. Note that the comparative figures for 2010/11 have also been split to reflect this change. The overall total for 2010/11 remains unchanged.

#### Comprehensive Income and Expenditure Statement 2010-11

	<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Net Expenditure £'000</b>
Cultural, Environmental, Regulatory and Planning Services	24,493	(7,373)	17,120
Has been split as follows:			
- Cultural and Related Services	11,410	(3,426)	7,984
- Environmental and Regulatory Services	9,132	(2,578)	6,554
- Planning Services	3,951	(1,369)	2,582
	24,493	(7,373)	17,120

#### Amounts Reported for Resource Allocation Decisions

During 2011/12, the Council changed its internal reporting structure to be based upon Strategic Priority Themes. As a consequence, [Note 29](#) has been restated for 2010/11 to provide comparator information.

## 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>2011/12</b> <b>£'000</b>	<b>2010/11</b> <b>£'000</b>
Banks	<b>123</b>	155
Building Societies	<b>42</b>	68
Interest on other loans/leases	<b>26</b>	30
	<b><u>191</u></b>	<u>253</u>

## NOTES TO CORE FINANCIAL STATEMENTS

### 47 Long Term Investments

	31 March 2012 £'000	31 March 2011 £'000
Government stocks	3	3
Other Public Authorities	7	7
	10	10

### 48 Long Term Debtors

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

	31 March 2012 £'000	31 March 2011 £'000
Other Local Authorities	343	354
Loans to Third Parties	56	87
Finance Leases	138	175
Mortgagors:		
Sale of Council Houses	3	4
Other Private Borrowers	-	2
	540	622

### 49 Long Term Creditors and Deferred Capital Receipts

	31 March 2012 £'000	31 March 2011 £'000
<u>Deferred Capital Receipts</u>		
Council House Mortgages	3	4
<u>Long Term Creditors</u>		
Finance Leases	694	694
	694	694

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

#### Trust Funds

The Lowestoft Charter Trustees (LCT), made up of elected Members for the various Lowestoft wards, are Trustees of the Marie Jemima Pipe Charity. Details of the transactions in relation to that charity are shown below:

The transactions were as follows:-

	Balance 1 Apr 11 £'000	Income £'000	Expenditure £'000	<b>Balance 31 Mar 12 £'000</b>
Marie Jemima Pipe Charity	50.4	1.5	(51.9)	-
<i>Provides relief for the poor and needy fishermen of Lowestoft.</i>				

The Marie Jemima Pipe Charity was wound up in 2011/12 and the balance transferred to the Royal National Mission for Deep Sea Fishermen as their objectives were aligned to the original charity. The transfer was made in conjunction with Charity Commission advice and guidance.

## NOTES TO CORE FINANCIAL STATEMENTS

### 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 £'000	Expenditure £'000	<b>Council's Contribution £'000 2011/12</b>	Council's Contribution £'000 2010/11
Bungay Town Sports Association <i>Provides recreational facilities in the town of Bungay and the surrounding district</i>	-	15.0	<b>15.0</b>	15.0
Halesworth Rifle Hall <i>Provision of a village hall for the benefit of the inhabitants of Halesworth and its immediate vicinity</i>	-	0.3	<b>0.3</b>	202.4
The reduction in expenditure in 2011/12 is a result of an impairment charge for a valuation decrease that occurred in 2010/11. The operation of this service, including the asset, transferred to The Rifle Hall Trust on 01 April 2011 resulting in residual 2011/12 expenditure only.				
Halesworth Swimming Pool <i>Provision of a public swimming pool for the inhabitants of Halesworth and the immediate vicinity</i>	-	3.4	<b>3.4</b>	28.7
Nicholas Everitt Park <i>Provides an open space for people of the Lowestoft area</i>	14.1	47.7	<b>33.6</b>	231.3
The reduction in expenditure in 2011/12 is largely a result of an impairment charge for a valuation decrease that occurred in 2010/11 only.				
Frank Thomas Arnold Bequest <i>Provision of facilities for recreation or other leisure time occupation for the inhabitants of the former Borough of Lowestoft</i>	-	-	-	12.0
	<b>14.1</b>	<b>66.4</b>	<b>52.3</b>	<b>489.4</b>

