

# Waveney District Council Statement of Accounts 2009-2010

---



# Statement of Accounts 2009/10

## Contents

	<b>Page</b>
Explanatory Foreword by Director of Resources	2
Statement of Accounting Policies	19
Income and Expenditure Account	34
Statement of Movement on the General Fund Balance	35
Statement of Total Recognised Gains and Losses	37
Balance Sheet	38
Cash Flow Statement	39
Notes to the Core Financial Statements	40
Housing Revenue Account (HRA) and Notes	78
Collection Fund and Notes	84
Statement of Responsibilities for the Statement of Accounts	89
Independent Auditor's Opinion	90
Annual Governance Statement	93
Glossary of Financial Terms	109

# Explanatory Foreword by Director of Resources

## 1. Introduction

This foreword 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 2010 are set out on pages 2 to 89.

The Council's Statement of Accounts consists of:

### Core Statements:

- **Income and Expenditure Account** – 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).
- **Statement of the Movement on the General Fund Balance (SMGFB)** – a reconciliation showing how the balance of resources generated/consumed in the year from the Income and Expenditure Account links in with the statutory requirements for raising Council Tax.
- **Statement of Total Recognised Gains and Losses (STRGL)** – a reconciliation of the movement in Net Worth in the Balance Sheet to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses in the year.
- **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** – summarises the inflows and outflows of cash 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. The UK GAAP compliant HRA Income and Expenditure Account is accompanied by a reconciliation statement to the movements on the statutory HRA Balance.
- **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.

These accounts are supported by the **Statement of Accounting Policies** on which the Council has based the Statements, (which follows this Foreword), and by various **notes to the core financial statements**, providing additional information in support of the main financial statements.

## 2. Changes to the Statement of Accounts

There have been some recent changes to the Statement of Accounts. These changes are the result of ongoing developments in the Statement of Recommended Practice (SORP) 2009 covering Local Authority accounting, published annually by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The main changes, (not necessarily all affecting Waveney District Council), are summarised below:

**Private Finance Initiative (PFI)**. The accounting requirements for the PFI and similar contracts are no longer based on the UK accounting standard FRS5 but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC 12 *Service Concession Arrangements*. It is expected that PFI properties used to deliver the PFI services which are

# Explanatory Foreword by Director of Resources

currently “off Balance Sheet” will generally be required to be recognised on local authorities Balance Sheets, along with a liability for the financing provided by the PFI operator. As well as contracts entered into from 1 April 2009, the requirements apply in respect of PFI and similar contracts existing at 31 March 2009, and prior period adjustments will be needed for these. Waveney District Council has no PFI contracts or similar arrangements under IFRIC 12 outstanding at 31 March 2010.

- **Local taxes.** Accounting for local taxes (National Non-domestic Rates and Council Tax) was not covered in detail in previous SORPS, and the requirements are for the first time included specifically in the SORP 2009. This is a result of a review of the relationship between the Billing Authority, which collects Council Tax, and the major preceptors to which much of the collection proceeds are remitted in the form of precepts. A change has been implemented following the questioning by a stakeholder of the accounting methods for local authorities in England, as it was understood that the Billing Authorities (such as Waveney District Council) act as the agent of the major preceptors (Suffolk County Council and Suffolk Police Authority), and that the current practice of including all council tax debtors in the billing authorities’ Balance Sheet did not comply with UK GAAP. CIPFA/LASAAC agrees that the billing authority acts as the major preceptors’ agent and the 2009 SORP includes detailed accounting requirements for the changes which include a requirement to include appropriate shares of Council Tax debtors in the billing authorities’ and major preceptors’ Balance Sheets. Further details are set out in the Statement of Accounting Policies, the Collection Fund and the relevant notes later in this document.
- **National Non-domestic Rates (NNDR).** With the changes set out in the Local Taxes section above, a review followed on other types of local taxes. Previous practice has been to carry National Non-Domestic Rates (NNDR) debtors on billing authorities’ (Waveney DC) Balance Sheets. CIPFA/LASAAC has concluded that billing authorities act as agent of the Government when collecting NNDR. The 2009 SORP includes detailed requirements for accounting for NNDR, which include a requirement that billing authorities shall not recognise NNDR debtors in their Balance Sheets but instead recognise a creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government, or overpaid to the Government, at the Balance Sheet date. Further details are set out in the Statement of Accounting Policies, the Collection Fund and the relevant notes later in this document.
- **Larger parishes and community councils.** The 2009 SORP does not apply from 2009/10 to larger parishes and community councils.
- **Long-term liabilities.** A requirement that the portion of long term financial liabilities that is due to be settled within 12 months after the Balance Sheet date is presented in current liabilities.
- **Note disclosures.** Five note disclosures have been removed as requirements of the 2009 SORP. Notes relating to Section 137 expenditure, expenditure on Publicity, the Building Control account and, income under the Goods and Services Act have been deleted. The fifth Note, Business Improvement Districts, did not apply.
- **Officers’ remuneration.** Government approved new regulations on 31 March 2010 relating to changes in the disclosure of remuneration received by officers in excess of the minimum level of £50,000 per annum. The value of bands disclosed has changed from every £10,000 to every £5,000, over £50,000. There is also a new requirement for the Council to disclose the remuneration, allowances, redundancy and employer’s pension contributions by way of job title for those senior officers who are direct reports to the Head of Paid Service, or a statutory or non-statutory chief officer or senior officer responsible for management, service delivery and budgets. Further detailed information is set out in Note 8 to the Core Financial Statements.

# Explanatory Foreword by Director of Resources

- **Impact of the Economic Climate.** This Explanatory Foreword provides information and explanation relevant to the Accounts. Local Authority Accounting Panel (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 16 later in this Explanatory Foreword.**
- **Other Issues and Amendments.** Further guidance has been issued on a number of technical areas as part of the revised SORP or through LAAP Bulletins. Although many of these issues were not directly relevant or did not apply to the Council in the year, consideration was given to their potential impact on the accounts. These areas included: a revised effective interest rate should be used for financial instruments' cash flow under hedge accounting; recognition of dividends payable under Events after the Balance Sheet Date and clarification when accounting for investments in subsidiaries, associates and joint ventures in the single entity accounts.

### 3. **Accounting Policies**

The Council's Statement of Accounting Policies follows this Explanatory Foreword. The only major changes to the Council's Accounting Policies since the previous Statement of Accounts was produced for 2008/09 are in respect of the CIPFA SORP 2009 changes to Collection Fund and National Non-Domestic Rates accounting, and new paragraphs have been added to Accounting Policies under those headings. Also further information is set out in Paragraph 2 above.

There have been minor changes to some of the phrases or wording. These have been made following a review of the latest Statement of Recommended Practice (SORP) Guidance Notes for Practitioners for the 2009/10 Accounts issued by CIPFA.

### 4. **Unbalanced Budget 2009/10**

On the 26 November 2009 the Council considered a Statutory Report made under Section 114 of the Local Government Finance Act 1988, (LGFA 88) as amended. The LGFA 88, Section 114 (3) requires that "the Chief Finance Officer (CFO) shall make a report if it appears to him that the expenditure to be incurred in a financial year is likely to exceed its resources (including sums borrowed) available to meet that expenditure", following consultation with the Council's Head of Paid Service and its Monitoring Officer.

The report set out a sequence of events from the Council first receiving a letter from the Department of Work and Pensions (DWP) on 11 March 2009 regarding seeking to recover £8.9m Housing Benefit Subsidy from the Council, in relation to the years 2004/05 - 2006/07, at a rate of approximately £2m per annum. The key elements of the report were as follows:

- On 13 November 2009 the Council wrote to the Secretary of State at the DWP to reiterate to her the importance for the Council of obtaining financial certainty from the DWP regarding any claw back of subsidy.
- The report identified that the Council is obliged to ensure that it sets a balanced budget each year.
- The Council has continued to operate under the self-imposed restrictions contained within the Section 114 report on 26 March 2009.
- The Council must set a balanced budget in February 2010. It cannot do so whilst uncertainty remains regarding the extent of any recovery by the DWP given that the Provision of £8.9m continues to rest against the accounts. The original timetable of work during this financial year was designed to culminate in a conclusive decision from the Department early enough for the

# **Explanatory Foreword by Director of Resources**

Council to have sufficient certainty to be able to set a budget in February 2010. £300,000 per annum has been set aside within the Medium Term Financial Strategy for 2010/11 onwards, to mitigate the risks of repayment to the DWP; but the Council needed certainty regarding these sums to be able to actually set a balanced budget for 2010/11 that protects services to its communities and is within Council Tax capping limits.

- Despite the Council's request to the Secretary of State on 13 November 2009, the Council received a letter from the Department on 17 November 2009 that failed to bring the certainty that the Council had hoped to receive. The Department gave the Council until 8 January 2010 to provide further work to them. The Council has immediately begun to carry out this work and hopes to provide the information before January 2010. It is clear that there is a genuine risk that the Council will not have any certainty from the Department before February 2010. In such circumstances it will be extremely difficult for the Council to set a balanced budget during February 2010.
- As a result the Council's Director of Resources has under his statutory obligations, contained within Section 114 of the Local Government Finance Act 1988, issued a further report as "it appears to him that the expenditure of the authority incurred in a financial year (namely 2010/11) is likely to exceed the resources available to it to meet that expenditure.
- The Council must therefore take specific action in respect to the Director of Resources' Section 114 report in an attempt to be able to set a balanced budget for 2010/11. To this end the Council has immediately sought a meeting with the Secretary of State, to also include both the Department for Communities and Local Government, and for reasons explained below, the Department for Environment, Food and Rural Affairs (DEFRA).
- The uncertainty regarding the Council's ability to set a balanced budget may have a significant effect upon ongoing projects, particularly where they involve other partners. The most significant of these projects is the development of the Waveney Campus. The project is based upon the principle that the Council is the Lead Partner. The Council has assembled the site and it is intended that the Council will contract for the building of the Campus and the subsequent Facilities Management of the site. In return it is intended that both Cefas, through DEFRA, and Suffolk County Council will be partners to the project as tenants.
- The Director of Resources has taken legal advice, which confirms that continuing to finance the Waveney Campus project under the current arrangements would be in breach of his own statutory responsibilities. Finding an alternative way of delivering the Campus project will still have adverse repercussions for the Council's revenue budget and resources available to it as a result of not being able to capitalise expenditure and interest on borrowings for the project, already incurred. This would include the Council's estimated share of expenditure to date on the project of £1.5 million, and estimated interest charges to be charged to capital during 2009/10 of £424k.
- The Council agreed the following actions:
  1. That the Leader and Chief Executive have delegated authority to:
    - a) Continue to try to meet with the Secretary of State for the DWP,
    - b) Reinforce with the Secretary of State for the DWP the importance of the need to provide financial certainty for the Council in order to enable it to set a balanced budget in February 2010.

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

- c) Agree any sum to be repaid by the Council to the DWP and an affordable repayment schedule as soon as possible.
2. That officers seek to provide the requested information to the DWP as soon as is practicable, in order to assist the overall process,
3. That the Leader and Chief Executive have delegated authority, following consultation with the Council's monitoring officer, to obtain Counsel's opinion and issue judicial review proceedings challenging the approach and decisions of the DWP, if appropriate,
4. That the Leader and Chief Executive provide, as a minimum, fortnightly written updates to all Councillors regarding their progress,
5. Given the ongoing importance of the Waveney Campus to the Council and to the regeneration of Lowestoft, that the Leader and Chief Executive have delegated authority to seek to achieve delivery of the Waveney Campus through alternative means,
6. Given the effect of the letter from the DWP dated 17 November 2009, as set out within the report, whereby the Council can no longer provide the financial stability required to lead the project, and adequately mitigate the risks surrounding the project; that the Council formally decides that it can no longer be Lead Partner in respect of the Campus project,
7. That the Chief Executive formally writes on behalf of the Council to DEFRA, Cefas and Suffolk County Council setting out clearly the consequences of its decisions in recommendations 1 to 6 above, and the proposed actions of each of the partners going forward to seek to achieve delivery of a Waveney Campus. This will include, although not be limited to, issues such as closing the competitive dialogue, delay to procurement, securing the EEDA grant, the effect of the compulsory purchase order and delivery of the quay headings.

The Statement of Accounts for 2009/10 discloses in Note 3 to the Core Financial Statements, further information relating to the accounting treatment of the claw back from the DWP.

### **5. Waveney Campus.**

The Waveney Campus project partners - Waveney District Council, Cefas and Suffolk County Council met on 17 December 2009, and moved to end a period of considerable uncertainty surrounding the project by agreeing plans that aim to achieve the objectives of new facilities for Cefas, in Lowestoft.

The partners agreed that the challenging economic conditions (exemplified by the Chancellor of the Exchequer's Pre-Budget Review) were likely to create longer-term risks to the project. Various management options for continuing the project in its current form were considered but the partners agreed that the best way forward would be to dissolve the Campus Partnership as it stands and concentrate on finding a suitable alternative option for Cefas. Meanwhile, the Councils will consider alternative options for their accommodation needs.

Further details of the final costs to the Council of the ending of the Council's commitment to the Waveney Campus scheme, and included in the 2009/10 costs within this Statement of Accounts, are set out below:

# Explanatory Foreword by Director of Resources

	£000	£000
Final scheme costs attributable to Waveney DC		1,240
Financed from:		
Campus Reserve contributions	800	
LABGI Reserve	211	
Other	<u>229</u>	<u>1,240</u>
		0

## 6. Value Added Tax (VAT) refund.

The 2008/09 Statement of Accounts disclosed a Contingent Asset in respect of potential reimbursement of VAT from H M Revenue and Customs (HMRC) following a House of Lords decision in the Fleming and Conde Nast cases. The Council employed external VAT consultants in order to submit various claims to HMRC, and following detailed negotiations over a long period of time, HMRC finally notified the Council in March 2010 of a refund due of £574,329 relating to certain parts of the claim, which has been included in the 2009/10 Accounts.

In addition the 2009/10 Accounts reflect statutory interest due on the above refund of £552,282 which has also now been received. The overall sum received by the Council net of fees payable amounted to some £1,064,000, and is shown in the 2009/10 outturn table in paragraph 7 below, and also within the Income and Expenditure Account). 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 two years. See Notes 3, 36 and 37 to the Core Financial Statements for further information.

## 7. 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	Revised Budget £000	Out-turn £000
Net Expenditure	17,857	17,909	7,207
Income from Government and local Taxpayers	17,857	17,909	17,909
Met from/(Added to) General Fund Balances	<u>0</u>	<u>0</u>	<u>(10,702)</u>



# Explanatory Foreword by Director of Resources

## Income from Government and Local Taxpayers

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

	£000
Formula Grant	11,419
Transfer from Collection Fund regarding previous year's (deficit) / surplus	(36)
Amount met by Local Council Taxpayers (prior to SORP adjustments)	6,133
Local Authority Business Growth Incentive Grant	47
Area Based Grant	346
<b>Total income from Government &amp; Local Taxpayers</b>	<b><u>17,909</u></b>

The decrease in net expenditure of £10.702m between the original budget and the out-turn is analysed in the table below:

	£000
Additional Housing and Planning Delivery Grant	(485)
Additional income from lease review, plus back rent	(289)
Staffing – additional savings from pay settlement, restructures and vacancy management.	(229)
Home Alarms-Additional savings to General Fund	(121)
Additional Government support for NNDR deferral & improved cost recovery performance	(118)
Waveney Norse-returned budgets and profit share	(117)
Coast Protection-phasing of R and M	(88)
Land Charges – favourable effect of charging scheme	(88)
Slippage in LDF expenditure-to be absorbed in future years	(68)
Lower than anticipated demand on Housing Options service	(67)
Additional 2009/10 Benefits Admin Grant	(65)
Budget carry forwards savings	(47)
Return of LABGI earmarked reserve to General Fund	(211)
Campus Reserve-cancel budgeted contribution and return of balance to General Fund	(800)
Campus abortive costs-charged to revenue	1,240
Capital related accounting adjustments	606
Reduced recharges outside General Fund	108
Additional Marina Theatre deficit	119
Concessionary Fares-increased demand for scheme and provision for appeal	421
Contribution to new earmarked reserve - Leisure Projects	150
Net other variances	(17)
	<u>(166)</u>
Additional general Government Grants - ABG & LABGI	(52)
	<u>(218)</u>
Additional VAT refunded by HMRC (see paragraph 6 above)	(1064)
	<u>(1,282)</u>
Reduction in Provision / Creditor for DWP claw back - Housing Benefit Subsidy	(9,420)
<b>Overall change in General Fund Balance (Original Budget to Outturn)</b>	<b><u>(10,702)</u></b>

Further detailed analysis of the gross expenditure and income on services together with interest payable and receivable is set out in the Income and Expenditure Account. In addition, Note 46 to the Core Financial Statements provides an analysis of Government Grants received.

The out-turn results show an increase in the amount taken to the General Fund Balance of £10.702m compared to the Original Budget set in February 2009.

## Explanatory Foreword by Director of Resources

In addition to this sum, approximately £47,000 has been approved to be carried forward to be spent in 2010/11 to allow a small number of projects to be completed.

The provision of £9.8m brought forward in respect of potential claw back of Housing Benefit Grant for the financial years 2004/05 to 2007/08, originally notified by the Department of Work and Pensions in March 2009, has now been reversed and replaced by a Creditor of £379,000 as a result of the additional work undertaken by officers. Further information on the latest position is set out in Paragraph 15 below, and also in Note 34 to the Core Financial Statements.

The transfer of the £10.702m surplus to the General Fund balance results in a positive balance of £1.996m at 31 March 2010 (overdrawn £8,706k in 2008/09) (Notes 15 and 20 to the Core Financial Statements show the impact on reserves).

### *Redundancy payments*

Included within the General Fund net expenditure above are payments to 26 staff who were made redundant during 2009/10. The costs of £948,951 have been charged to the General Fund Income and Expenditure Account and to the relevant service area where staff were employed. These costs were funded from Capital Resources, following the receipt of approval to capitalise these sums from the Secretary of State for Communities and Local Government. The payments are analysed below:

	£
Redundancy payments	357,842
Payments to Pension Fund	<u>591,109</u>
Total paid	<u>948,951</u>

In addition, payments of £36,900 were made to a further 7 staff, and charged directly to the Housing Revenue Account (see paragraph 8 below for details). More detailed information is shown in Note 3 (Exceptional Items) 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 first full years' trading figures for WNL are for its Accounts up to 1 February 2010 (only 7 months to 1<sup>st</sup> February 2009 completed in 2008/09). At the time this draft Statement of Accounts is being submitted for Member approval, the Council has only recently received draft 2009/10 unaudited accounts from WNL.

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 Net Cost of Services in the Income and Expenditure Account. Further information is set out in Note 40 to the Core Financial Statements (Interest in Companies).

# Explanatory Foreword by Director of Resources

General Fund - Future Budget Plans

## 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 £17,580,900 in 2010/11. This represents a headline increase of £495,700 or 2.9% over the budget for 2009/10 of £17,085,200. The budget by priority theme that the Council approved from 1 April 2010 is set out below:

Priority Theme	2009/10 Revised Budget £	2010/11 Original Budget £	2011/12 Forecast Budget £	2012/13 Forecast Budget £	2013/14 Forecast Budget £
Finance and Performance Management	5,204,700	5,633,200	5,876,600	5,848,300	5,961,400
Learning and Skills for the Future	105,000	107,600	110,300	113,600	117,100
Prosperous and Vibrant Economy	-73,600	-280,300	-514,200	-706,300	-753,500
The Greenest County	5,507,000	6,223,700	6,210,600	6,480,100	6,491,700
Safe, Healthy and Inclusive Communities	6,342,100	5,896,700	5,974,300	6,103,600	6,109,800
<b>Budget Requirement</b>	<b>17,085,200</b>	<b>17,580,900</b>	<b>17,657,600</b>	<b>17,839,300</b>	<b>17,926,500</b>
<b>Financed by:</b>					
Formula Grant	-11,419,500	-11,699,700	-11,600,000	-11,600,000	-11,500,000
Collection Fund Deficit	35,900	0	0	0	0
Tax	-5,701,600	-5,881,200	-6,057,600	-6,239,300	-6,426,500
<b>Cumulative Budget Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The reasons for the increase in the 2010/11 Budget compared to 2009/10 are summarised below:

	£000
Budget Requirement 2009/10	17,085
Pay and Price Increases	122
Statutory Requirements	1,071
Service Developments	405
Efficiencies and Savings	-1,857
Additional Income	-667
Movements in Reserves and other Financial Transactions	1,422
<b>Budget Requirement 2010/11</b>	<b>17,581</b>

The Council will have to monitor and update its future plans in light of Government announcements on spending both pre and post budget.

## Explanatory Foreword by Director of Resources

### 8. 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	Revised Budget £000	Out- turn £000
Expenditure (including impairment – see below)	16,141	16,463	17,568
Income	(17,958)	(18,355)	(15,439)
HRA share of Corporate and Democratic Core	519	606	555
Interest and Gain/Loss adjustment	340	394	328
Net amount to be credited as required by Statute (inc. impairment)	1,177	889	(2,645)
Taken from/(Added to) reserves	219	(3)	367

The deficit for the year was £148,000 more than the original budget. The main reasons for this are:

	£000
Slippage and Savings on Repairs and Maint. (utilised in part to fund capital programme)	(104)
Reduced negative subsidy payable due to revised subsidy determination	(360)
Voluntary redundancy and associated pension costs – not originally anticipated.	37
Change of funding split from Capital to Revenue on implementation of new IT system	48
Net increase in general cost of Policy and Management of HRA	58
Increased HRA contribution to Central Support and Corporate and Democratic Core	77
Reduction in total net income due mainly to revised subsidy determination	183
Additional impact of pension fund adjustments	207
Other variances	2
<b>Change from 2009/10 Original Budget to Outturn</b>	<b>148</b>

After taking the deficit of £367k for the year into account, the HRA working balance is £4.013m at 31 March 2010, (31 March 2009 £4.380m).

The 2009/10 financial results include £4.118m relating to impairment of HRA assets in the year (£22.174m in 2008/09). This partly represents enhancement works that do not add to the overall valuation of the council housing stock in the Balance Sheet, and partly the impact of the fall in property prices affecting Council Houses as a result of the economic downturn. It is important to note, however, that this impairment is reversed out in the Statement of Movement of HRA Balances and therefore does not affect the overall working balance of the HRA.

#### Redundancy payments

Included within the net expenditure are payments to 7 HRA staff that were made redundant during 2009/10. The costs of £36,900 have been charged to the HRA Income and Expenditure Account.

The payments are analysed below:

	£
Redundancy payments	20,139
Payments to Pension Fund	16,761
Total Paid	<u>36,900</u>

# Explanatory Foreword by Director of Resources

## Future HRA Budget Plans

Set out below are details of the HRA budget plans approved in January 2010 for the period from 2009/10 Revised Budget to 2013/14:

Housing Revenue Account (HRA)	2009/10 Revised Budget £	2010/11 Original Budget £	2011/12 Forecast Budget £	2012/13 Forecast Budget £	2013/14 Forecast Budget £
Total Income	18,355,300	18,713,600	19,540,400	20,403,900	21,334,000
Less					
Total Expenditure	16,463,200	17,132,900	17,762,800	18,538,300	19,345,800
Net cost HRA Income & Expend. a/c	(1,892,100)	-1,580,700	-1,777,600	-1,865,600	-1,988,200
Share of Corporate and Democratic Core	606,000	608,000	622,000	592,000	610,000
<b>Net cost of HRA Services</b>	<b>(1,286,100)</b>	<b>-972,700</b>	<b>-1,155,600</b>	<b>-1,273,600</b>	<b>-1,378,200</b>
Interest payable and similar charges	403,400	395,600	395,600	395,600	407,000
Interest and Investment Income	(9,500)	(9,500)	(9,500)	(9,500)	(10,000)
<b>Surplus for year on HRA services</b>	<b>(892,200)</b>	<b>(586,600)</b>	<b>(769,500)</b>	<b>(887,500)</b>	<b>(981,200)</b>
<b>Balance Summary</b>					
<b>Surplus for year-HRA Inc. &amp; Ex a/c</b>	<b>(892,200)</b>	<b>(586,600)</b>	<b>(769,500)</b>	<b>(887,500)</b>	<b>(981,200)</b>
Net additional amount required by Statute to be debited to the HRA	889,000	582,000	679,000	828,000	498,100
<b>Increase in HRA Balance for year</b>	<b>(3,200)</b>	<b>(4,600)</b>	<b>(90,500)</b>	<b>(59,500)</b>	<b>(483,100)</b>
HRA balance brought forward	(4,380,600)	(4,383,800)	(4,388,400)	(4,478,900)	(4,538,400)
<b>HRA balance carried forward</b>	<b>(4,383,800)</b>	<b>(4,388,400)</b>	<b>(4,478,900)</b>	<b>(4,538,400)</b>	<b>(5,021,500)</b>

The Council will need to monitor the outcomes of Government consultation on proposed changes to the operation of the HRA as it revises its spending plans later in the year.

## 9. 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 part of the 2009 SORP, changes have now been made to the way this Council accounts for its relationship with the major preceptors (Suffolk County Council and Suffolk Police Authority). Further details are set out in paragraph 2 above (changes to the Statement of Accounts).

As at 31 March 2010, the Collection Fund has a surplus of £115,000, (2008/09 deficit £96,000) reflecting an in-year surplus of £211,000. The in-year surplus is mainly due to a better than forecast Collection Fund balance at 31/03/09 offset by an overall increase in the Provision for Bad Debts in 2009/10. The £115,000 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.

After taking into account the deficit contributions of £332,000 already calculated to be received from the precepting / billing authorities for 2009/10, based on the forecast deficit for that financial year, Waveney's share of the surplus will be approximately £13,000, and will be taken into account when setting 2011/12 Council Tax levels.

# Explanatory Foreword by Director of Resources

## 10. Capital

Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The following table shows the capital outturn results for 2009/10 against the original budgeted programme approved in February 2009. (See Note 22 to the Core Financial Statements for further information).

	Original Budget £000	Revised Budget £000	Out- turn £000
Community Safety	141	55	5
Customer Access	50	277	65
Environment	1,718	1,620	1,683
Health & Well Being	413	756	527
Housing – Council Housing	4,403	4,838	4,970
Housing – Private Sector	1,092	948	948
Performance	235	1,719	1,123
Regeneration	15,063	3,440	251
Total Capital Expenditure.	23,115	13,653	9,572
Cancelled Campus scheme-year-end charge to Revenue a/c / Partners			-4,389
Total Capital Expenditure	23,115	13,653	5,183

The out-turn was £17.932m below the Original Budget for 2009/10, (£6.021m below in 2008/09) and the reasons for this are detailed in the table below:

	£000
Waveney Campus-project cancelled	(12,011)
Waveney Campus-aborted project costs charged to revenue	(4,389)
Quay Heading Works-slipped to 2010/11	(2,152)
Battery Green Car Park-slipped to 2010/11	(496)
Coast Protection Minor Works-slipped to 2010/11	(200)
Improvements-Water Lane-slipped to 2010/11	(180)
Waveney Norse vehicles and plant-savings and slippage to 2010/11	(160)
Private Sector Housing works-reduced funding allocation	(144)
CCTV digitalisation-slipped to 2010/11	(141)
Asbestos and DDA works to corporate buildings-slipped to 2010/11	(91)
Offset by:	
Lowestoft seafront-slippage b/fwd from 2008/09	101
IT operating system-slippage b/fwd from 2008/09	107
Waveney Sunrise Scheme-funded by contributions.	238
North Lowestoft Skate Park-slippage b/fwd from 2008/09	239
Council Housing Works	567
Voluntary redundancy costs- approved for Capitalisation by Secretary of State	949
Other variations (net)	(169)
<b>Variation between Original Budget and Outturn 2009/10</b>	<b>(17,932)</b>

# Explanatory Foreword by Director of Resources

The Capital Programme was financed as follows.

	Out- turn £000
Unsupported Borrowing	(1,899)
Capital Receipts	1,466
Government Grants and Contributions	3,431
Major Repairs Reserve	3,881
Revenue / Revenue Reserves	1,453
	<hr/> 8,332
Less cancelled Campus scheme- contributions adjustment	<hr/> (3,149)
	<hr/> <b>5,183</b> <hr/>

The most significant item of capital expenditure in the 2009/10 financial year related to the Waveney Norse vehicle replacement programme, totalling £1.26m.

There were no significant asset disposals in the year.

The statutory limit on the Council's borrowing for capital purposes at 31 March 2010 was £40.52m (£75.59m 2008/09). The external borrowing at that date was £31.011m (£37.512m 2008/09).

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

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Capital Expenditure	10,443	6,483	6,515	5,398
<i>Financed by</i>				
Internal Sources of Finance	779	876	1,025	689
External Sources of Finance	9,664	5,607	5,490	4,709
	<hr/> 10,443	<hr/> 6,483	<hr/> 6,515	<hr/> 5,398

The most significant items in the Council's future capital programme are the inclusion of £2m in 2010/11 for Southwold Harbour-North Wall replacement, ongoing replacement of vehicles and plant (£962,000 in 2010/11) and free swimming/refurbishment of Water Lane Leisure Centre (£1.043m in 2010/11).

## 11. Pensions

Pension costs are accounted for in accordance with the accounting standard FRS17. The objectives of FRS17 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.

FRS17 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the FRS17 figures with the actual cash payments made to the Pension Fund. The actual payments are shown in the Statement of Movement on the General Fund Balance.

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 £54.619m in 2009/10 (2008/09 £26.152m), 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 14 to the Core Financial Statements.

## Explanatory Foreword by Director of Resources

The next triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund is due to be completed as at the 31 March 2010. A revised common rate of employer's contribution will commence on 1 April 2011, taking into account the net pension liability disclosed above.

### 12. Reserves

Details of the movements in all reserves are shown in Notes 15 and 20 to the Core Financial Statements. The main revenue reserves held at 31 March are as follows:

	31 March 2010 £000	31 March 2009 £000
General Fund (see comment in paragraph 15 below)	1,996	(8,706)
Earmarked Reserves	789	1,096
Housing Revenue Account (HRA)	4,013	4,380
Major Repairs Reserve (HRA)	2,053	2,973
Collection Fund Adjustment Account	13	(10)
	<hr/>	<hr/>
	8,864	(267)

### 13. Single Status Job Evaluation

The Council has been working towards a collective arrangement for local implementation of the national Single Status agreement. An additional provision of £420,000 has been included in the 2009/10 accounts to meet potential future costs of compensation and arrears obligations (balance 31/03/10 £1.991m). Future year revenue implications are incorporated in staffing budgets where the existing Provision is estimated to be insufficient to cover any future claims. (See Note 34 to the Core Financial Statements for more detailed information). The Council continues to monitor the national position and its potential impact locally.

### 14. 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.

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 2009/10 financial year. These are listed in the table that follows:



# Explanatory Foreword by Director of Resources

Strategic Partner	Service Delivery
<i>Third Parties:</i>	
Norfolk County Council-Waveney Norse Limited.	Waste Control, Sports Grounds, Cemeteries, Parking, Parks and Open Spaces, Public Conveniences, Beach Management and other Operational Services.
Norfolk County Council-NPS Property Consultants Ltd, from 1 August 2009.	Asset Management
<i>Joint Arrangements:</i>	
Suffolk County Council, St Edmundsbury Borough Council, Babergh, Forest Heath, Mid-Suffolk, Suffolk Coastal and Waveney District Councils.	Emergency Services - Joint Emergency Planning Unit.
Suffolk County Council, St Edmundsbury and Ipswich Borough Councils, Babergh, Forest Heath, Mid-Suffolk and Waveney District Councils.	Legal Services.
Suffolk Coastal and Waveney District Councils, and Ipswich Borough Council Audit Partnership.	Internal Audit service.
Suffolk Coastal and Waveney District Councils	Senior Management (Chief Executive and Head of Planning)

## 15. Overall Financial Position

When members approved the budget for 2009/10 in February 2009, the budget report identified a target level of General Fund reserves of between £2m and £3m 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 2009 included additional budgetary provision of £300,000 per annum from 2010/11, in order to increase the level of the General Fund Balance towards the target level.

On 11 March 2009 a letter from the Department of Work and Pensions (DWP) outlined plans to claw back a total of £8.9m Housing Benefit Subsidy grant for the financial years 2004/05 to 2006/07, and a further claw back of £0.9m was estimated for 2007/08. As a consequence the full extent of the potential liability of £9.8m was included within the 2007/08 Accounts, and resulted in a material deficit balance on the General Fund as at 31 March 2008 of £8.582m.

On 20 March 2009, the Council was invited to undertake further work to provide information in respect of the subsidy years 2004/05 to 2007/08 to help mitigate this position, with a response deadline of 31 May 2009. In carrying out the rework the Council was looking at every claim, some 18,000 records, and ensuring that those records were held on its document management system.

No change was made to the Provision within the 2008/09 Statement of Accounts because work was still ongoing.

With so many cases to be reviewed within the timescale it was not possible to forensically look at all cases failing. The DWP agreed to give a final extension to revisit each individual case, by the end of June 2010. As a consequence of reviews of previous legislative interpretation in some areas, finding missing evidence and proxies for it, the Council's potential liability has reduced to some £379,000 covering the period 2004/05 to 2008/09.

This has resulted in a Post Balance Sheet Event adjustment to the unaudited accounts approved by Council in June 2010. Those accounts showed General Fund balances in deficit by £1.424m, but following the resolution of this matter, the General Fund is now in surplus by £1.996m at 31 March 2010.

Due to the recent refund of VAT and related statutory interest on the Council's outstanding claims to HMRC, (see paragraph 6 above for further information), the Council's General Fund Balance has benefited by an additional £1.064m (net of fees) in 2009/10, which could not have been budgeted

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

for, as the amount awarded by HMRC and the date when a decision was made, could not be previously determined. This amount is included in the balance of £1.996m reported above.

The Council and its partners agreed in December 2009 that the best way forward would be to dissolve the Waveney Campus Partnership. The Council's net residual costs totalling £1.240m, previously capitalised, have now been charged to the General Fund revenue account in 2009/10, and are included in the Out-turn figures in Paragraph 7 above. Further details about Waveney Campus are set out in Paragraph 5 above.

The Council undertook some debt restructuring during the year which saw it take out 4 new long term variable interest loans totalling £10m during 2009/10 and repay 4 long term fixed rate loans totalling £16.5m, leaving the Council's outstanding long term borrowing at £31.011m. Further information is set out in Note 32 (Longer Term Borrowings) to the Core Financial Statements.