	Assets £'000	Liabilities £'000
Bungay Town Sports Association	-	-
Halesworth Rifle Hall	-	-
Halesworth Swimming Pool	-	-
Nicholas Everitt Park	400.2	-
Frank Thomas Arnold Bequest	17.8	-
	<b>418.0</b>	<b>-</b>

## NOTES TO CORE FINANCIAL STATEMENTS

<b>51 Longer Term Borrowings</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Analysis by Lender:		
Public Works Loan Board	<b>84,297</b>	21,011
Analysis by Maturity:		
Repayable within		
2 years	1	5,000
2 to 5 years	1	1
5 to 10 years	21,289	10,003
over 10 years	<b>63,006</b>	6,007
	<b>84,297</b>	21,011
Fair Value of PWLB Loans at the year-end	<b>94,499</b>	33,097

For 2011/12 £5m of Long Term Debt is repayable within 1 year and included within Short-Term Borrowings in the Balance Sheet (2010/11 £10m).

### *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 £ million</b>	<b>Loan Type</b>	<b>Number of Years</b>	<b>Interest Rate %</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</b>			

## HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) records all income and expenditure on the Council's statutory function with regard to the provision of housing accommodation and associated services.

	HRA Note	2011/12 £'000	2010/11 £'000
<b>Income</b>			
Gross Rental Income:			
- Dwelling Rents	1	15,552	14,382
- Non-Dwelling Rents		220	198
Charges for Services and Facilities	2	924	970
		16,696	15,550
<b>Expenditure</b>			
Repairs, Maintenance and Management:			
- Repairs and Maintenance	3	3,268	3,177
- Supervision and Management		3,182	3,104
- Redundancy and Associated Pension Costs	15	32	172
Rents, rates and other charges		41	51
Negative Subsidy	11	4,895	4,101
Increase in Bad Debts Provision		92	83
Depreciation of Fixed Assets			
- Dwellings	13	3,005	2,964
- Other Assets	13	423	417
Impairment of HRA Assets	13	8,830	46,151
Self-Financing payment to Central Government	16	68,286	-
Debt Management Costs	6	38	11
		92,092	60,231
<b>Cost of HRA Services included in the CIES</b>		<b>75,396</b>	<b>44,681</b>
- Corporate and Democratic Core Contribution		42	72
<b>Net Cost of HRA Services</b>		<b>75,438</b>	<b>44,753</b>
HRA share of CIES operating income and expenditure:			
- Gains/losses on the disposal of non current assets	14	237	(157)
- Interest payable and similar charges	6	353	345
- Pensions Cost Contribution	9	531	511
- Interest receivable and similar income		(41)	(44)
<b>(Surplus) or Deficit on Provision of HRA Services</b>		<b>76,518</b>	<b>45,408</b>
<b>Movement on the HRA Statement</b>			
<b>HRA Balance brought forward</b>		<b>(4,003)</b>	<b>(4,013)</b>
(Surplus) or Deficit on Provision of HRA Services	<b>76,518</b>		<b>45,408</b>
Adjustments between accounting basis and funding basis under regulations (note 7 to Core Statements)		<b>(77,336)</b>	<b>(45,398)</b>
<b>Movement in HRA Balance for the Year</b>		<b>(818)</b>	<b>10</b>
<b>HRA Balance carried forward</b>		<b>(4,821)</b>	<b>(4,003)</b>



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 Dwelling Rents

**2011/12      2010/11**

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

Average rent per week (£)	<b>£65.48</b>	£60.25
Rent arrears at 31 March (£'000)	<b>432</b>	392
Rent arrears at 31 March as % of the gross rent collectable	<b>2.6%</b>	2.5%
Provision for bad debts at 31 March (£'000)	<b>494</b>	402

### 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 community alarm systems and 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 2011/12 this amounted to £3,268k compared to the Original Budget of £3,458k (£3,177k in 2010/11).

### 4 Major Repairs Reserve

Movements and balances in the Major Repairs Reserve are detailed in the Movement in Reserves Statement and Note 7 to the Core Statements.

### 5 Capital Receipts - Disposal of Council Dwellings

**2011/12      2010/11**

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

- Number of disposals	<b>14</b>	8
- Value of disposals (£'000)	<b>789</b>	509

### 6 Capital-Related Charges

**2011/12      2010/11**

	<b>£'000</b>	<b>£'000</b>
Depreciation Charge	<b>3,428</b>	3,381
Revenue Expenditure funded by Capital under Statute (reversed)	<b>3</b>	8
Debt Management Expenses	<b>38</b>	11
Item 8 Debit - Interest	<b>353</b>	345
Housing Subsidy - Major Repairs Allowance	<b>(3,005)</b>	(2,964)
Transfer to Capital Financing Account via MRR	<b>423</b>	417

Revenue Expenditure funded by Capital under Statute (REFCuS) relates to Telephone Helpline Grants.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 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 2011/12 for a direct financing contribution was £876k and the actual amount was £321k. (2010/11 figures were Budget of £779k and £828k actual).

### 8 Housing Stock

The stock of dwellings has changed as follows:

	2011/12	2010/11
Opening stock of dwellings	4,586	4,597
Add: new build/purchases/additions	-	-
Less: sales	(14)	(8)
Less: properties lost to conversion, disposal and deletion	(21)	(3)
<b>Closing stock of dwellings</b>	<b>4,551</b>	<b>4,586</b>
Analysis of closing stock numbers:		
Houses	2,124	2,137
Bungalows	1,142	1,142
Flats	1,285	1,307
	<b>4,551</b>	<b>4,586</b>

### 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.

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 10 Capital Expenditure

	2011/12	2010/11
	£'000	£'000
Dwellings	4,887	4,152
Vehicles	57	-
Equipment - Funded from Capital under Statute	4	8
IT Infrastructure	54	65
	<b>5,002</b>	<b>4,225</b>
Financed by:		
Revenue Contributions	321	828
Major Repairs Reserve	4,634	3,388
Grants and Contributions	47	9
	<b>5,002</b>	<b>4,225</b>

### 11 Housing Subsidy

	2011/12	2010/11
	£'000	£'000
The HRA Subsidy payable to the Government is split into the following elements:		
Rent Income	(15,333)	(14,425)
Prior Years Adjustments	(1)	(26)
Management and Maintenance	6,661	6,634
Capital Charges	749	752
Interest on self-financing settlement	24	-
<b>Negative Subsidy</b>	<b>(7,900)</b>	<b>(7,065)</b>
Major Repairs Allowance (MRA) - Grant Received	3,005	2,964
<b>HRA Subsidy Payable to the Government</b>	<b>(4,895)</b>	<b>(4,101)</b>

2011/12 will be the final year in which a negative subsidy payment is due by the Council to the Department of Communities and Local Government (DCLG). As from 1 April 2012, the current HRA Subsidy arrangements will be 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. These new arrangements require the Council to take on additional debt in order to "buy out" the Council's HRA from a negative Housing Subsidy position. See [Note 16](#) to the HRA Income and Expenditure Statement.

## NOTES TO THE HOUSING REVENUE ACCOUNT

<b>12 Non-Current Assets</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Council Dwellings - Balance Sheet Value	<b>171,665</b>	176,637
Other Land and Buildings	<b>2,684</b>	1,971
<b>Total Balance Sheet Value of HRA Non-Current Assets</b>	<b>174,349</b>	<b>178,608</b>

Dwellings- Vacant Possession Value	<b>440,166</b>	452,916
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The Balance Sheet Value for the dwellings is the 'Existing Use-Social Housing Value' (EUV-SH) and reflects the fact that the dwellings are occupied by secure tenants. The Vacant Possession Value for the dwellings is equivalent to the open market value. The difference between the two values shows the economic cost to Government of providing council housing at less than the open market value.

A decrease in the overall valuation of each Beacon Group has resulted in the valuation loss of £3,933m being impaired to the HRA Income and Expenditure Statement for Council dwellings. A revaluation loss of £40k in respect of other HRA Land and Buildings was also impaired to the HRA Income and Expenditure Statement.