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

Nationally the economy has been severely affected by the worldwide credit crunch. The Bank of England's bank rate fell from a peak of 5.25% in April 2008, finishing at 0.5% in March 2009, which is where it has remained, unchanged, throughout the financial year 2009/10. Reduced income returns from investments, the reduction in growth in the economy and the slump in the housing market has had an affect on this Council's services. Service delivery pressures have increased on:

- Housing Benefits from additional claimants;
- Extra Homelessness applications;
- Additional support required from the Economic Development Team; and
- Pressure on collecting Council Tax, Non Domestic Rate and Rents, with difficulties in recovery of outstanding debts.

In addition some income budgets closely related to the housing market have seen falls in cash received over the last 2 years, for instance Building Control Fees income. The original budget for 2009/10 was £373,000 and the final outturn for 2009/10 was £305,000, a fall of £68,000.

Although the Council had higher cash deposits available to invest, returns on investment interest income have continued to be at 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 14 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 2010 increased to £54.619m compared to £26.152m a year earlier. This can be attributed to the same reasons set out above relating to interest rates, falling property values, longer life spans together with the downward pressures on stock markets and share values around the world. This may impact on the Council's future employer's contributions to the Pension Fund following the next triennial review as at 31 March 2010, to be implemented from 2011/12.

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 Fixed Assets. (See Note 23 to the Core Financial Statements for further details). The financial impact of Impairment of Fixed Assets in 2009/10 was £5.214 m (2008/09 £33.644 m).

# **Explanatory Foreword by Director of Resources**

## **17. Actions arising from the 2008/09 Accounts, impacting on 2009/10**

Following the further work undertaken to resolve the issues raised by the DWP relating to Housing Benefit Subsidy claims, the original provision of £9.8m brought forward has now been reversed and the revised obligation of £379,000 has been set-up as a Creditor in the audited accounts. This has restored balances to just under £2m and has addressed the related risk and uncertainty in relation to setting a balanced budget and the level of reserves. Further information is set out in Note 34 to the Core Financial Statements..

## **18. Local Government Reorganisation**

On 10 February 2010 the Minister for Local Government at the Department for Communities and Local Government announced her decision for the restructuring of local government in Devon, Norfolk and Suffolk. For Suffolk the Minister shares the Boundary Committee for England (BCE)'s assessment that the alternative proposals they have put forward for Suffolk meet the 5 criteria- affordability, broad cross section of support, strategic leadership, neighbourhood empowerment and value for money and equity on services. However, it is equally clear to the Minister that neither of the unitary proposals that she considers meet the criteria, is supported by all the principal councils in the County.

Accordingly, the Minister concluded not to take a statutory decision on the Suffolk proposals, and to invite all the Suffolk councils, with their Members of Parliament, consulting other stakeholders and through a county constitutional convention, to reach a consensus on a unitary solution for the area.

On 20 May 2010 the Government announced that all work on the restructuring of councils in Norfolk, Suffolk and Devon must cease with immediate effect.

## **19. 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 523664).

## **20. Translation Services**

An electronic version of the latest Annual Report is currently available for translation from [waveney.gov.uk](http://waveney.gov.uk).

Information on the Waveney District Council website [www.waveney.gov.uk](http://www.waveney.gov.uk) can be translated into various languages.

If you would like a copy or a summary of this Statement of Accounts in an alternative language or format, please ask an English speaking friend to contact us at the address below:

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

Or email: [david.ellis@waveney.gov.uk](mailto:david.ellis@waveney.gov.uk)

# **Statement of Accounting Policies**

## **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. It complies with proper accounting practice under the terms of the Local Government and Housing Act 1989 and the Local Government Act 2003.

## **Accruals of income and expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, and where material to the accounts, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the Income and Expenditure Account on the basis of the effective interest rate for the relevant financial instrument, which may differ from the actual 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 income 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.
- 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.

## **Collection Fund**

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities (Waveney District Council) have no discretion to determine which receipts and payments are accounted for within the Fund and which outside. The SORP requires the inclusion of an Income and Expenditure Account for the Collection Fund (together with explanatory notes) within the Statement of Accounts for every Council Tax billing authority. The account reflects the statutory requirement contained in Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and

## **Statement of Accounting Policies**

National Non-Domestic Rates (NNDR). There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances should be consolidated into each billing authority's Balance Sheet.

The effect on the Collection Fund is:

- Revenue Support Grant and amounts distributed from the national pool are paid directly to all billing and precepting authorities and will be disclosed on the face of the Income and Expenditure Account.
- Parish Precepts are paid from the General Fund of billing authorities and will be disclosed on the face of the Income and Expenditure Account.
- Interest is not payable on cash flow transfers between the General Fund and the Collection Fund.
- The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made on 15 January of the year-end balance.

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts in respect of council tax and national non-domestic rates (NNDR). The fund's key features relevant to accounting for Council Tax in the core financial statements are:

- a) In its capacity as a billing authority an authority acts as an agent. It collects and distributes Council Tax income on behalf of the major preceptors and itself,
- b) While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors (and in turn to their General Funds).
- c) The amount credited to the General Fund under statute is an authority's precept or demand for the year plus the authority's share of the surplus on the Collection Fund for the previous year or less its share of the deficit on the Collection Fund for the previous year; and this amount may be more or less than the accrued income for the year in accordance with Generally Accepted Accounting Principles (GAAP), although in practice the difference would usually be small.

Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority, or in the case of major preceptors, the amount that under regulation was paid from the Collection Fund to the major preceptor.

From the year commencing 1 April 2009, for both billing authorities and major preceptors, the Council Tax included in the Income and Expenditure Account for the year shall be the accrued income for the year. Each major preceptor's share of the accrued Council Tax income would be available from the information that is required to be produced in order to prepare the Collection Fund Statement.

For both the billing authority and the major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling amount in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax Debtors belongs proportionately to the billing authority and

## **Statement of Accounting Policies**

the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from Council Taxpayers.

If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from Council Tax debtors/creditors in the year, the billing authority shall recognise a debit adjustment for the amount overpaid to the major preceptor in the year and the major preceptor shall recognise a credit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year. If the cash paid to a major preceptor is less than its proportionate share of net cash collected in the year from Council Tax debtors/creditors the billing authority shall recognise a credit adjustment for the amount underpaid to the major preceptor in the year and the major preceptor shall recognise a debit adjustment for the same amount to the debtor/creditor position between them brought forward from the previous year.

The Council's Cash Flow Statement includes in "Revenue Activities" cash flows only for its own share of Council Tax net cash collected from Council Tax debtors in the year; and the amounts included for precepts paid excludes the amounts paid to major preceptors. The difference between the major preceptors' share of the net cash collected from Council Tax debtors and net cash paid to major preceptors as precepts and settlement of the previous years' surplus or deficit on the Collection Fund is included as a net increase/decrease in other liquid resources.

### **Contingent Liabilities**

If there is a possible obligation that may require a payment or a transfer of economic benefit, it is not accrued in the accounting statements, but is disclosed by way of a note to the accounts.

### **Estimation Techniques**

Separate disclosures are given within the notes to the accounts where the amounts estimated are so significant that the use of a different estimation technique could materially affect the financial statements.

### **Events after the Balance Sheet Date**

Where a material post balance sheet event occurs which provides additional evidence relating to conditions existing at the balance sheet date, or indicates that application of the going concern concept to a material part of the authority is not appropriate, changes are made in the amounts to be included in the Statement of Accounts.

The occurrence of any material post balance sheet event, which concerns conditions that did not exist at the balance sheet date, is also disclosed.

### **Exceptional Items**

An Exceptional Item is one that is material in terms of the Council's overall expenditure and is not expected to recur frequently or regularly. Exceptional events can potentially include large-scale redundancies, expenditure in respect of emergencies and costs of industrial action.

Exceptional items are included in the cost of the service to which they relate, or on the face of the Income and Expenditure Account if that degree of prominence is necessary to give a fair presentation of the accounts.

### **Financial Instruments – Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is

## Statement of Accounting Policies

the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account, 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. Discounts are written down over a maximum period of ten years. The reconciliation of amounts charged to the Income and Expenditure Account with the net charge required against the General Fund Balance, is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### **Financial Instruments – Financial Assets**

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- 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 initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any loans made at less than market rates are known as “soft loans”. When soft loans are made, a loss is recorded in the Income and Expenditure Account (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 at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account.

# Statement of Accounting Policies

## *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.

## **Financial Instruments Entered Into Before 1 April 2006**

The Council entered into one financial guarantee not required to be accounted for as financial instrument, as it was entered into prior to 1 April 2006. This guarantee is reflected in the Statement of Accounts through the disclosure notes on contingent liabilities, and no further adjustment is required.

## **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears Government grants and third party contributions and donations are accounted for on an accruals basis and recognised as income in the accounts at the date that the Council satisfies the conditions of entitlement for their receipt have been complied with and there is a reasonable assurance that the grant or contribution will be received, and the expenditure for which the grant is given has been incurred.

Specific revenue grants are credited to the appropriate service revenue account where they are matched with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Grants and contributions towards fixed assets are credited to a Grants Deferred Account and written off to the appropriate Service Revenue Account over the useful life of the assets to match the depreciation of the assets to which they relate.

## **Intangible Fixed Assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when the original cost exceeds £10,000 and where it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

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

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

Following a review of the Group Accounting requirements of the 2009 Statement of Recommended Practice (SORP), including completion of the SORP Flow Chart within the Guidance Notes, and a review of the Norse Agreement in conjunction with NCS, the Council's accounting relationship with WNL for 2009/10 has been determined as a *Simple Investment*.

WNL has an accounting date of 1 February, and up to the date that this Statement of Accounts has been approved for issue, only draft unaudited accounts have been received from WNL. Further detailed information regarding the agreement is set out in Note 40 to the Core Financial Statements (Interests in Companies).



# Statement of Accounting Policies

## **Investments**

All investments are recorded in the Balance Sheet at cost.

## **Leasing**

### *Finance Leases*

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Statement of Standard Accounting Practice (SSAP) 21 sets out the definition of a Finance Lease, i.e. a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. A lease qualifying, as a Finance Lease under SSAP 21 will result in the recognition of an asset in the lessee's Balance Sheet (and matching liabilities for rentals), with the value of the asset recognised being treated as capital expenditure by the lessee.

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### *Operating Leases*

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable under operating leases are charged to the relevant service revenue account on an accrual straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### *The Council as Lessor*

Where the Council acts as lessor, rents receivable in respect of operating leases are credited to service revenue accounts on a straight-line basis over the term of the lease. Such assets are held on the Balance Sheet and are depreciated over their useful lives. Material assets leased on finance leases are recorded in the Balance Sheet as a debtor at the amount of the net investment in the lease. Rentals are apportioned between the finance charge (which is credited to the income and expenditure account) and the repayment of the debtor.

## **National Non-Domestic Rates (NNDR)**

The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR) is carried out by authorities in England as an agent activity on behalf of central government and should be accounted for accordingly. Generally, authorities treat all amounts collectable from ratepayers as being payable to central government, apart from an allowance retained by authorities as a contribution towards costs of collection.

It therefore follows that:

- a) NNDR income is not the income of the Council and is not included in its Income and Expenditure Account. The Cost of Collection Allowance received by billing authorities is the Council's income and is included in the Income and Expenditure Account.

## **Statement of Accounting Policies**

- b) NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the Council and are not recognised in the Balance Sheet.
- c) Cash collected from NNDR taxpayers (net of the Cost of Collection Allowance) belongs to the Government and any amount not paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the Cost of Collection Allowance), the excess is included in the Balance Sheet as a debtor.
- d) Cash collected from NNDR taxpayers by the Council is collected for the Government and is therefore not a revenue activity of the Council, and is not included in the Council's Cash Flow Statement as a cash inflow 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 a revenue activity and 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 management of liquid resources as a net increase/decrease in other liquid resources.
- e) Amounts are sometimes billed to NNDR taxpayers over and above the amount due, usually to recover the Council's costs of pursuing unpaid NNDR debts. Any amounts charged to NNDR taxpayers in respect of amounts that the authority is not required to account to the Government are income to the Council.

As the 2009 SORP requirements are different from the accounting policies previously followed by the Council, prior year adjustments have been made to the Balance Sheet and Cash Flow Statement. Billing authorities have previously included in their Balance Sheet:

- NNDR taxpayers' debtor and creditor balances and an impairment allowance for doubtful debts, and
- A creditor or debtor with the Government for the under or over payment into the national pool for the year representing the difference between NNDR income accruing for the year (net of the Cost of Collection Allowance) and the NNDR cash paid to the Government in the year excluding the amount paid/received to settle the previous year's under or overpayment into the national pool.

Under the 2009 SORP (and GAAP) the NNDR taxpayers' debtor and creditor balances and impairment allowance for doubtful debts are not Balance Sheet items of the Council since it acts as an agent of the Government when collecting NNDR. The amount due to or from the Government is not an amount that, under the 2009 SORP is recognised in the Council's Balance Sheet. It does not represent an actual debtor/creditor position between the Council and the Government; it is simply part of the mechanism for determining the instalments by which the Council pays over the NNDR taxpayers' cash to its principal, the Government. Under the 2009 SORP the correct debtor/creditor position that is recognised in the Council's Balance Sheet is the amount of cash collected from NNDR taxpayers (less the amount retained in respect of the Council's Cost of Collection Allowance) that has not yet been paid over to the Government or has been overpaid to the Government on the Balance Sheet date.

The Council has restated its 2008/09 Balance Sheet by derecognising:

- NNDR taxpayers' debtor and creditor balances,
- Impairment allowance for doubtful NNDR debts,

## Statement of Accounting Policies

- The creditor/debtor with the Government for the amount under or overpaid into the national pool for 2008/09.

The Council has recognised a creditor with the Government for cash collected from NNDR taxpayers (less cash retained in respect of the Council's Cost of Collection Allowance not yet paid to the Government at the Balance Sheet date, or a debtor if it has "overpaid" the Government. This amount equals the net amount of the three Balance Sheet items derecognised above and therefore provides the double entry for them.

Since they are not revenue activities of the Council, which acts as an agent, the restated 2008/09 Cash Flow Statement has excluded from "Revenue Activities":

- Cash received from non-domestic rate receipts (except for the amount retained in respect of the Cost of Collection Allowance) and
- National non-domestic rate payments to national pool.

The difference between these two above amounts is included in management of liquid resources as a net increase/decrease in other liquid resources.

### **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 Best Value Accounting Code of Practice 2008 (BVACOP). 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; and

Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services, and are not apportioned to services.

### **Pensions**

The Council contributes to the Local Government Pension Scheme, a defined benefits scheme, administered by Suffolk County Council, to provide 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 revenue accounts.

The Council has fully adopted FRS 17 (Accounting for Retirement Benefits) including recognition of the net asset/liability and a pension reserve in the Balance Sheet and entries in the revenue accounts for the movements in the asset/liability relating to defined benefit schemes.

FRS 17 requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pensions asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The SORP specifies the basis on which each type of asset held by the Suffolk County Council Pension Scheme should be valued. These valuations are either objective (requiring reference to published market information) or require the opinion of an expert valuer:

## Statement of Accounting Policies

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

Scheme assets include current assets, such as debtors and cash, as well as the investment portfolio. Accrued expenses and other current liabilities (such as fees payable to fund managers) are deducted from the net asset/liability.

Liabilities largely comprise benefits promised under the formal terms of the pension scheme. Scheme liabilities are measured using the projected unit method. This method examines all the benefits for pensioners and deferred pensioners and their dependants and the accrued benefits for current members of the scheme, making allowance for projected scheme member earnings. The valuation requires the input of an actuary, who will work to the principles contained in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

**Current service cost** – This is an estimate of the true economic cost of employing people in a financial year, earning years of service that will eventually entitle them to the receipt of a retirement lump sum and pension when they retire. It measures the increase in the liability from years of service earned in the year. The current service cost is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.

The apportionment of total current service cost to the Income and Expenditure Account service lines has been estimated on the basis of the actual cash pension contributions paid in the year for each service.

**Past service costs** – the increase in liabilities arising from decisions taken in the current year, but whose financial effect is derived from years of service earned in earlier years. For instance, if scheme regulations were amended to increase the multiplier derived from years of service applied to final salaries in calculating pensions, total liabilities would rise but the majority of this rise would not relate to employee activity in the current year. It is therefore presented separately from the current service cost and charged to Non-Distributed Costs in the Net Cost of Services in the Income and Expenditure Account.

**Interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. Interest cost is charged to Net Operating Expenditure in the Income and Expenditure Account.

**Expected return on assets** - This is a measure of the annual investment return (income from dividends, interest, etc) on the fund assets held by the scheme for the year, attributable to the Council, based on an average of the expected long-term return. It is not intended to reflect the actual realised return by the scheme, but an estimate at the beginning of the financial year of the long-term future expected investment return for each asset class. The expected return on assets is credited to Net Operating Expenditure in the Income and Expenditure Account.

The expected return is based on:

- for quoted corporate or government bonds – application of the current redemption yield at the start of the year to the market value of bonds held

# Statement of Accounting Policies

- for other assets (especially equities) – application of the rate of return expected for each significant class of assets over the long-term at the beginning of the year to the fair value of assets held.

**Gains/losses on settlements and curtailments** –These are events that change the pensions liabilities but are not normally covered by actuarial assumptions.

Settlements are irrevocable actions that relieve the employer of the primary responsibility for pensions obligations (e.g. the transfer of scheme assets and liabilities relating to a group of employees moving to another scheme).