<b>13 Depreciation</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
HRA accounting authorities are required to show depreciation charges for all of the HRA's non-current assets.	<b>£'000</b>	<b>£'000</b>
Dwellings	<b>3,005</b>	2,964
Other HRA property	<b>423</b>	417
Impairment of Capital Improvements charged to the Comprehensive Income and Expenditure Statement	<b>8,830</b>	46,151
	<b>12,258</b>	<b>49,532</b>

The HRA includes a depreciation allowance for dwellings that is the equivalent of the Major Repairs Allowance. This estimate has been used as representing the most accurate measure of depreciation available for dwellings. The MRA has been proved to be an accurate estimate of depreciation, given the value of the assets involved and a reasonable estimate of the average useful life of approximately 48 years.

The depreciation charge in respect of 'Other HRA Property' is included in the Surplus / Deficit on the Provision of services but is reversed out in the Movement in Reserves Statement because, unlike the charge for HRA dwellings, it is not funded by the MRA.

## NOTES TO THE HOUSING REVENUE ACCOUNT

The 2011/12 financial results include £8.830m (2010/11 £46.151m) for Impairment of HRA Assets charged to the Comprehensive Income and Expenditure Statement. Of this impairment figure £3.943m relates to the Revaluation Loss and £4.887m reflects the cost of enhancement works that do not add to the overall valuation of the council housing stock in the Balance Sheet. The impairment figure is reversed out in the Movement in Reserves Statement and therefore does not affect the overall working balance of the HRA.

### 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 £32,450 in respect of redundancy in 2011/12 for 7 housing staff. There was one ill-health retirement but all costs were funded by the Pension Fund, (2010/11 £14,778 for 3 staff voluntary redundancy and £157,310 non Pension Fund costs for one ill-health retirement).

### 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 is charged to the Comprehensive Income and Expenditure Statement but reversed out in the Movement in Reserves Statement and therefore does not affect the fund balances for the year. See Note 51 to the Core Statements for further details on this borrowing.

## 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 (NNDR).

	<b>Coll Fund Notes</b>	<b>2011/12 £'000</b>	<b>2010/11 £'000</b>
<b>Income</b>			
Income from Council Tax	1	48,331	48,093
Transfer from General Fund - Council Tax Benefits	2	10,055	10,005
Income collectable from Business Ratepayers	3	24,683	22,856
		<b>83,069</b>	<b>80,954</b>
<b>Expenditure</b>			
Precepts and Demands:			
- Suffolk County Council		45,136	44,915
- Suffolk Police Authority		6,440	6,408
- Waveney District Council		6,433	6,338
Business rates:			
- Payment to National Pool	3	24,479	22,652
- Cost of Collection Allowance	3	204	204
Bad and Doubtful Debts:			
- Write Offs	5	109	130
- Change in Bad Debt Provision	5	190	140
Share of previous years' Collection Fund Surplus / (Deficit)			
- Suffolk County Council	4	-	-
- Suffolk Police Authority		-	-
- Waveney District Council		-	-
		<b>82,991</b>	<b>80,787</b>
<b>Deficit / (Surplus) for Year</b>		<b>(78)</b>	<b>(167)</b>
<b>Balance brought forward - (Surplus) / Deficit</b>		<b>(282)</b>	<b>(115)</b>
<b>Balance carried forward - (Surplus) / Deficit</b>	6	<b>(360)</b>	<b>(282)</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, 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.

	<b>2011/12</b>	<b>2010/11</b>
	<b>£</b>	<b>£</b>
The average Band D Council Tax set was:	<b>1,447.83</b>	1,446.25

	Chargeable dwellings	Band D Equivalents
The Council estimated its Tax Base for 2011/12 as follows:		
Valuation Band		
A	15,708	10,466
B	13,566	10,551
C	9,361	8,321
D	5,761	5,761
E	2,686	3,283
F	886	1,280
G	509	849
H	31	62
	<u>48,508</u>	<u>40,573</u>
Less:		
Provision for bad and doubtful debts (1.25%)		(507)
<b>Tax Base 2011/12 (Band D equivalents)</b>		<b>40,066</b>

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
The income from Council Tax can be analysed as follows:		
Gross amounts charged	<b>66,181</b>	65,789
Less: exemptions, discounts and reliefs	<b>(7,795)</b>	(7,691)
Council Tax Benefits	<b>(10,055)</b>	(10,005)
	<b>48,331</b>	48,093



## NOTES TO THE COLLECTION FUND

### 2 Transfer from General Fund

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

### 3 Business Rates

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

	<b>2012</b>	<b>2011</b>
The rateable value at 31 March was	<b>£69.6m</b>	£69.5m
The multiplier was	<b>43.3p</b>	41.4p

### 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 April 2011 £'000</b>	<b>Applied in Year £'000</b>	<b>Change in provision £'000</b>	<b>Balance 1 April 2012 £'000</b>
	1,490	(109)	299	1,680
	279	(219)	220	280
	<b>1,769</b>	<b>(328)</b>	<b>519</b>	<b>1,960</b>

## NOTES TO THE COLLECTION FUND

### 6 Collection Fund Balance

	2011/12 £'000	2010/11 £'000
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The Collection Fund surplus/(deficit) at the year end comprises the following:

Surplus / (Deficit) relating to:

Council Tax:

Suffolk County Council	280	220
Suffolk Police Authority	40	31
Waveney District Council	40	31
Total Council Tax	360	282

Community Charges:

	-	-
	360	282

The balance on the Collection Fund will be taken into account in setting future Council Tax levels from 2013/14. 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:

	2011/12 £'000	2010/11 £'000
--	------------------	------------------

Parish and Town Precepts	512	445
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### 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 Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Council's share of Reserves of Associate £'000	Total Reserves £'000
<b>Balance at 31 March 2010</b>	<b>(2,000)</b>	<b>(789)</b>	<b>(4,013)</b>	<b>(2,053)</b>	-	<b>(309)</b>	<b>(9,164)</b>	<b>(201,861)</b>	<b>(211,025)</b>	<b>(34)</b>	<b>(211,059)</b>
<b><u>Movement in reserves during 2010/11</u></b>											
(Surplus) or deficit on provision of services	(6,317)	-	45,408	-	-	-	39,091	-	<b>39,091</b>	-	<b>39,091</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(26,632)	<b>(26,632)</b>	-	<b>(26,632)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,317)</b>	-	<b>45,408</b>	-	-	-	<b>39,091</b>	<b>(26,632)</b>	<b>12,459</b>	-	<b>12,459</b>
Adjustment between Group and Authority Accounts: - Purchase of Goods and Services from Associate										(20)	(20)
<b>Net (Increase) / Decrease before Transfers</b>	<b>(6,317)</b>	-	<b>45,408</b>	-	-	-	<b>39,091</b>	<b>(26,632)</b>	<b>12,459</b>	<b>(20)</b>	<b>12,439</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	4,479	-	(45,398)	424	-	190	(40,305)	40,305	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(1,838)</b>	-	<b>10</b>	<b>424</b>	-	<b>190</b>	<b>(1,214)</b>	<b>13,673</b>	<b>12,459</b>	<b>(20)</b>	<b>12,439</b>
Transfer to/from Earmarked Reserves (note 8)	818	(818)	-	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(1,020)</b>	<b>(818)</b>	<b>10</b>	<b>424</b>	-	<b>190</b>	<b>(1,214)</b>	<b>13,673</b>	<b>12,459</b>	<b>(20)</b>	<b>12,439</b>
<b>Balance at 31 March 2011 carried forward</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	(1,483)	-	76,518	-	-	-	75,035	-	<b>75,035</b>	-	<b>75,035</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(2,277)	<b>(2,277)</b>	-	<b>(2,277)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,483)</b>	-	<b>76,518</b>	-	-	-	<b>75,035</b>	<b>(2,277)</b>	<b>72,758</b>	-	<b>72,758</b>
Adjustment between Group and Authority Accounts: - Purchase of Goods and Services from Associate										(20)	(20)
<b>Net (Increase) / Decrease before Transfers</b>	<b>(1,483)</b>	-	<b>76,518</b>	-	-	-	<b>75,035</b>	<b>(2,277)</b>	<b>72,758</b>	<b>(20)</b>	<b>72,738</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(885)	-	(77,336)	1,629	-	(196)	(76,788)	76,788	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	<b>(2,368)</b>	-	<b>(818)</b>	<b>1,629</b>	-	<b>(196)</b>	<b>(1,753)</b>	<b>74,511</b>	<b>72,758</b>	<b>(20)</b>	<b>72,738</b>
Transfer to/from Earmarked Reserves (note 8)	2,123	(2,123)	-	-	-	-	-	-	-	-	-
<b>(Increase) / Decrease in Year</b>	<b>(245)</b>	<b>(2,123)</b>	<b>(818)</b>	<b>1,629</b>	-	<b>(196)</b>	<b>(1,753)</b>	<b>74,511</b>	<b>72,758</b>	<b>(20)</b>	<b>72,738</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(3,265)</b>	<b>(3,730)</b>	<b>(4,821)</b>	-	-	<b>(315)</b>	<b>(12,131)</b>	<b>(113,677)</b>	<b>(125,808)</b>	<b>(74)</b>	<b>(125,882)</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.