Curtailments are events that reduce the expected years of future service of present employees or reduce for a number of employees the accrual of defined benefits for some or all of their future service (e.g. closing a service unit of an authority).

Gains or losses on settlements and curtailments are debited to Non-Distributed Costs as part of the Net Cost of Services in the Income and Expenditure Account.

**Actuarial gains and losses** – This element arises for changes in the net pensions liability where actual events have not coincided with the actuarial assumptions made for the last actuarial valuation (known as experience gains and losses) or because the actuarial assumptions have been updated. For instance, there might be an unexpectedly high pay award in the year, or new research might alter assumptions about general levels of mortality. Actuarial gains and losses are debited to the Statement of Total Recognised Gains and Losses.

**Contributions to the Suffolk County Council Pension Fund** – Cash paid as employer's contributions to the Pension Fund.

Pensions impact on Council Tax and the HRA – Statutory provisions limit the Council to raising Council Tax to cover the amounts payable by the Council to the Pension Fund in the year not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the Fund but unpaid at the year-end. A similar adjustment is also made in the Statement of Movements on the HRA Balance for HRA pensions costs.

## 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.

## **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain but can be estimated reliably. 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. These also include provisions for bad and doubtful debts.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year-where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement

# **Statement of Accounting Policies**

than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim) this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The provision for bad and doubtful debts is assessed at each year-end for the likely amount of outstanding debt that will not eventually be recovered, this assessment being based on past experience of levels of irrecoverable debt and the economic climate.

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

Legislation allows some elements of revenue 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 fixed asset. The purpose of the legislation is to enable such expenditure to be funded from capital resources rather than impact on Council Tax.

These items are generally grants to third parties, expenditure on property not owned by the Council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003.

Such expenditure is charged to the relevant service revenue account in the Income and Expenditure Account, in accordance with the general provisions of the SORP. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a subsequent transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

## **Reserves**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. Reserves include earmarked reserves set aside for specific policy purposes, and balances that represent resources set aside as general contingencies and cash flow management.

Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed by a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back to the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

The Council has set aside a number of revenue and capital reserves and details of these are provided in the Notes to the Core Statements. Certain reserves can only be used for specific statutory purposes. The Revaluation Reserve, the Capital Receipts Reserve, the Capital Adjustment Account and the Major Repairs Reserve are examples of such reserves, and these are explained elsewhere within the Accounting Statements.

## **Stocks and Works in Progress**

Stocks are included in the Balance Sheet valued at the last purchase price for the commodities with an allowance for obsolescence. This gives material compliance with SSAP9.

For trading activities, work in progress is recorded in the Balance Sheet at cost (including an appropriate apportionment of overheads), after deducting payments on account. Provision is made for any foreseeable losses, but no profit on these works is attributed.

# Statement of Accounting Policies

## **Tangible Fixed Assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### *Recognition*

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefit to the Council and the services it provides for a period of more than one financial year. This excludes expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. routine repairs and maintenance) and expenditure below a de-minimis level of £10,000, are charged direct to revenue as it is incurred. Any asset acquired for other than a cash consideration or where payment is deferred is also likewise included in the Balance Sheet at a fair value. The Balance Sheet reflects the Council's land holdings, regardless of value.

A number of vehicles were passed to Waveney Norse Limited in July 2008, following the agreement with Norfolk County Services to carry out the refuse, cleansing and maintenance services. However no adjustment has been made to the Vehicles and Plant section in the Balance Sheet to remove those vehicles, as they are deemed, as part of the agreement, to be still the Council's assets. Further information on the agreement is provided within Note 40 to the Core Financial Statements.

### *Measurement*

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and dwellings and other operational assets such as vehicles, plant and equipment are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in their existing use. Non-specialised operational properties are valued on the basis of "Existing Use Value" (EUV). Council Houses are valued at "Existing Use Value (Social Housing)". An adjustment factor is used to convert the "Open Market Value" to the "Existing Use Value". Specialised operational properties are valued on the basis of "Depreciated Replacement Cost" (DRC).
- Non-operational land and properties and other non-operational assets, including investment properties and any assets surplus to requirements, are included in the Balance Sheet at the lower of net current replacement cost or net realisable value in existing use. These valuations normally equate to open market value.
- Infrastructure assets and community assets are included in the Balance Sheet at depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties-existing use value,
- Specialised operational properties-depreciated replacement cost
- Investment properties and surplus assets-market value.

Assets that are included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum all assets are reviewed as part of a five year rolling programme. Increases in valuations are matched by credits to the Revaluation

## **Statement of Accounting Policies**

Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

All valuations are on a basis recommended by CIPFA, and in accordance with the Statement of Asset Valuation Principles and Guidance Notes, issued by the Royal Institution of Chartered Surveyors (RICS). Council dwellings are revalued annually on a Beacon Property basis, and adjusted to reflect fluctuations in the housing market.

### *Impairment*

Although valuations are carried out on a rolling programme, material changes to valuations will be adjusted in the interim period as they occur. Circumstances include a significant change in market value, or evidence of obsolescence or physical damage. The values of each category of asset and of material individual assets that are not being depreciated are reviewed at the end of each financial year to ascertain whether any material change in value has taken place.

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- where any impairment loss is caused by a clear consumption of economic benefit (such as physical damage or quality deterioration) it is charged to service revenue accounts in the same way as depreciation.
- other impairments (reflecting a general fall in prices) are written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### *Disposals*

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are then credited to the Income and Expenditure Account, also as part of the gain or loss on disposal, netting off the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Sale of an asset will usually provide the best evidence of what the asset's value actually is, and this makes valuers' previous estimates redundant. In accordance with SORP, surplus assets to be disposed of are revalued to market value, and for Housing "Right to Buy" disposals the applicable discounts are applied after revaluation.

Amounts in excess of £10,000 are categorised as Capital Receipts. A proportion of capital 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 as part of pooling arrangements. The balance of capital receipts is required to be credited to the Capital Receipts Reserve, and can then only be applied to finance 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 Statement of Movement on the General Fund Balance.



# Statement of Accounting Policies

The gain or loss on disposal of assets is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing, so amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

## *Depreciation*

Depreciation is provided for on all assets with a determinable finite useful life, (except for investment properties), and is calculated using the straight-line method by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. The value of the asset (less any residual value) is depreciated over its useful life. Part provision is made for newly acquired assets, unless acquired towards the end of the year. No provision is made for non-depreciable land and certain categories of non-operational assets including assets under construction, or if the charge would be immaterial. Assets were depreciated on the following basis:

Council Dwellings - Based on Major Repairs Allowance (equivalent useful life 50 years)

Other Land and Buildings – 30 to 60 year useful life as estimated by the valuer (5 years for HRA Garages)

Vehicles, Plant and Equipment – 5, 7 or 10 year useful life, depending on size and type of asset, as advised by a suitably qualified officer

Infrastructure – 40 to 60 year useful life

Community Assets – 60 year useful life

Depreciating Non-Operational Assets – 40 to 60 year useful life

Where a fixed asset comprises two or more major components with substantially different useful economic lives, each component is treated separately for depreciation purposes.

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.

Grants and Contributions – where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited initially to the Government Grants and Contributions Deferred Accounts. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **Charges to Revenue for Fixed Assets**

Service revenue accounts, central support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service

The above items are not, however, a charge on the Council Tax. Instead, the Council is required to make an annual prudent provision from revenue (calculated in accordance with Regulations and Statutory Guidance) to contribute towards the reduction in its overall borrowing requirement. The above charges are therefore replaced by a Minimum Revenue Provision (MRP) charge in the

## **Statement of Accounting Policies**

Statement of Movement in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Statutory Guidance for calculating MRP offers a number of options for calculating a prudent provision. Of the four options specified in the Guidance, the Council's policy is to use option one (the Regulatory method) in respect of historical financing and new "supported" capital expenditure, and option three (the Asset Life method) in respect of all "unsupported" capital expenditure. Most of Waveney's Capital Programme is "unsupported" in that the Revenue Support Grant formula does not include provision for these financing costs.

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

VAT is included in the income and expenditure accounts only to the extent that it is irrecoverable from HM Revenue and Customs (HMRC).

# Income & Expenditure Account

for the year ended 31 March 2010

		2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure	2008/09 Net Expenditure Re-stated
	Notes	£000	£000	£000	£000
<b>Continuing Operations</b>					
Central Services to the Public		12,647	10,582	2,065	2,148
Corporate and Democratic Core		3,901	1,202	2,699	3,138
Non Distributed Costs		494	-	494	2,538
Cultural, Environmental and Planning					
Cultural and Related Services		9,176	4,991	4,185	7,163
Environmental Services		9,734	3,097	6,637	5,727
Planning and Development Services		3,773	2,663	1,110	2,317
Highways, Roads and Transport		3,376	3,092	284	952
Housing Services					
General Fund Housing		36,447	35,916	531	909
Exceptional Item - General Fund Hsg	3.	-	9,421	(9,421)	-
Housing Revenue Account		17,568	15,439	2,129	21,263
Social Services		89	6	83	98
<b>Net cost of Services</b>		<b>97,205</b>	<b>86,409</b>	<b>10,796</b>	<b>46,253</b>
(Gain) / Loss on disposal of Fixed Assets	4.			246	(338)
Precepts and Levies				427	396
Net Surplus from Trading Accounts	5.			-	170
Interest payable and similar charges				2,598	1,365
Contribution of Housing Capital Receipts to Government Pool				166	133
Interest and Investment Income	7.			(915)	(1,488)
Pensions interest cost and expected return on Pension assets	14.			2,005	234
<b>Net Operating Expenditure</b>				<b>15,323</b>	<b>46,725</b>
Council Tax income				(6,120)	(5,922)
General Government Grants:					
Revenue Support Grant				(2,141)	(1,358)
LABGI Grant				(47)	(211)
Area Based Grant				(346)	(478)
Non Domestic Rates Redistribution				(9,278)	(9,756)
<b>(Surplus) / Deficit for the year</b>				<b>(2,609)</b>	<b>29,000</b>

## Statement of Movement on the General Fund Balance for the year ended 31 March 2010

The Income and Expenditure Account shows the council's actual performance in the year, measured in terms of the resources consumed and generated over the year. However the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss on the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	<b>2009/10 Net Expenditure £000</b>	2008/09 Net Expenditure Re-stated £000
(Surplus) / Deficit on Income and Expenditure Account	<b>(2,609)</b>	29,000
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the General Fund Balance for the year (see note on next page for analysis)	<u><b>(8,093)</b></u>	<u>(28,876)</u>
(Increase) / Decrease in General Fund Balance in the year	<b>(10,702)</b>	124
General Fund Balance brought forward-Deficit/(Surplus)	<b>8,706</b>	8,582
General Fund Balance carried forward-Deficit/(Surplus)	<u><u><b>(1,996)</b></u></u>	<u><u>8,706</u></u>

**Note of reconciling items for the Statement of Movement on the General Fund Balance**

	<b>2009/10</b>	<b>2008/09</b>
	<b>Net</b>	<b>Net</b>
	<b>Expenditure</b>	<b>Expenditure</b>
		<b>Re-stated</b>
<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Amounts included in the Income and Expenditure Account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year.</b>		
Amortisation of Intangible Fixed Assets	(278)	(200)
Depreciation / Impairment of Fixed Assets	(7,636)	(28,523)
Government Grants Deferred amortisation	12. 830	1,090
Revenue Expenditure funded by Capital under Statute	13. (28)	(355)
Expenditure Capitalised under Approvals	22. (949)	(1,499)
Finance Lease Capital Payments	(33)	(25)
Net gain / loss on sales of Fixed Assets	4. (246)	338
Premiums / discounts on early debt repayment	18. (1,225)	(49)
Net charges for retirement benefits under FRS 17	14. (3,649)	(4,345)
Transfer from Collection Fund Adjustment Account	23	50
	<u>(13,191)</u>	<u>(33,518)</u>
<b>Amounts not included in the Income &amp; Expenditure Account but required to be included by Statute when determining the Movement on the General Fund Balance for the year.</b>		
Minimum Revenue Provision for capital financing	719	427
Capital Expenditure charged to General Fund Balance	1,453	1,050
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(166)	(133)
Employer's contributions to Pension Fund	14. 3,904	4,539
	<u>5,910</u>	<u>5,883</u>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Housing Revenue Account Balance	15. (367)	(1,103)
Voluntary Minimum Revenue Provision	209	213
Net transfer to / (from) Earmarked Reserves	(654)	(351)
	<u>(812)</u>	<u>(1,241)</u>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<u><u>(8,093)</u></u>	<u><u>(28,876)</u></u>

# Statement of Total Recognised Gains & Losses

for the year ended 31 March 2010

This statement provides a reconciliation of the movement in Net Worth in the Balance Sheet to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses in the year.

		<b>2009/10</b>	2008/09
		<b>Net</b>	Net
		<b>Expenditure</b>	Expenditure
			Re-stated
	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Deficit on Income and Expenditure Account		<b>(2,609)</b>	29,000
(Surplus) / Deficit on revaluation of Fixed Assets		<b>(6,458)</b>	3,328
Actuarial Gains and Losses on Pension Fund Assets and Liabilities	14.	<b>28,722</b>	14,717
Total Recognised (Gains) / Losses in the year		<u><b>19,655</b></u>	<u><b>47,045</b></u>
Cumulative effect on Reserves of prior year adjustments		<b>(86)</b>	
Net Worth in prior year published Balance Sheet		<b>(215,441)</b>	
Net Worth in current Balance Sheet		<u><b>(195,872)</b></u>	

# Balance Sheet

as at 31 March 2010

	Notes	31 March 2010		31 March 2009	
		£000	£000	£000	£000
<b>Fixed Assets</b>				Re-stated	Re-stated
Intangible Assets			916		855
Tangible Fixed Assets					
Operational assets					
Council Dwellings			221,097		219,440
Other land and buildings			32,974		34,774
Vehicles, Plant, Furniture & Equipment			5,216		4,295
Infrastructure Assets			14,633		15,336
Community Assets			2,760		2,740
Non operational Assets					
Investment Properties			4,788		3,257
Assets under Construction			668		4,901
Surplus Assets held for disposal			3,216		3,935
Land Awaiting Development			1,277		1,351
	23-25		<u>287,545</u>		<u>290,884</u>
Long Term Investments	27.		10		10
Long Term Debtors	28.		676		823
<b>Total Long Term Assets</b>			<u>288,231</u>		<u>291,717</u>
<b>Current Assets</b>					
Investments	45.	9,684		21,185	
Stocks and Work in Progress	29.	163		183	
Debtors	30.	12,011		7,916	
		<u>21,858</u>		<u>29,284</u>	
<b>Current Liabilities</b>					
Borrowing repay. on demand or 12 months	32.	(9)		-	
Creditors	31.	(7,585)		(10,322)	
Capital Grants/Capital Contribs Reserve	21.	(1,465)		(462)	
Cash Overdrawn	43.	(326)		(123)	
		<u>(9,385)</u>		<u>(10,907)</u>	
<b>Net Current Assets / (Liabilities)</b>			<u>12,473</u>		<u>18,377</u>
<b>Total Assets less current liabilities</b>			<u>300,704</u>		<u>310,094</u>
Borrowings in excess of 12 months	32.	(31,011)		(37,512)	
Long Term Creditors	33.	(1,410)		(2,259)	
Provisions	34.	(2,091)		(11,671)	
Government Grants Deferred	12.	(15,701)		(16,973)	
Pensions Liability	14.	(54,619)		(26,152)	
<b>Total Assets Less Liabilities</b>	35.		<u>195,872</u>		<u>215,527</u>
<b>Reserves</b>					
Deferred Credits	33.		6		7
Revaluation Reserve	16.		8,013		5,377
Capital Adjustment Account	17.		234,729		235,559
Collection Fund Adjustment Account	15.		13		(10)
Capital Receipts Reserve	19.		-		900
Financial Instruments Adjustment Account	18.		(1,121)		103
Major Repairs Reserve	15.		2,053		2,973
Revenue Fund Balances and Reserves	15.		6,798		(3,230)
Pensions Reserve	14.		(54,619)		(26,152)
<b>Total Net Worth</b>			<u>195,872</u>		<u>215,527</u>

# Cash Flow Statement

	Notes	2009/10 £000	2008/09 £000 Re-stated
<b>Net Cash Flow from Revenue Activities</b>	42.	<b>1,441</b>	(5,481)
<b>Servicing of Finance</b>			
Interest Paid		<b>2,593</b>	1,329
Finance Lease Interest Paid		<b>54</b>	54
Interest Received		<b>(919)</b>	(1,489)
		<u><b>1,728</b></u>	<u>(106)</u>
<b>Capital Activities</b>			
Purchase of fixed assets		<b>4,463</b>	15,323
Other capital payments		<b>751</b>	1,638
Sale of fixed assets		<b>(577)</b>	(890)
Capital grants received	46.	<b>(1,826)</b>	(500)
Other capital receipts		<b>(3)</b>	(1,102)
		<u><b>2,808</b></u>	<u>14,469</u>
<b>Net Cash Outflow/(Inflow) before Financing</b>		<u><b>5,977</b></u>	<u>8,882</u>
<b>Management of Liquid Resources:</b>			
Net Increase / (Decrease) in Short Term Deposits	45.	<b>(11,501)</b>	3,055
Movement in other liquid resources-Council Tax	45.	<b>(467)</b>	(1,896)
Movement in other liquid resources-NNDR	45.	<b>(188)</b>	(951)
		<u><b>(12,156)</b></u>	<u>208</u>
<b>Financing:</b>			
Repayments of amounts borrowed		<b>26,500</b>	-
Finance Lease repayments		<b>(118)</b>	(25)
Long term loans raised		<b>(10,000)</b>	(10,000)
Short term loans raised		<b>(10,000)</b>	-
	44.	<u><b>6,382</b></u>	<u>(10,025)</u>
<b>Decrease/(Increase) in Cash</b>	43.	<u><b>203</b></u>	<u>(935)</u>



# Notes to the Core Financial Statements

## 1. The Core Financial Statements

An explanation of the purpose and nature of each Core Financial Accounting statement is included in the Explanatory Foreword to the accounts.