	2011/12			2010/11		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Central Services to the Public	13,168	(10,931)	2,237	13,228	(10,896)	2,332
Cultural and Related Services	5,337	(2,016)	3,321	11,410	(3,426)	7,984
Environmental and Regulatory Services	8,566	(2,550)	6,016	9,132	(2,578)	6,554
Planning Services	2,488	(1,533)	955	3,951	(1,369)	2,582
Highways and Transport Services	1,657	(2,086)	(429)	3,361	(2,956)	405
Housing Revenue Account	23,807	(16,697)	7,110	18,248	(15,550)	2,698
Other Housing Services	40,195	(40,505)	(310)	38,208	(38,317)	(109)
Social Services	132	(7)	125	280	(5)	275
Corporate and Democratic Core	2,015	(158)	1,857	2,578	(332)	2,246
Non-Distributed Costs	8	-	8	169	-	169
Exceptional Items (note 5)	68,286	-	68,286	30,474	-	30,474
<b>Cost of Services</b>	<b>165,659</b>	<b>(76,483)</b>	<b>89,176</b>	<b>131,039</b>	<b>(75,429)</b>	<b>55,610</b>
Other Operating Expenditure (note 9)			1,391			699
Financing and Investment Income and Expenditure (note 10)			957			2,243
Taxation and Non-Specific Grant Income (note 11)			(16,489)			(19,461)
<b>(Surplus) or Deficit on Provision of Services (note 28)</b>			<b>75,035</b>			<b>39,091</b>
Share of (Surplus)/Deficit on the Provision of services by Associate (Group Note 2)			(27)			(24)
Tax expenses of Associate (Group Note 2)			7			4
<b>Group (Surplus)/Deficit</b>			<b>75,015</b>			<b>39,071</b>
Surplus or deficit on revaluation of non-current assets			(12,763)			(3,736)
Impairment losses charged to Revaluation Reserve			-			-
Actuarial (gains)/losses on pension assets/liabilities			10,486			(22,896)
<b>Other Comprehensive Income and Expenditure</b>			<b>(2,277)</b>			<b>(26,632)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>72,738</b>			<b>12,439</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 2012 £'000	31st March 2011 £'000
Property, Plant and Equipment	12	239,188	236,936
Heritage Assets	13	495	276
Intangible Assets	15	373	641
Long Term Investments	16 + 47	10	10
Investment in Associate	Group Note 3	74	54
Long Term Debtors	16 + 48	540	622
<b>Long Term Assets</b>		<b>240,680</b>	<b>238,539</b>
Current Intangible Assets	15	-	-
Short Term Investments	16	-	14,102
Current Assets held for sale	19	784	736
Inventories	17	124	129
Short Term Debtors	18	6,922	6,153
Cash and Cash Equivalents	20	10,757	3,066
<b>Current Assets</b>		<b>18,587</b>	<b>24,186</b>
Cash and Cash Equivalents	20	(10)	(1,296)
Short Term Borrowing	16 + 51	(5,000)	(10,009)
Short Term Creditors	21	(10,945)	(6,075)
Short Term Provisions	22	-	-
Short Term Revenue Grants Receipts in Advance	23	-	-
Short Term Capital Grants Receipts in Advance	23	(1,310)	(1,854)
<b>Current Liabilities</b>		<b>(17,265)</b>	<b>(19,234)</b>
Long Term Creditors	16 + 49	(694)	(694)
Long Term Provisions	22	-	(1,491)
Long Term Borrowing	16 + 51	(84,297)	(21,011)
Long Term Capital Grants Receipts in Advance	23	(1,490)	(1,246)
Other Long Term Liabilities - Pension Liability	40	(29,639)	(20,429)
<b>Long Term Liabilities</b>		<b>(116,120)</b>	<b>(44,871)</b>
<b>Net Assets</b>		<b>125,882</b>	<b>198,620</b>
Usable reserves	Group Note 3	(12,205)	(10,432)
Unusable reserves	25	(113,677)	(188,188)
<b>Total Reserves</b>		<b>(125,882)</b>	<b>(198,620)</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.

	2011/12 £'000	2010/11 £'000
Net (surplus) or deficit on the provision of services	75,035	39,091
Adjust net surplus or deficit on the provision of services for non cash movements (note 26)	(17,845)	(49,575)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,198	754
Net cash flows from Operating Activities	<u>59,388</u>	<u>(9,730)</u>
Investing Activities (note 27)	(9,531)	9,807
Financing Activities (note 28)	<u>(58,834)</u>	<u>(1,563)</u>
Net increase or decrease in cash and cash equivalents	(8,977)	(1,486)
Cash and cash equivalents at the beginning of the reporting period	<u>(1,770)</u>	(284)
<b>Cash and cash equivalents at the end of the reporting period (note 20)</b>	<u><u>(10,747)</u></u>	<u><u>(1,770)</u></u>

## 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 2012 £'000	31st March 2011 £'000
Waveney Norse - Profit and Loss Reserve (WDC Investment)	(74)	(54)
Waveney District Council - Usable Reserves (see <a href="#">Note 24</a> )	(12,131)	(10,378)
Total Group Usable Reserves	(12,205)	(10,432)

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 Opinion**

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## **Independent auditor's report to the Members of Waveney District Council**

### **Opinion on the financial statements**

I have audited the financial statements of Waveney District Council for the year ended 31 March 2012 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. 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 2011/12.

This report is made solely to the members of Waveney District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources 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, and for being satisfied that they give a true and fair view. My 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 me 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 Director of Resources; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.



# **Independent Auditor's Opinion**

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council as at 31 March 2012 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 2012 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 2011/12.

## **Opinion on other matters**

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

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

I report to you if:

- in my 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;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I 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
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

# **Independent Auditor's Opinion**

## **Conclusion on 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.

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

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

### **Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

# **Independent Auditor's Opinion**

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

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Neil A Harris

Officer of the Audit Commission

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

27 September 2012

# 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 fixed 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 fixed asset such as land and buildings, or expenditure that adds to and not merely maintains the value of an existing fixed asset.

## **Capital Receipts**

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

## **Capital Receipts Reserve**

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

## **Collection Fund**

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

## **Community Assets**

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

buildings. 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 fixed 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 fixed assets and other capital expenditure.

# Glossary of Financial Terms

## Earmarked Reserves

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

Lowestoft Charter Trustees – The fund is used to cover the Trustees role including mayoral and civic expenses.

Conservation, Planning and Building Control – A statutory fund to ensure that Building Control expenditure works on a break even basis over a rolling annual period. Also part of the fund was set up to carry out improvement and maintenance work on Lowestoft Scores (this element was closed at 31 March 2012).

District Elections – Resources earmarked to support peak costs of future elections.