## 2. Prior Period Adjustments

The Balance Sheet figures for 31 March 2009 have been adjusted from those included in the audited Statement of Accounts for 2008/09, to accommodate the restatement of the balances for Council Tax and Business Rates. These changes are required due to amendments to the accounting rules for the Collection Fund, introduced in 2009/10. The amended practice requires the Collection Fund Balance to be disaggregated between Waveney District Council and the major preceptors (Suffolk County Council and Suffolk Police Authority), and the various balances in relation to National Non-Domestic Rates to be consolidated. The impact on the Balance Sheet figures is shown below:

	Prior Year approved 31/03/09 £000	Adjustment 31/03/09 £000	Prior Year Re-stated 31/03/09 £000	<b>31/03/10 £000</b>
Creditors	(11,912)	1,590	(10,322)	<b>(7,807)</b>
Debtors	9,420	(1,504)	7,916	<b>12,776</b>
Collection Fund	96	(96)	-	-
Collection Fund Adjust a/c	-	10	10	<b>(13)</b>

On the introduction of the Prudential system for capital financing on 1 April 2004 it was discovered that a past error in the calculation of the Adjusted Credit Ceiling used for the calculation of the annual Minimum Revenue Provision (MRP) had led to a cumulative MRP under-provision of £500k. Under regulations introduced in 2007/08 (SI 2008/414), local authorities could treat the actual MRP provisions made in the accounts as being correct, and this Council has used those powers and have not adjusted the accounts in this regard.

# Notes to the Core Financial Statements

## **3. Exceptional Items**

Costs of £985,851 were incurred for compensation payments and related pension costs in 2009/10 in relation to the review of the Council's staffing structure and a programme of voluntary redundancies. £948,951 of this cost has been charged to the General Fund Income and Expenditure Account and financed from capital resources under Capitalisation Approval from the Secretary of State for Communities and Local Government. A further £36,900 has been charged to the HRA Income and Expenditure Account.

Following the Provision of £9.8m being made in 2007/08 for the potential repayment of Housing Benefit Subsidy relating to financial years 2004/05 to 2007/08, this has now been reversed, following the work undertaken by officers to resolve the disputed claim items. The revised obligation of £379,000 has resulted in income of £9.421m being recognised as an Exceptional item on the face of the Income and Expenditure Account.

The 2008/09 Statement of Accounts disclosed a Contingent Asset in respect of potential reimbursement of VAT from H M Revenue and Customs (HMRC), following a House of Lords decision in the Fleming and Conde Nast cases. The Council employed external VAT consultants in order to submit various claims to HMRC, and, following detailed negotiations over a long period of time, HMRC finally notified the Council in late March 2010 of a refund due of £574,329 relating to certain parts of the claim, which has been included in the Income and Expenditure Account under Net Cost of Services. In addition the 2009/10 Accounts reflect statutory interest of £552,282 due on the above refund, which has also now been received and included within Interest and Investment Income. The fees payable to the VAT Consultant have reduced the total net income to £1,064k.

During the year the Waveney Campus capital project was abandoned, due to reasons set out in section 5 of the Foreword to these accounts. As a consequence the partners were required to share costs incurred to that point, and costs of £4.389m and contributions of £3.149m were transferred to revenue. The net cost of £1.24m has been recharged across services as part of Central Support recharges.

## **4. Gain / Loss on Disposal of Fixed 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 Income and Expenditure Account, 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 tenants, and the impact is reversed out in the Statement of Movements on General Fund Balance and the equivalent HRA statement to ensure there is no real impact on fund balances for the year.

## Notes to the Core Financial Statements

### 5. Trading Operations

The following trading activities are included as part of the relevant service costs within Net Cost of Services in the Income and Expenditure Account.

	<b>2010</b>	<b>2010</b>	2009	2009
	<b>Expenditure</b>	<b>Income</b>	Expenditure	Income
	<b>£000</b>	<b>£000</b>	£000	£000
Planning and Development Services				
Industrial Estates	87	676	78	366
Markets	94	61	132	77
Cultural and Related Services				
Caravan and Camping sites	327	290	319	309
Sea Front Activities	243	270	335	233
Other activities	7	2	3	2
Highways, Roads and Transport				
Yacht Stations	336	314	298	268
	<b>1,094</b>	<b>1,613</b>	1,165	1,255
Net (Surplus) Deficit to General Fund	-	(519)	-	(90)
	<b>1,094</b>	<b>1,094</b>	1,165	1,165

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 Income and Expenditure Account. 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 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.

	<b>2010</b>	<b>2010</b>	2009	2009
	<b>Expenditure</b>	<b>Income</b>	Expenditure	Income
	<b>£000</b>	<b>£000</b>	£000	£000
Leisure Management	-	-	1	1
Vehicle Maintenance	-	-	239	69
	-	-	240	70
Net Deficit/(Surplus) from Trading A/cs	-	-	-	170
	-	-	240	240

## Notes to the Core Financial Statements

### 6. Southwold Harbour undertaking

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

	<b>2010</b>	2009
	<b>£000</b>	£000
<i>Revenue Account</i>		
Income	(166)	(132)
Expenditure	<u>201</u>	<u>128</u>
Surplus for the year	<u>35</u>	<u>(4)</u>

<i>Fixed Assets</i>	<b>Public</b>	<b>Harbour</b>	<b>Total</b>
	<b>conveniences</b>		
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross book value			
Balance at 1 April 2009	195	836	1,031
Additions	-	-	-
Restatements	(25)	6	(19)
Balance at 31 March 2010	<u>170</u>	<u>842</u>	<u>1,012</u>
Depreciation			
Balance at 1 April 2009	32	29	61
Additions	6	6	12
Restatements	(32)	-	(32)
Balance at 31 March 2010	<u>6</u>	<u>35</u>	<u>41</u>
Net Book Value			
Balance at 1 April 2009	<u>163</u>	<u>807</u>	<u>970</u>
Balance at 31 March 2010	<u>164</u>	<u>807</u>	<u>971</u>

### 7. 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>2010</b>	2009
	<b>£000</b>	£000
Banks	224	1,099
Building Societies	125	365
AVIVA	-	9
DMADF	-	8
Interest on other loans/leases	<u>34</u>	<u>49</u>
	<b>383</b>	1,530
Less credited to external deposits received, ie Section 106 agreements	(20)	-42
Add Interest on VAT refund from Fleming Case	<u>552</u>	<u>0</u>
	<b>915</b>	1,488

# Notes to the Core Financial Statements

## 8. Employee Costs

Regulation 4 (3) (c) of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 (SI 2009 No. 3322) introduces a change to £5,000 from £10,000 for the legal requirement on disclosing salary bands in Local Government, for reporting remuneration. The information for Waveney District Council is set out below:

The number of employees during the year whose remuneration, excluding employer pension contributions, was £50,000 or more, in bands of £5,000, (previously £10,000 bands) were

Remuneration Band	2010 Number of Employees		2009 Number of Employees
	Total	Left in Year	
£50,001 to £55,000	1		2
£55,001 to £60,000	5	2	7 (2 L)
£60,001 to £65,000	1	1	1 (1 L)
£65,001 to £70,000			3 (2 L)
£70,001 to £75,000	1	1	1 (1 L)
£75,001 to £80,000	2		3 (1 L)
£80,001 to £85,000	1		1 (1 L)
£85,001 to £90,000	1		
£90,001 to £95,000			
£95,001 to £100,000			
£100,001 to £105,000			2 (2 L)
£105,001 to £110,000	1	1	
	<b>13</b>	<b>5</b>	<b>20 (10L)</b>

The above numbers include officers who were made redundant voluntarily during both financial years, whose remuneration may not have normally been included within the limits of the above table, but who have received a redundancy payment which has increased their earnings to over the minimum of £50k, or resulted in being included in a higher band than their basic pay. An additional column shows leavers in 2009/10. Numbers of leavers in 2008/09 are disclosed as (L).

See note below regarding the Council's Chief Executive and Head of Planning Services who are employees of Suffolk Coastal DC (SCDC) (so are included in SCDC's Statement of Accounts under the appropriate salary bandings) . This Council reimburses SCDC for its 50% share of the relevant employment costs.

## 8. Employee Costs (continued)

Regulation 4 (c) and (d) of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 (SI 2009 No. 3322) introduces a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of senior employees. CIPFA have provided guidance on the format of the required disclosure, and the information for Waveney District Council is set out below:

Postholder information (Post title)	Notes	2008/09 Remuneration			Total Remuneration excluding pension contributions	Employer's pension contributions	Total Remuneration including pension contributions 2008/09	Additional Council contributions to Pension Fund 2008/09
		Salary (including fees and allowances)	Compensation for loss of office	Benefits in Kind (e.g. Car Allowances)				
Director of Resources	Note 1	65,260		121	65,381	9,789	75,170	
Assistant Chief Executive		74,075		365	74,440	11,111	85,551	
Strategic Director		75,537			75,537	10,969	86,506	
Head of Customer Services		53,816		204	54,020	7,927	61,947	
Head of Environment and Housing		57,144		118	57,262	8,407	65,669	
Head of Revenues, Benefits and Tenant Services		54,346			54,346	8,152	62,498	
Head of Partnership Management and Procurement		57,144		131	57,275	8,407	65,682	
Head of Regeneration		56,049		139	56,188	8,407	64,595	
Portfolios Manager		57,146		6	57,152	8,407	65,559	
Programme Director	Note 2	19,237			19,237		19,237	
Corporate Director	Note 3	44,569	35,935		80,504	2,742	83,246	
Portfolio Manager (Community Cohesion, Partnerships)	Note 4	15,906	31,359		47,265	1,308	48,573	
Portfolio Manager (Policy and Audit)	Note 5	24,163	40,919		65,082	3,624	68,706	121,250
Portfolio Manager (Built Environment)	Note 6	31,638	41,706	30	73,374	2,802	76,176	116,522

Note 1: The Director of Resources joined the Council on 16th June 2008. The annualised salary was £78,665.

Note 2: The Programme Director joined the Council on 1st February 2009. The annualised salary was £85,000 and, up to 31 March 2010, was 50% funded by Suffolk County Council.

Note 3: A post of Corporate Director was declared redundant with effect from 30th June 2008. The annualised salary was £73,130.

Note 4: A post of Portfolio Manager was declared redundant with effect from 30th May 2008. The annualised salary was 53,175.

Note 5: A post of Portfolio Manager was declared redundant with effect from 9th September 2008. The annualised salary was £54,709. In addition the Council made a one-off contribution (from Capital Receipts) of £121,250 to the Suffolk CC Pension Fund for the Capital Cost of the early retirement.

Note 6: A post of Portfolio Manager was declared redundant with effect from 31st July 2008. The annualised salary was £54,709. In addition the Council made a one-off contribution (from Capital Receipts) of £116,522 to the Suffolk CC Pension Fund for the Capital Cost of the early retirement.

Postholder information (Post title)	Notes	2009/10 Remuneration			Total Remuneration excluding pension contributions	Employer's pension contributions	Total Remuneration including pension contributions 2009/10	Additional Council contributions to Pension Fund 2009/10
		Salary (including fees and allowances)	Compensation for loss of office	Benefits in Kind (e.g. Car Allowances)				
		£	£	£				
Director of Resources		81,893		17	81,910	12,284	94,194	
Assistant Chief Executive		73,146		589	73,735	10,969	84,704	
Strategic Director		74,300		130	74,430	10,969	85,399	
Head of Customer Services		54,478		145	54,623	8,172	62,795	
Head of Environment and Housing		58,676			58,676	8,626	67,302	
Head of Revenues, Benefits and Tenant Services		56,049		46	56,095	8,407	64,502	
Head of Partnership Management and Procurement		58,676		130	58,806	8,626	67,432	
Programme Director	Note 1	86,295			86,295		86,295	
Head of Regeneration	Note 2	57,506	44,666	1,133	103,305	8,626	111,931	57,118
Portfolios Manager	Note 3	41,322	14,511	24	55,857	6,305	62,162	

Note 1: The Programme Director, up to 31 March 2010, was 50% funded by Suffolk County Council.

Note 2: The post of Head of Regeneration was declared redundant with effect from 31st March 2010. The annualised salary was £57,506. In addition, the Council made a one-off contribution of £57,118 to the Suffolk CC Pension Fund for the Capital Cost of the early retirement.

Note 3: The post of Portfolios Manager was declared redundant with effect from 31st December 2009.

The Council does not employ any person who is paid a salary that exceeds £150,000 per annum, therefore requiring a disclosure of the name of the employee.

During 2008/09 the Council introduced a new Management structure, which resulted in a reduction in the number of senior managers. Although not included in the above numbers, the Council contributed £94,895 in 2009/10 (2008/09 £91,169) towards the costs of the shared Chief Executive (appointed 1 April 2008) and £48,324 (2008/09 £19,199) in relation to the shared Head of Planning (appointed 10 November 2008). 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. The Chief Executive is the Head of Paid Service and is paid a nominal fee by the Council.

# Notes to the Core Financial Statements

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>9. Member Costs:</b>		
Basic, Attendance, Special Responsibility Allowances and Subsistence	<b>277</b>	288

There are 48 elected members of the Council.

## 10. Related Party Transactions

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

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with government departments are set out in note 50 to the Core Financial Statements.

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. One Member declared an interest in relation to tenancy income of £850 in the year. During 2009/10, the Council made payments totalling £13,586.72 to four organisations in which four Members had an interest.

Other public bodies are subject to common control by central government, and the transactions with these bodies are listed below where they are not disclosed elsewhere in the Statement of Accounts.

	<b>2010</b>	2009
	<b>£000</b>	£000
Precepts and levies paid to other Authorities:		
Parish Councils	<b>423</b>	393
Environment Agency	<b>4</b>	3
Rivers and Drainage Authorities	<b>19</b>	16
Contributions received from other Authorities and Public Bodies:		
CEFAS	<b>2,353</b>	15
Great Yarmouth Borough Council	<b>86</b>	85
Suffolk County Council	<b>2,186</b>	1,457
Broads Authority	<b>6</b>	7
Parish Councils	<b>-</b>	2
Other Local Authorities	<b>10</b>	27
Transactions with Councillors	<b>14</b>	54

Details of the latest available turnover and gross profit figures for Waveney Norse Limited up to 1st February 2009, together with amounts outstanding between the Council and the Company at the end of March 2010, are set out in Note 40 to the Core Financial Statements.

There were no other material outstanding balances with other public bodies at the year end which are not disclosed elsewhere in the Statement of Accounts.



# Notes to the Core Financial Statements

## 11. Audit Costs

The Council incurred the following fees relating to external audit and inspection.	2010 £000	Restated 2009 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	159	184
Fees payable to the Audit Commission in respect of Statutory Inspections	24	19
Fees payable to the Audit Commission for the certification of grant claims and returns	80	125

## 12. Government Grants and Contributions Deferred

Grants and contributions received for financing of Assets are initially charged to the Grants and Contributions Deferred Account, and then subsequently written down to the relevant service revenue account in the Income and Expenditure Account Net Cost of Services to match the depreciation of those assets. This write down is reversed in the Statement of Movements in the General Fund Balance to ensure that these credits have no impact on the level of Council Tax.

	2010 £000	2009 £000
Balance at 1 April	16,973	16,856
Capital Financing	(442)	1,207
Written Down to Service Revenue Accounts	(830)	(1,090)
Balance at 31 March	<u>15,701</u>	<u>16,973</u>

## 13. Revenue Expenditure funded by 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 fixed asset, for example capital grants 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 Statement of Movements in the General Fund Balance to ensure there is no impact on the level of Council Tax.

	2010 £000	2009 £000
Revenue Expenditure to be funded from Capital	751	1,620
Financed from Government Grants & Contributions	(723)	(1,265)
Net Cost chargeable to Service Revenue Accounts	<u>28</u>	<u>355</u>
Write-down in Year:		
General Fund	19	345
Housing Revenue Account	9	10
Total written down to Service Revenue Accounts	<u>28</u>	<u>355</u>

# Notes to the Core Financial Statements

## 14. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers index-linked retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

The charge reflected in the Net Cost of Services in the Income and Expenditure Account is based on the cost of retirement benefits earned by the employee. However the charge against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year to ensure a neutral impact on Council Tax:

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services:</i>		
Current Service Cost	<b>1,150</b>	1,573
Past Service Costs	<b>134</b>	741
Curtailment and Settlements	<b>360</b>	1,797
<i>Net Operating Expenditure:</i>		
Interest Costs	<b>5,532</b>	5,798
Expected Return on Assets in the Scheme	<b>(3,527)</b>	(5,564)
<i>Net Charge to Income and Expenditure Account</i>	<b><u>3,649</u></b>	<u>4,345</u>
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made in accordance with FRS 17	<b>(3,649)</b>	(4,345)
Actual amounts charged against the General Fund Balance		
Employers contributions payable to scheme	<b><u>3,904</u></b>	<u>4,539</u>
<i>Pensions Reserve Appropriation</i>	<b><u>255</u></b>	<u>194</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £28.722m (2008/09 £14.717m) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is a £44.208m net loss (£15.486m in 2008/09).

# Notes to the Core Financial Statements

## Assets and Liabilities in Relation to Retirement Benefits

	2010	2009
	£000	£000
Reconciliation of present value of the scheme liabilities:		
1 April	80,985	88,634
Current Service Cost	1,150	1,573
Interest Cost	5,532	5,798
Contribution by Participants	666	761
Actuarial Gains & Losses	43,429	(7,104)
Benefits Paid	(3,971)	(3,325)
Settlements & Curtailments	360	(6,093)
Past Service Costs	134	741
31 March	<u>128,285</u>	<u>80,985</u>

	2010	2009
	£000	£000
Reconciliation of fair value of the scheme assets:		
1 April	54,833	77,005
Expected Rate of Return	3,527	5,564
Actuarial Gains & Losses	14,707	(21,820)
Employer Contributions	3,904	4,834
Contribution by Participants	666	761
Settlements	-	(7,890)
Benefits Paid	(3,971)	(3,621)
31 March	<u>73,666</u>	<u>54,833</u>

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 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 was a gain of £18.234m (2008/09 loss of £18.024m).

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 available full valuation of the scheme.

# Notes to the Core Financial Statements

<i>The principal assumptions used by the actuary have been:</i>	2010	2009
<b>Long-term expected rate of return on scheme assets:</b>		
Equity Investments	7.8%	7.0%
Bonds	5.0%	5.6%
Property	5.8%	4.9%
Cash	4.8%	4.0%
<b>Mortality Assumptions:</b>		
Longevity (years) at 65 for current pensioners:		
Men	20.8	19.6
Women	24.1	22.5
Longevity (years) at 65 for future pensioners:		
Men	22.3	20.7
Women	25.7	23.6
Rate of Inflation	3.8%	3.1%
Rate of Increase in Salaries	5.3%	4.6%
Rate of Increase in Pensions	3.8%	3.1%
Rate for Discounting Scheme Liabilities	5.5%	6.9%
Take-up of option to convert annual pension into retirement lump sum	25%	25%

Assets consist of the following categories, by proportion of the total assets held by the fund:

<b>Assets (Whole Fund) - Fund Value at 31 March</b>	2010	2009
	%	%
Equities	68.0%	67.0%
Bonds	20.0%	21.0%
Property	9.0%	9.0%
Cash	3.0%	3.0%
	<b>100.0%</b>	<b>100.0%</b>

<b>Scheme History</b>	2010	2010
	%	£000
Present value of liabilities		(128,285)
Fair value of assets		73,666
Surplus / (Deficit) in scheme		<b>(54,619)</b>
Actual return less expected return on pension scheme assets	20.0%	14,707
Experience Gains and Losses arising on the scheme liabilities	0.0%	-

<b>Comparative totals for 2008/09</b>	2009	2009
	%	£000
Present value of liabilities		(80,985)
Fair value of assets		54,833
Surplus / (Deficit) in scheme		<b>(26,152)</b>
Actual return less expected return on pension scheme assets	-39.8%	(21,820)
Experience Gains and Losses arising on the scheme liabilities	0.0%	(1)

## Notes to the Core Financial Statements

<b>Comparative totals for 2007/08 (Re-stated)</b>	2008	2008
	%	£000
Present value of liabilities		(88,634)
Fair value of assets		77,005
Surplus / (Deficit) in scheme		<u>(11,629)</u>
Actual return less expected return on pension scheme assets	-20.3%	(15,596)
Experience Gains and Losses arising on the scheme liabilities	-6.2%	5,524
<b>Comparative totals for 2006/07 (Re-stated)</b>	2007	2007
	%	£000
Present value of liabilities		(103,557)
Fair value of assets		85,808
Surplus / (Deficit) in scheme		<u>(17,749)</u>
Actual return less expected return on pension scheme assets	0.9%	812
Experience Gains and Losses arising on the scheme liabilities	0.0%	(1)
<b>Comparative totals for 2005/06</b>	2006	2006
	%	£000
Present value of liabilities		(104,132)
Fair value of assets		78,967
Surplus / (Deficit) in scheme		<u>(25,165)</u>
Actual return less expected return on pension scheme assets	15.0%	11,841
Experience Gains and Losses arising on the scheme liabilities	0.0%	-

The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £54.619m (2008/09 £26.152m), 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 authority 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 2010/11 is £3.382m.

# Notes to the Core Financial Statements

## 15. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practices, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Details of Movements	Re-stated Balance 1 Apr 09 £000	Net Movement in Year £000	Balance 31 Mar 10 £000
<b>Revaluation Reserve</b> <i>(Store of gains on revaluation of fixed assets)</i>	Note 16.	5,377	2,636	8,013
<b>Capital Adjustment Account</b> <i>(Store of capital resources set aside to meet past expenditure)</i>	Note 17.	235,559	(830)	234,729
<b>Financial Instruments Adj. Account</b> <i>(ensuring accounting adjustments do not impact on Council Tax payers)</i>	Note 18.	103	(1,224)	(1,121)
<b>Capital Receipts Reserve</b> <i>(proceeds of fixed asset sales available to finance future capital investment)</i>	Note 19.	900	(900)	-
<b>Pensions Reserve</b> <i>(Balancing account to allow inclusion of Pension Liability in the Balance Sheet)</i>	Note 14.	(26,152)	(28,467)	(54,619)
<b>Housing Revenue Account</b> <i>(Resources available to meet the future running costs for council houses)</i>	HRA Statement page 79.	4,380	(367)	4,013
<b>Major Repairs Reserve</b> <i>(Resources available to meet capital investment in council housing)</i>	HRA Note 5.	2,973	(920)	2,053
<b>General Fund</b> <i>(Resources available to meet future running costs for non-housing services)</i>	SMGFB Page 35.	(8,706)	10,702	1,996
<b>Earmarked Reserves</b> <i>(Resources set-aside for future spending plans)</i>	Note 20.	1,096	(307)	789
<b>Collection Fund Adjustment a/c</b> <i>(This Council's share of the Collection Fund Balance)</i>	Collection Fund Notes.	(10)	23	13
<b>Deferred Capital Receipts</b> <i>(Sale of Council House proceeds to be collected in future years)</i>	Note 33.	7	(1)	6
		<b>215,527</b>	<b>(19,655)</b>	<b>195,872</b>

## Notes to the Core Financial Statements

### 16. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The overall balance on the Reserve represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

	2010	2009
	£000	£000
Balance at 1 April	5,377	13,068
Unrealised Gains from revaluation of Fixed Assets	3,148	561
Impairment losses on fixed assets due to a general change in prices	(77)	(8,038)
Depreciation of valuation gains	(253)	(82)
Disposal of Fixed Assets in the year	(182)	(132)
Balance at 31 March	<u>8,013</u>	<u>5,377</u>

### 17. Capital Adjustment Account

The Capital Adjustment Account reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The balance on the Account represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

	2010	2009
	£000	£000
Balance at 1 April	235,559	257,334
Financing of Capital Expenditure:		
from capital receipts	1,466	1,719
from Major Repairs Reserve	3,881	3,754
from revenue / revenue funds	1,453	1,050
Movements in Finance Leases	1,019	(26)
Capitalisation Approvals	(949)	(1,499)
Minimum Revenue Provision for debt repayment	928	640
Write down of Government Grants Deferred	830	1,090
Disposals of Fixed Assets	(808)	(564)
Valuation adjustments to Fixed Assets	2,359	3,488
Depreciation Charges to Revaluation Reserve	253	82
Depreciation Charges to Housing Revenue Account	(3,308)	(3,228)
Depreciation Charges to General Fund Revenue Account	(2,700)	(2,321)
Impairment Charges to Service Revenue Account	(5,214)	(25,597)
Write down of Revenue Expenditure funded by Capital under Statute	(28)	(355)
Write down of Long Term Debtors	(12)	(8)
Balance at 31 March	<u>234,729</u>	<u>235,559</u>

## Notes to the Core Financial Statements

### 18. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account was introduced in 2007/08 and holds the accumulated difference between the financing costs included in the Income and Expenditure Account in accordance with the SORP and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 April	<b>103</b>	152
Statutory over-ride for PWLB Discounts / Premiums	<b>(1,253)</b>	-
Discounts / Premiums written down to Income & Expenditure Account	<b>29</b>	(49)
Balance at 31 March	<b>(1,121)</b>	103

### 19. Capital Receipts Reserve

The capital receipts reserve represents the net capital receipts available to finance capital expenditure in future years, after pooling of Housing Capital Receipts.

	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 April	<b>900</b>	1,833
Add: Capital Receipts in the year		
Housing Asset Disposals	<b>334</b>	345
Other Asset Disposals	<b>385</b>	545
Long Term Debtor Repayments	<b>13</b>	29
Less:		
Amount used for Capital Financing	<b>(1,466)</b>	(1,719)
Amount set aside for Credit Liabilities	-	-
Pooled Housing Capital Receipts	<b>(166)</b>	(133)
Balance at 31 March	<b>-</b>	900

### 20. Earmarked Reserves

The contributions to and from Earmarked Reserves are shown below. Details of the purpose of those reserves are included in the Glossary.

	Balance	Added to	Applied	Balance
	1 Apr 09	Reserves	in Year	31 Mar 10
	£000	£000	£000	£000
Lowestoft Charter Trustees	17	-	-	17
Conservation, Planning and Building Control	268	39	(48)	259
Waveney Campus	400	-	(400)	-
LABGI Fund	211	-	(211)	-
District Elections	50	-	-	50
Private Sector Housing Stock Survey	50	-	-	50
Backlog Repairs and Maintenance	100	19	(71)	48
Concessionary Fares Reserve	-	215	-	215
Leisure Outsourcing Reserve	-	150	-	150
	<b>1,096</b>	<b>423</b>	<b>(730)</b>	<b>789</b>



# Notes to the Core Financial Statements

## 21. Capital Grants/Capital Contributions Reserve

The capital grants / contributions reserve represents the amounts of grants and contributions available to finance capital expenditure in future years.

	2010 £000	2009 £000
Balance at 1 April	462	291
Add: Capital Grants and Contributions in the year	4,434	2,643
Less: Amount used for Capital Financing	(282)	(2,472)
Less: Campus Contributions transferred to revenue	(3,149)	-
Balance at 31 March	<u>1,465</u>	<u>462</u>

Included within the Capital Contributions Reserve and Service Creditors (see Notes 31 and 33) are Section 106 receipts paid to the Council by developers arising from the grant of planning permission, where works are required to be carried out or new facilities provided as a result of that permission. The balances held were as follows:

	Balance 1 Apr 09 £000	Income £000	Expenditure £000	Balance 31 Mar 10 £000
Open Spaces Play Equipment	616	165	(87)	694
Social Housing	541	5	-	546
Other schemes	372	147	(219)	300
	<u>1,529</u>	<u>317</u>	<u>(306)</u>	<u>1,540</u>

## 22. Capital Expenditure, Financing and Commitments

	2010 £000	2009 £000
<u>Capital Expenditure:</u>		
Operational Assets	7,742	10,047
Non-Operational Assets	130	3,777
Capitalised under Approvals	949	1,499
Revenue Expenditure funded from Capital under Statute	751	1,620
	<u>9,572</u>	<u>16,943</u>
Less Transferred to Revenue - Waveney Campus	(4,389)	-
	<u>5,183</u>	<u>16,943</u>
 <u>Capital Financing:</u>		
Unsupported Borrowing	(1,899)	7,948
Capital Receipts	1,466	1,719
Government Grants and Contributions	3,431	2,472
Major Repairs Reserve	3,881	3,754
Revenue / Revenue Reserves	1,453	1,050
	<u>8,332</u>	<u>16,943</u>
Less Transferred to Revenue - Waveney Campus Contributions	(3,149)	-
	<u>5,183</u>	<u>16,943</u>

## Notes to the Core Financial Statements

	2010 £000	2009 £000
<b>Movement in Capital Financing Requirement</b>		
Balance at 1 April	31,558	24,219
Borrowing for Capital Finance	(1,899)	7,948
Long Term Loans / Investments	(10)	31
Minimum Revenue Provision	(929)	(640)
Balance at 31 March	<u>28,720</u>	<u>31,558</u>

There were no material contractual obligations at the Balance Sheet date.

Costs of £986k were incurred for compensation payments and related pension costs in (£1.666m in 2008/09) in relation to reviews of service delivery, together with a programme of voluntary redundancies. £949k of this cost has been charged to the General Fund Income and Expenditure Account and financed from capital resources under Capitalisation Approval from the Secretary of State (£1.499m in 2008/09). This figure is part of the Capital Expenditure shown above.

## Notes to the Core Financial Statements

## 23. Movement of Fixed Assets 2009/10 - Tangible Fixed Assets

	Council Dwellings	Other Land & Buildings	Vehicles Plant and Equipment	Infra-structure	Community Assets	Investment Properties	Assets under Construction	Surplus Assets	Land awaiting Development	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value (GBV) at 1 April 2009</b>	219,440	37,729	7,205	22,548	2,740	3,257	4,901	3,935	1,351	303,106
<b>Movements in Year:</b>										
Additions	4,960	178	2,033	231	1	9	121	-	-	7,533
Disposals	(177)	(512)	(73)	-	-	-	-	(120)	-	(882)
Restatements	(854)	(181)	(174)	-	(54)	146	(4,354)	162	-	(5,309)
Reclassifications	(733)	(541)	-	-	73	1,344	-	(69)	(74)	-
Reversal of previous Impairment	5,645	-	-	-	-	-	-	-	-	5,645
Revaluations	2,024	777	-	-	-	41	-	70	-	2,912
Impairment through valuations	(4,248)	(587)	(4)	-	-	(9)	-	(762)	-	(5,610)
<b>Gross Book Value at 31 March 2010</b>	<b>226,057</b>	<b>36,863</b>	<b>8,987</b>	<b>22,779</b>	<b>2,760</b>	<b>4,788</b>	<b>668</b>	<b>3,216</b>	<b>1,277</b>	<b>307,395</b>
<b>Depreciation:</b>										
at 1 Apr 09	-	2,955	2,910	7,212	-	-	-	-	-	13,077
Charge for Year	2,961	1,042	870	858	-	-	-	-	-	5,731
Disposals	-	(20)	(54)	-	-	-	-	-	-	(74)
Reclassifications	-	(25)	-	-	-	-	-	25	-	-
Revaluations	(2,961)	(276)	45	-	-	-	-	(25)	-	(3,217)
at 31 Mar 10	-	3,676	3,771	8,070	-	-	-	-	-	15,517
<b>Impairment (non-valuation):</b>										
at 1 Apr 09	-	-	-	-	-	-	-	-	-	-
Charge for Year	(4,960)	(213)	-	(76)	-	-	-	-	-	(5,249)
Reversals	-	-	-	-	-	-	-	-	-	-
at 31 Mar 10	(4,960)	(213)	-	(76)	-	-	-	-	-	(5,249)
<b>Net Book Value (NBV) at 31 March 2010</b>	<b>221,097</b>	<b>32,974</b>	<b>5,216</b>	<b>14,633</b>	<b>2,760</b>	<b>4,788</b>	<b>668</b>	<b>3,216</b>	<b>1,277</b>	<b>286,629</b>
<b>Previous Year End Figures - as at 31 March 2009</b>										
<b>Gross Book Value</b>	219,440	37,729	7,205	22,548	2,740	3,257	4,901	3,935	1,351	303,106
<b>Depreciation and Impairment</b>	-	2,955	2,910	7,212	-	-	-	-	-	13,077
<b>Net Book Value</b>	219,440	34,774	4,295	15,336	2,740	3,257	4,901	3,935	1,351	290,029
<b>Asset Holdings</b>										
Owned	221,097	31,675	5,216	14,633	2,760	4,788	668	3,216	1,277	285,330
Finance Lease	-	1,299	-	-	-	-	-	-	-	1,299
	<b>221,097</b>	<b>32,974</b>	<b>5,216</b>	<b>14,633</b>	<b>2,760</b>	<b>4,788</b>	<b>668</b>	<b>3,216</b>	<b>1,277</b>	<b>286,629</b>

The restatement of £4.354m for Assets under Construction relate to the Waveney Campus project costs of £4.389m transferred to revenue (see Note 22) and a £35,000 adjustment in relation to previous years. Details of the material valuation and impairment adjustments to Council Dwellings are provided in Note 13 to the Housing Revenue Acc

# Notes to the Core Financial Statements

## Movement of Fixed Assets 2009/10 - Intangible Fixed Assets

	£000
<b>Purchased Software Licences</b>	
Original Cost	1,302
Amortisations to 1 April 2009	(447)
<b>Balance at 1 April 2009</b>	<b>855</b>
Expenditure in Year	339
Written off to revenue in year	(278)
<b>Balance at 31 March 2010</b>	<b>916</b>

Details of expenditure on Intangible Assets are as follows:-	£000
Integrated Housing System Software	167
IT Operating System Upgrade	107
Navision System Implementation	26
Update Website Infrastructure	20
Others	19

### Useful Lives and Material Values

There were no changes to the useful life or residual value estimates which had a material financial effect.

### Depreciation Method

There was no change made to the depreciation method used, i.e. straight-line method.

Assets were depreciated / amortised on the following basis:-

	<b>Useful 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
Intangible Assets	5 to 10
Infrastructure	40 to 60
Community Assets	60
Non-Operational	40 to 60

## Notes to the Core Financial Statements

### 24. Valuation of fixed assets

The following statement shows the progress of the Council's programme of the revaluation of fixed assets. Asset values are reviewed at 5 yearly intervals in a rolling programme, or sooner where there is a material change in value in any year. Valuations for 2009/10 have been carried out as at 1 April 2009 by the Council's external valuers NPS Property Services Ltd, but reviewed for 31 March 2010 prices where it is likely the economic downturn would have led to a material change in valuation in the year. Council Dwellings have been revalued as at 31 March 2010 by NPS Property Services Ltd, using the beacon valuation method. The basis for valuation of fixed assets is set out in the Statement of Accounting Policies.

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Intangible Assets	Infra-structure	Community Assets	Non Operational	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost			8,987	916	22,703	2,760		35,366
New certified GBV included in balance sheet in:								
2009/10	221,097	4,865					2,583	228,545
2008/09		2,949					2,918	5,867
2007/08		8,966					1,612	10,578
2006/07		7,969					2,836	10,805
2005/06		11,901					-	11,901
	<u>221,097</u>	<u>36,650</u>	<u>8,987</u>	<u>916</u>	<u>22,703</u>	<u>2,760</u>	<u>9,949</u>	<u>303,062</u>

# Notes to the Core Financial Statements

## 25. Analysis of the Council's Fixed Assets as at 31 March 2010

The land and buildings held by the Council included:

	2010	2009
Council Dwellings	4,597	4,645
Museums and Art Galleries	3	3
Parks and Recreation Grounds	8	8
Swimming Pools and Leisure Centres	3	3
Cemeteries and Crematoria	8	8
Markets	3	3
Depots and Vehicle Workshops	2	2
Hectares of Leisure Gardens and Smallholdings	69	69
Council Offices	11	11

## 26. Leased Assets

### a) Disclosures as Lessee

	2010	2009
	£000	£000

#### Vehicles, Plant and Equipment

Operating Leases:

Rentals paid in the year	21	44
Outstanding Commitment for following year:		
- Leases expiring in 1 year	9	15
- Leases expiring between 2 and 5 years	-	9

#### Operational Assets - Other Land and Buildings

Finance Leases:

Rentals paid in the year	54	54
Assets held - Value at 1 April (GBV)	1,503	1,873
- Additions	-	-
- Disposals	-	-
- Revaluations	-	(370)
- Value at 31 March (GBV)	1,503	1,503
Depreciation - Value at 1 April	(118)	(9)
- Charge for Year	(86)	(109)
- Value at 31 March	(204)	(118)
- Value at 31 March (NBV)	1,299	1,385

Outstanding obligations:

- Leases expiring in 1 year	-	-
- Leases expiring between 2 and 5 years	-	-
- Leases expiring thereafter	694	694

Aggregate Finance Charge

-	-
---	---

Operating Leases:

Outstanding Commitment for following year:

- Leases expiring in 1 year	15	13
- Leases expiring between 2 and 5 years	18	20
- Leases expiring thereafter	13	13

## Notes to the Core Financial Statements

### b) Disclosures as Lessor

	2010 £000	2009 £000
<b>Operating Leases:</b>		
Rentals receivable in the year	595	595
Assets held - Gross book Value	8,870	8,870
- Depreciation	65	48
- Net Book Value	8,805	8,822
<b>Finance Leases:</b>		
Rentals receivable in the year	55	55
Net investment in Finance Leases	208	327

### 27. Longer Term Investments

	2010 £000	2009 £000
Government stocks	3	3
Other Public Authorities	7	7
	<u>10</u>	<u>10</u>

### 28. Long Term Debtors

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

	Balance 01.04.09 £000	Additions £000	Repayments £000	Balance 31.03.10 £000
Other Local Authorities	381	-	(14)	367
Loans to Third Parties	87	-	-	87
Finance Leases	328	(87)	(33)	208
Mortgagors:				
Housing Associations	10	-	(10)	-
Sale of Council Houses	7	-	(1)	6
Other Private Borrowers	10	-	(2)	8
	<u>823</u>	<u>(87)</u>	<u>(60)</u>	<u>676</u>

### 29. Stocks and Work in Progress

	2010 £000	2009 £000
<b>Stocks:</b>		
Trading Accounts	69	95
Other Minor Stocks	75	71
	<u>144</u>	<u>166</u>
<b>Work in Progress:</b>		
Rechargeable Works	19	17
	<u>19</u>	<u>17</u>
	<u>163</u>	<u>183</u>

## Notes to the Core Financial Statements

### 30. Debtors

	2010 £000	Re-stated 2009 £000
Amounts falling due in one year:		
Agency Accounts and Government Departments	2,714	3,176
Council Tax-payers	402	361
Other Service Debtors	10,169	5,547
Prepayments	301	239
	<u>13,586</u>	<u>9,323</u>
Less: Provisions for Doubtful Debts:		
Council Taxpayers	(149)	(121)
Other Service Debtors	(1,444)	(1,315)
	<u>(1,593)</u>	<u>(1,436)</u>
	<u>11,993</u>	<u>7,887</u>
Amounts falling due after one year:		
Unsecured loans	18	29
	<u>12,011</u>	<u>7,916</u>

#### Notes.

-Under the 2009 CIPFA SORP, the amounts owed to/from Suffolk County Council (SCC) and Suffolk Police Authority (SPA), in respect of Council Tax debts and balances on the Collection Fund, previously on Waveney DC's Accounts, have now been accounted for by SCC and SPA directly. The comparative figures for 2008/09 have also been amended to take account of this change. See paragraph 2 of the Explanatory Foreword for a more detailed explanation.

-Figures for Non-Domestic Rates have been amended in order to comply with the 2009 SORP. Waveney DC must not now recognise NNDR Debtors but reflect amounts due to/from the Government. More detailed information is set out in paragraph 2 to the Explanatory Foreword, and the Collection Fund Accounts later in this document. The comparative figures for 2008/09 have also been amended.

-Included in the Other Service Debtors figure above for 2009/10 are invoices outstanding which were raised in late March 2010 to recover costs incurred by Waveney DC, but to be reimbursed in the previously agreed proportions from Suffolk CC (£ 842k) and CEFAS (£ 2,406k), and relating to the ending of the Campus scheme in 2009/ 2010.

### 31. Creditors

	2010 £000	Re-stated 2009 £000
Service Creditors	5,336	7,265
Government Departments	973	2,171
Receipts in Advance	1,276	886
	<u>7,585</u>	<u>10,322</u>

-Under the 2009 CIPFA SORP, the amounts owed to/from Suffolk County Council (SCC) and Suffolk Police Authority (SPA), in respect of Council Tax debts and balances on the Collection Fund, previously on Waveney DC's Accounts, have now been accounted for by SCC and SPA directly. The comparative figures for 2008/09 have also been amended to take account of this change. See paragraph 2 of the Explanatory Foreword and the Council's Collection Fund Accounts for more detailed explanations.

-Figures for Non-Domestic Rates have been amended in order to comply with the 2009 SORP. Waveney DC must not now recognise NNDR Debtors but reflect amounts due to/from the Government. More detailed information is set out in paragraph 2 to the Explanatory Foreword, and the Collection Fund Accounts later in this document. The comparative figures for 2008/09 have also been amended.



## Notes to the Core Financial Statements

### 32. Longer Term Borrowings

	2010 £000	2009 £000
Analysis by Lender:		
Public Works Loan Board	<u>31,011</u>	<u>37,512</u>
Analysis by Maturity:		
Repayable within		
2 years	10,000	1
2 to 5 years	5,001	25,001
5 to 10 years	10,003	2
over 10 years	<u>6,007</u>	<u>12,508</u>
	<u>31,011</u>	<u>37,512</u>
Fair Value of Loans as at 31 March	<u>33,340</u>	<u>41,954</u>

Long Term Debt repayable within 1 year is included within Short-Term Borrowings.

### 33. Long Term Creditors and Deferred Capital Receipts

	2010 £000	2009 Re-stated £000
Deferred Capital Receipts - Council House Mortgages	<u>6</u>	<u>7</u>
<u>Long Term Creditors</u>		
Section 106 Contributions payable after 12 months	716	386
Finance Leases	<u>694</u>	<u>1,873</u>
	<u>1,410</u>	<u>2,259</u>

Deferred Capital Receipts are amounts due from the sale of Council Dwellings which will be received in instalments over an agreed period. The reduction in Finance Lease obligation reflects the derecognition of a lease on a Town Centre car park, which is now recognised at a nominal value to reflect the peppercorn rent.

### 34. Provisions

	2010 £000	2009 £000
<b>Provisions for Single Status Backpay</b>		
Balance at 1 April	1,571	927
Movement in year	420	644
Balance at 31 March	<u>1,991</u>	<u>1,571</u>

A provision has been set aside to meet backpay liabilities arising on implementation of Single Status - a national agreement to harmonise service conditions within Local Government. Nationally, Unison are currently evaluating the Council's Single Status Agreement. The Council continues to monitor the national situation and awaits the outcome of that review.

	£000	£000
<b>Other Provisions</b>		
Balance at 1 April	10,100	9,900
Movement in year	<u>(10,000)</u>	<u>200</u>
Balance at 31 March	<u>100</u>	<u>10,100</u>

## Notes to the Core Financial Statements

A Provision of £100k was established in 2007/08 to meet potential revenue costs arising from the sale of certain fixed assets. After carrying out a further review there is still some uncertainty over the likelihood of such costs arising, and if not required this provision will be reversed within 2010/11, and funds returned to the General Fund.

An additional Provision was made in 2007/08 relating to potential clawback by DWP of £9.8m Housing Benefit Subsidy grant. On 20 March 2009 the Council was invited to undertake further work to help mitigate this position, with a response deadline of 31 May 2009. Further work has been required by DWP over the financial year 2009/10 and a Post Balance Sheet adjustment has since been recognised in the 2009/10 Accounts, following the conclusion of the work in September 2010. This has resulted in the removal of the full provision, and is now recognised as a creditor of £379,000 at the Balance Sheet date.

Following the approval of the draft unaudited accounts for 2008/09, officers identified accounting errors in respect of Value Added Tax for some leisure facilities. Work was completed in 2009/10 to quantify the extent of the liability, and a voluntary disclosure made to HMRC. The VAT settlement to HMRC of £200k was met from the additional Provision set-up in the audited 2008/09 Accounts, which has now been removed.

### 35. Analysis of Net Assets Employed (Net Worth)

	2010 £000	2009 Restated £000
General Fund	33,870	24,123
HRA	216,621	217,556
Pensions Asset / (Liability)	<u>(54,619)</u>	<u>(26,152)</u>
	<u>195,872</u>	<u>215,527</u>

### 36. Contingent Liabilities

In 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 2010 claims settled for this Council amounting to £313k could be the subject of a reclaim at a future date. However, at that date, MMI remains solvent and any such future reclaim is considered unlikely.

The Council is in legal negotiations regarding the lack of access to a car park that it leases. Discussions regarding the purchase of the access are ongoing but expected to be concluded during 2010/11, and are being led by the County Council. It is possible that this Council may incur costs in the future by way of sharing the land purchase costs with the County Council, but only following the receipt of monies from any future development proceeds.

HM Revenue and Customs (HMRC), in March 2010, agreed an amount to be refunded of £574,239 plus interest of £552,282, (to be reduced by a fee payable to the Council's VAT advisors), which has been accounted for in the 2009/10 financial year. HMRC are still reviewing other service areas on a national basis, and have also asked for further information on other Council services. 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 two years.

The Suffolk consortium of councils responsible for Concessionary Travel were unable to reach an agreement with a local bus company, on the terms of the 2009/10 travel scheme. Consequently the company in question have appealed against the reimbursement terms within the 2009/10 scheme and the outcome of that appeal is currently awaited. If the appeal finds in favour then, based on the best information available, WDC faces a potential liability of up to £215,000 for 2009/10 (which has been budgeted for) and an increased cost in the region of £282,000 for 2010/11.

## Notes to the Core Financial Statements

### 37. 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.

### 38. Trust Funds

The Lowestoft Charter Trustees are responsible for a number of minor charities. In practice these are administered by the District Council. These Trust Funds are not included in the Balance Sheet.

The transactions were as follows:-

	Balance 1 Apr 09 £000	Income £000	Expenditure £000	Balance 31 Mar 10 £000
General Emergency Fund <i>Provides emergency assistance to residents of Lowestoft who are in need, hardship or distress.</i>	2.5	0.1	-	2.6
Marie Jemima Pipe Charity <i>Provides relief for the poor and needy fishermen of Lowestoft.</i>	38.8	12.5	(2.3)	49.0
Rists Christmas Fund <i>Provides food parcels to residents of Oulton Broad at Christmas.</i>	4.9	0.9	-	5.8
	<u>46.2</u>	<u>13.5</u>	<u>(2.3)</u>	<u>57.4</u>

## Notes to the Core Financial Statements

### 39. Charity Accounts

These facilities are subject to charity legislation. The net costs are met by the Council and form part of the Income and Expenditure Account, and the asset values are incorporated in the Balance Sheet.

	Income £000	Expenditure £000	Council's Contribution £000 2010	Council's Contribution £000 2009
Bungay Town Sports Association <i>Provides recreational facilities in the town of Bungay and the surrounding district</i>	0.0	15.0	15.0	15.0
Halesworth Rifle Hall <i>Provision of a village hall for the benefit of the inhabitants of Halesworth and its immediate vicinity</i>	1.4	6.8	5.4	39.1
Halesworth Swimming Pool <i>Provision of a public swimming pool for the inhabitants of Halesworth and the immediate vicinity</i>	0.0	21.6	21.6	41.9
Nicholas Everitt Park <i>Provides an open space for people of the Lowestoft area</i>	20.5	118.3	97.8	259.0
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>	0.0	0.0	-	1.5
	<b>21.9</b>	<b>161.7</b>	<b>139.8</b>	<b>356.5</b>
			Assets £000	Liabilities £000
Bungay Town Sports Association			-	-
Halesworth Rifle Hall			213.2	-
Halesworth Swimming Pool			-	-
Nicholas Everitt Park			460.9	-
Frank Thomas Arnold Bequest			17.8	-
			<b>691.9</b>	<b>-</b>

## Notes to the Core Financial Statements

### 40. Interests in Companies

#### Waveney Norse

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 Limited, was incorporated on 23 May 2008 and began trading on 1 July 2008. The Council has evaluated the accounting treatment from CIPFA's flowchart within the SORP and is treating the arrangement with Waveney Norse as a Simple Investment.

In accordance with the CIPFA Accounting Code of Practice (ACOP), the following information is disclosed as a Note in this Council's Accounts:

- a) The registered name of the Company is Waveney Norse Limited
- b) Nature of the business - The principal activity of the company is that of refuse, cleansing and maintenance services.
- c) The immediate parent undertaking is Norse Commercial Services Limited.
- d) The ultimate parent undertaking is Norse Group Limited.
- e) The Company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share capital of Norse Group Limited.
- f) The Council holds Ordinary Share capital with no value, 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) Waveney Norse Limited had only been trading for 7 months up to its Accounting date of 1 February 2009 when the 2008/09 Accounts were prepared. The first full years' trading figures for Waveney Norse Limited, up to 31 January 2010 are reflected below.
- h) Payments made to Waveney Norse in respect of refuse, cleansing and maintenance services are included within the Net Cost of Services in the Income and Expenditure Account. Total payments to Norse were £7,059k in 2009/10 (£5,366k in 2008/09), and included in the Accounting Statements as follows:

	2009/10	2008/09
	£000	£000
Central Services to the Public	-	16
Corporate and Democratic Core	1	44
Cultural and Related Services	1,841	1,159
Environmental Services	3,718	2,688
Planning and Development Services	127	116
Highways, Roads and Transport	884	940
General Fund Housing	1	13
Housing Revenue Account	481	299
Social Services	5	3
Trading Accounts	-	54
Capital Expenditure	1	34
	<u>7,059</u>	<u>5,366</u>

## Notes to the Core Financial Statements

i) Details of the Company's financial results to 31 January 2010 are set out below:

	2010	2010	2009	2009
	Waveney Norse	Council Invest- ment	Waveney Norse	Council Investment
	£000	£000	£000	£000
Current Assets				
Stock	47	9	36	7
Debtors	1,442	287	1,929	384
Cash at Bank	7	1	7	1
Gross Assets	1,496	297	1,972	392
Creditors falling due within one year	(1,321)	(263)	(1,886)	(375)
Net Assets / Shareholder's Funds	175	34	86	17
Turnover	9,056	1,802	5,016	998
Profit on ordinary activity before taxation	130	65	129	65
Tax on profit on ordinary activity	(42)	(21)	(43)	(22)
Profit for the Financial Period	88	44	86	43

j) There are no differences between the accounting policies for the Group and those for the Council that would result in any material differences to the results disclosed above.

k) If the Company suffers losses in two consecutive financial years, and has borrowed in excess of 80% of the debt facilities available to it from banks or from shareholders at such time (provided that such losses were not as a result of any decision by the Council that has adversely affected the trading position of the Company, or the Council has the right to terminate the Joint Venture Service Agreement for material or persistent breach), then the Council shall have the option by notice in writing to require a NCS Step-In. This will ensure the continuation of service delivery. Any losses due on the transfer of this agreement to NCS will be shared 50:50 between the Council and NCS.

l) The Council received no dividend in 2009/10 (2008/09 Nil).

m) The Council's Accounts reflect that Waveney Norse owes the Council £218k (£69k 2008/09) and the Council owes Waveney Norse £18k (£286k 2008/09) in relation to trading balances at the year-end date. There are no outstanding loans.

n) There was no Goodwill arising from the acquisition of the Council's share of the Associate company.

### 41. Post Balance Sheet Events and Authorised For Issue Date

The coalition government's emergency budget in June 2010 announced that from April 2011 pensions in payment would be indexed to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Historically the CPI has usually been lower than the RPI and it is therefore likely that the Council's pension liability under FRS 17 (£54.6 million at 31 March 2010) will be reduced. The actuaries, Hymans Robertson, cannot make a detailed estimate of the impact for the District Council without significant work. However, national research by them published in the Audit Commission Information Paper *Local Government Pensions in England* in July 2010 estimated that nationally the change could reduce the value of pension liabilities by 7%.

Work in relation to the outstanding DWP Benefits Subsidy risk was still ongoing at the point the draft accounts were prepared in June 2010 and at that time a reduced Provision of £3.963 million was recognised in the accounts. On 10 September 2010 the Council received confirmation from the DWP that the final obligation arising from the review of claims and evidence was a significantly reduced sum of £379,000. The audited accounts have therefore been adjusted to reflect the change in circumstances.

FRS 21 requires that the date the financial statements are *authorised for issue* be disclosed. This is the date up to which events after the Balance Sheet date have been taken into account by the Council. The Director of Resources authorised paper copies of the Accounts to be printed on the 28 September 2010 for Full Council's approval, and this has been determined as the authorised for issue date of the audited 2009/10 accounts.

## Notes to the Core Financial Statements

### Notes relating to the Cash Flow Statement

#### 42. Reconciliation of the net Surplus / Deficit on Income and Expenditure Account to the Revenue Activities net cash flow in the Statement:

	2010 £000	2009 £000 Re-stated
(Surplus)/Deficit on Income and Expenditure Account	(2,609)	29,000
Adjustment for Statutory and Non-Statutory proper Practice	(8,093)	(28,876)
Non cash transactions:		
Contributions to capital	(5,865)	(5,395)
Contributions from/(to) provisions	9,580	(844)
Contributions to reserves	1,602	1,516
Items on Accruals Basis:		
Movement in revenue debtors	5,894	(6,936)
Movement in stocks and work in progress	(20)	(9)
Movement in revenue creditors	1,765	2,812
Items included in another classification:		
Collection Fund Agency Accounting Adjustment	655	2,751
Pooled Housing Capital Receipts	142	369
Finance Lease repayments	118	25
Net interest paid	(1,728)	106
Net Cash flow from Revenue Activities	1,441	(5,481)

#### 43. Analysis of total Movement in Cash

	2010 £000	2009 £000
Cash Overdrawn - Balance at 1 April	(123)	(1,058)
Cash Overdrawn - Balance at 31 March	(326)	(123)
(Decrease)/Increase in Cash	(203)	935

#### 44. Financing - Reconciliation to Balance Sheet

	2010 £000	2009 £000
Balances at 1 April		
Long Term Borrowing	(37,512)	(27,512)
Long Term Liabilities - Finance Leases	(1,873)	(1,873)
Long Term Debtors - Finance Leases	328	353
	(39,057)	(29,032)
Balances at 31 March		
Long Term Borrowing	(31,011)	(37,512)
Long Term Liabilities - Finance Leases	(694)	(1,873)
Long Term Debtors - Finance Leases	208	328
	(31,497)	(39,057)
Net Change in Balances	7,560	(10,025)
Non-Cash adjustment to Finance Lease balance	(1,178)	-
Net Financing Cashflows	6,382	(10,025)

## Notes to the Core Financial Statements

### 45. Management of Liquid Resources - Reconciliation to Balance Sheet

	2010	2009
	£000	£000
Short-term investments repayable within 12 months		
Balance at 1 April	21,185	18,130
Balance at 31 March	<u>9,684</u>	<u>21,185</u>
	(11,501)	3,055
Movement in other Liquid Resources		
Adjustment re payable to/from Precepting Authorities	(330)	(1,060)
Share of Precepting Authority Cash Inflows	(137)	(836)
Neutralising NNDR Income	<u>(188)</u>	<u>(1,051)</u>
	<u>(12,156)</u>	<u>108</u>

### 46. Analysis of Government Grants

	2010	2009
	£000	£000
Capital Grants:		
Coast Protection (EA / DEFRA)	185	62
Regional Housing Pot (CLG)	-	80
Planning Delivery (CLG)	-	98
Efficiency Data Publication (CLG)	5	5
RIEP (EERA)	26	72
Free Swimming Grant (DCMS)	1,138	35
Waste Minimisation DIF Grant (SCC)	-	150
Climate Change Grant (Climate Energy)	-	8
Local Strategic Partnership (SCC)	(4)	(14)
Stronger Safer Communities (Go-East)	-	8
Big Lottery Fund (Lottery)	189	20
Heritage Lottery Grant (HLF)	-	(18)
European Regional Development Fund (EEDA)	<u>287</u>	<u>(6)</u>
	<u>1,826</u>	<u>500</u>



## Notes to the Core Financial Statements

	2010 £000	2009 £000
Revenue Grants:		
Revenue Support Grant (CLG)	2,141	1,358
NDR Redistribution Grant (CLG)	9,278	9,755
Area-Based Grant (CLG)	346	479
Housing Subsidy (CLG)	(3,657)	2,873
LABGI Grant (CLG)	47	812
Homelessness (CLG / SCC)	146	69
Planning Delivery / HPDG (CLG)	685	200
Capacity Grant (CLG)	(5)	329
Improvement Grants (CLG)	300	282
Regional Housing Pot (CLG)	201	273
Efficiency Data Publication (CLG)	-	5
NNDR Empty Rate Relief (CLG)	17	4
Mortgage Rescue Grant (CLG)	57	-
Economic Downturn Grant (CLG)	30	-
Council Tax and Housing Benefits (DWP)	47,449	42,597
Administration of Benefits (DWP)	1,321	1,297
Local Strategic Partnership (SCC)	-	25
Stronger Safer Communities (Go-East)	-	39
RIEP (EERA)	(26)	230
Coast Protection (EA)	(12)	12
English Sports Council Lottery (ESC)	(13)	36
Big Lottery Fund (Lottery)	(9)	3
Crime Prevention (Home Office)	-	139
Community Sport Network (Arts East)	-	(7)
Arts Development (Sport England)	(6)	6
Elections Grant (DCA / MoJ)	-	3
Sure Start (DFEE)	-	(24)
European Regional Development Fund (EEDA)	61	142
Concessionary Fares (DfT)	298	411
	<u>58,649</u>	<u>61,348</u>
Total Grants	<u>60,475</u>	<u>61,848</u>

These grant amounts represent the cash received in the year. They will not necessarily agree with the amounts taken into the revenue and capital accounts, which are on an accruals basis.

# Notes to the Core Financial Statements

## 47. Financial Instruments Disclosures

### Financial Instruments Balances

Within the following notes on Financial Instruments disclosures, there are a number of references to the Council's Treasury Management and Investment Strategy and Policy. The Strategy for 2009/10 was agreed at Council on 26th February 2009. You can access this Document by following the links (My Council-Financial Information-Treasury Management) on the Council's website [www.waveney.gov.uk](http://www.waveney.gov.uk)

The carrying value of total Financial Instruments in the Balance Sheet is as follows:

	<b>2010</b>	2009 Re-stated
	<b>£000</b>	£000
Financial liabilities at amortised cost	<b>(39,726)</b>	(47,222)
Financial Assets - Loans and receivables	<b>18,951</b>	25,822
	<b><u>(20,775)</u></b>	<u>(21,400)</u>

Included within the above figures are total borrowings and investments, analysed as follows:

	Long Term		Current	
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
	£000	£000	£000	£000
Financial liabilities at amortised cost	<b>31,011</b>	37,512	<b>(9)</b>	-
Total borrowings	<b><u>31,011</u></b>	<u>37,512</u>	<b><u>(9)</u></b>	<u>-</u>
Loans and receivables	<u>-</u>	<u>-</u>	<b>9,684</b>	21,185
Total investments	<u>-</u>	<u>-</u>	<b><u>9,684</u></b>	<u>21,185</u>

PWLB loans of £6.5m were repaid in the year as the downward movement in interest rates meant it was costing more to hold onto debt than the Council was receiving on investing surplus balances. In addition £10m of fixed rate debt was rescheduled into variable rate debt to realise additional revenue savings for the Authority, given the "lower for longer" market outlook on rates. All debt transactions were carried out in conjunction with advice from the Council's Treasury Management advisors, Arlingclose Ltd, in line with the approved Treasury Management Strategy.

## Notes to the Core Financial Statements

### Financial Instruments Gains / Losses 2009/10

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	
Interest expense	2,598	-	-	
Impairment losses	-	115	-	
Interest payable and similar charges	<u>2,598</u>	<u>115</u>	<u>-</u>	<u>2,713</u>
Interest income	-	(915)	-	
Interest and investment income	<u>-</u>	<u>(915)</u>	<u>-</u>	<u>(915)</u>
Net loss/(gain) for the year	<u>2,598</u>	<u>(800)</u>	<u>-</u>	<u>1,798</u>

The increase in interest expense between 2008/09 and 2009/10 principally reflects the inability to capitalise interest on the borrowing taken out to finance the Waveney Campus following the projects ending in December 2009. Interest income has significantly dipped between 2008/09 and 2009/10 due to a combination of utilising surplus cash to repay £6.5m of PWLB debt, and the impact of continued record low interest rate level on investments.

### Financial Instruments Gains / Losses 2008/09

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost £000	Loans and receivables £000	Available-for-sale assets £000	
Interest expense	1,365	-	-	
Impairment losses	-	48	-	
Interest payable and similar charges	<u>1,365</u>	<u>48</u>	<u>-</u>	<u>1,413</u>
Interest income	-	(1,488)	-	
Interest and investment income	<u>-</u>	<u>(1,488)</u>	<u>-</u>	<u>(1,488)</u>
Net loss/(gain) for the year	<u>1,365</u>	<u>(1,440)</u>	<u>-</u>	<u>(75)</u>

# Notes to the Core Financial Statements

## 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 authority

Liquidity Risk – the possibility that the authority might not have funds available to meet its commitments to make payments

Market Risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

### 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, 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 of its surplus balances to any one institution, thus limiting exposure to failure of any financial institution.

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

Financial Asset Category	Criteria	Maximum Investment
Deposits with Banks	Short Term:	£5m
	Long Term:	N/A
	Support:	N/A
Deposits with Building Societies	Short Term:	£5m
	Value of Assets:	Top 5 Societies by value
Money Market Fund Deposits	AAA	50% of holdings

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 Income and Expenditure Account 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 2009/10 was £115k (2008/09 £48k), and the provision carried in the balance sheet as at 31 March 2010 was £163k against a total debt of £4,386k (31 March 2009 - provision of £210k against total debt of £1,300k). Total debt does include invoices raised in March 2010 to partners in the Waveney Campus project for agreed reimbursement proportions following the its ending, see Note 30 for further details.

The Council does not generally allow credit for customers, such that £436k of the £4,386k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Not Due (0 to 30 days)	3,950
One to three months	143
Three to six months	22
Six months to one year	100
More than one year	171
	4,386

# Notes to the Core Financial Statements

## Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The risk strategy is that the profile of debt maturity should fall within the following parameters:

Maturity of Fixed Rate Debt:	Upper Limit	Lower Limit	Actual 31/03/10
Under 12 months	20%	0%	0%
12 months and within 24 months	50%	0%	32%
24 months and within 5 years	75%	0%	16%
5 years and within 10 years	75%	0%	32%
10 years and within 20 years	75%	0%	10%
20 years and within 40 years	100%	0%	0%
40 years and above	100%	10%	10%

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates, and is designed to protect against excessive exposure to interest rate changes in any one period, in particular over the course of the next ten years. The position as at 31 March 2010 is that debt maturity is within the set targets.

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

## Market Risk

### Interest rate risk

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

Borrowings at variable rates – The interest expense charged to the Income and Expenditure Account 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 Income and Expenditure Account will rise.

Investments at fixed rates – The fair value of the assets will fall.

## Notes to the Core Financial Statements

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Council has a number of strategies for managing interest rate risk. The Council has only undertaken fixed rate borrowing, taken with the advice of specialist Treasury Management consultants at borrowing 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 2009/10 had been 1% lower with all other variables held constant, the financial effect would have been:

	£000
Decrease in interest payable on variable rate borrowings	100
Decrease in interest receivable on variable rate investments	195
Impact on Income and Expenditure Account	295
Of which, share of overall impact to the HRA	42
Increase in fair value of fixed rate investment assets (none held)	-
Impact on STRGL	295

The impact of a 1% rise 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 £65k as the interest rate as at 31 March 2010 was 0.65%.

### Price Risk

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

### Foreign exchange 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.

## Housing Revenue Account Income & Expenditure Account for the year ended 31 March 2010

	HRA Notes	2009/10 £000	2008/09 £000
<b>Income</b>			
Gross Rental Income:			
- Dwelling rents	2	14,267	13,883
- Non-dwelling rents		198	238
Charges for Services and Facilities	3	974	1,023
<b>Sub-total</b>		<b>15,439</b>	<b>15,144</b>
<b>Expenditure</b>			
Repairs, Maintenance and Management:			
- Repairs and Maintenance	4	3,005	3,284
- Supervision and Management		3,412	3,824
- Redundancy and Associated Pension Costs	16	37	167
Rents, rates and other charges		58	44
Negative Subsidy	12	3,571	3,608
Increase in Bad Debts Provision		47	69
Depreciation of Fixed Assets			
- On Dwellings	14	2,961	2,873
- On other Assets	14	347	354
- Impairment of HRA Assets	14	4,118	22,174
Debt Management Costs	7	12	10
<b>Sub-total</b>		<b>17,568</b>	<b>36,407</b>
<b>Net Cost of HRA Services in whole authority I&amp;E Account</b>		<b>2,129</b>	<b>21,263</b>
HRA Share of Corporate and Democratic Core		60	70
<b>Net Cost of HRA Services</b>		<b>2,189</b>	<b>21,333</b>
<b>HRA Share of Operating Income and Expenditure</b>			
Gain / Loss on sale of Fixed Assets	15	(32)	(183)
Interest payable and similar charges		435	478
Interest and Investment income		(75)	(29)
HRA Share of Pensions Costs		495	454
<b>Deficit for year on HRA Services</b>		<b>3,012</b>	<b>22,053</b>

## Statement of Movement in Housing Revenue Account Balance for the year ended 31 March 2010

	2009/10 Net Expenditure £000	2008/09 Net Expenditure £000
Deficit on HRA Income and Expenditure Account	3,012	22,053
Net additional amount required by Statute and Non-Statutory proper practices to be debited or credited to the HRA Fund Balance for the year (see note below for analysis)	<u>(2,645)</u>	<u>(20,950)</u>
Decrease in HRA Fund Balance in the year	367	1,103
HRA Balance brought forward	(4,380)	(5,483)
HRA Balance carried forward	<u><u>(4,013)</u></u>	<u><u>(4,380)</u></u>

### Note of reconciling items for the Statement of Movement on the HRA Balance

	2009/10 Net Expenditure £000	2008/09 Net Expenditure £000
<b>Amounts included in the HRA Income and Expenditure Account but required by Statute to be excluded when determining the Movement on the HRA Balance for the year</b>		
Difference between any other items of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(4,118)	(22,174)
Government Grants Deferred amortisation	7	1
Revenue Expenditure funded by Capital under Statute	7	(10)
Net gain / loss on sales of Fixed Assets	15	183
Net charges for retirement benefits under FRS 17	10	(411)
	<u>(4,422)</u>	<u>(22,411)</u>

### Amounts not included in the HRA Income and Expenditure Account but required to be included by Statute when determining the Movement on the HRA Balance for the year

Capital Expenditure funded by the HRA	8	1,453	1,034
Transfer to / (from) Major Repairs Reserve	5	(347)	(354)
Voluntary set-aside for debt repayment		209	213
Employer's contributions to Pension Fund	10	462	568
		<u>1,777</u>	<u>1,461</u>
<b>Net additional amount required to be credited to the HRA Balance for the year</b>		<u><u>(2,645)</u></u>	<u><u>(20,950)</u></u>



## Notes to the Housing Revenue Account

### 1. General

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.

### 2. Rents for Dwellings

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

	<b>2010</b>	2009
Average rent per week	<b>£59.37</b>	£57.59
Rent arrears at 31 March	<b>£493k</b>	£414k
Rent arrears at 31 March as % of the gross rent collectable	<b>3.2%</b>	2.7%
Provision for bad debts at 31 March	<b>£319k</b>	£272k

### 3. 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.

### 4. Housing Repairs and Maintenance

Expenditure on repairs and maintenance can be seen on the face of the HRA Income & Expenditure Account and for 2009/10 this amounted to £3,005k (£3,284k in 2008/09).

### 5. Major Repairs Reserve

The Council is required to maintain a Major Repairs Reserve (MRR) to help finance capital projects.

	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at the start of the year	<b>2,973</b>	3,854
Contribution from HRA - Depreciation Charge (Note 14)	<b>3,308</b>	3,227
Capital Financing - dwellings	<b>(3,881)</b>	(3,