Private Sector Housing Stock Condition Survey – Resources earmarked for future survey obligation. The Reserve was closed at 31 March 2012.

Backlog Repairs and Maintenance – Resources earmarked to meet maintenance demands for corporate buildings.

Concessionary Fares Reserve - Resources set aside for any potential liability from a local bus company appeal in respect of the 2009/10 travel scheme. The appeal was lost and the Reserve was closed at 31 March 2011.

Leisure Outsourcing Reserve - Resources set aside towards potential legal costs and other services required to achieve any outsourcing of leisure services.

Actuarial Adjustment Reserve - Set up 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 – Established to even out future year's pressures from the final audit of Housing Benefit Subsidy claims.

Transformation and Efficiencies Reserve-Set up as an Efficiency Reserve in 2010/11 to provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets. The Reserve was expanded to add Transformation for funding future business process improvements.

Land Charges Reserve – Resources earmarked to support the General Fund from losses in future Land Charges income.

Revenue Grants Receipt in Advance Reserve – To match revenue grants received in absence with its related expenditure in subsequent years.

Short Life Asset Reserve – Established 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 benefitting from the use of the asset.

Waste Management Reserve-Established to support the General Fund from the impact of any future changes to recycling credits.

New Homes Bonus Reserve-To be used to support economic development and business growth initiatives. The Government provides additional (un-ring fenced) by match funding the additional council tax raised for new homes and empty properties brought back in to use, for the following six years.

## Fixed Assets

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

## Financial Reporting Standard (FRS)

Accounting practice recommended by the Accounting Standards Board, a subsidiary of the Financial Reporting Council, for adoption in the preparation of accounts.

## General Fund

The main revenue fund of the District Council, to which the costs of the services are charged, (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

# Glossary of Financial Terms

heritage asset is: *an intangible heritage 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).

## Housing Subsidy

A government grant to the Housing Revenue Account, calculated in accordance with a formula specified by the Government, which takes account of notional management and maintenance costs, capital charges, rent income and rent rebates. Housing Subsidy ended on 31 March 2012. (See later paragraph on self-financing HRA).

## Impairment

A material reduction in the value of a fixed 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

Fixed 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 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.

## Major Repairs Allowance (MRA)

An amount of capital resource required to maintain the housing stock in its current condition. This Allowance ended on 31 March 2012 (See later paragraph on Self-financing HRA).

## Major Repairs Reserve (MRR)

A discretionary reserve to which the MRA may be transferred, and that is used to finance major repairs. This Reserve closed on 31 March 2012 (See later paragraph on Self-financing HRA).

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

## Non Domestic Rates (NDR)

See Business Rates

## Non-Domestic Rate Pool

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

## Non-Operational Assets

Fixed assets which are held by the Council but which are not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets surplus to requirements, pending sale or redevelopment.

## Operational Assets

# Glossary of Financial Terms

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

## Out-turn

Actual income and expenditure for the end of the financial year.

## Post Balance Sheet Events

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

## Precept

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

## Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. (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 Inland Revenue for all properties subject to non-domestic rates.

## Rent Allowances / Rebates

See 'Housing Benefits'

## Revaluation Reserve

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

## Revenue Expenditure

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

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

Expenditure that is classified as capital for funding purposes which does not result in the expenditure being carried on the Balance Sheet as a fixed 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 commences on 1 April 2012 and is based on authorities "buying" themselves out of a negative housing subsidy position. For this Council this involves no longer paying into housing subsidy (see earlier paragraph) 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 local housing authorities (Waveney DC).

## 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.

## Trust Funds

Charities administered by Waveney District Council on behalf of the Lowestoft Charter Trustees. The proceeds of each charity must be used in accordance

# Glossary of Financial Terms

with the “Objects of the Charity” and do not form part of the Council’s finances.

## **Usable Capital Receipts**

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

## **UK GAAP**

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

## **Valuation Loss**

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

## **Value Added Tax (VAT)**

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

## **Abbreviations used in the Accounts**

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Principles
FRS	Financial Reporting Standard
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
LAAP	Local Authority Accounting Panel
LGPS	Local Government Pension Scheme
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice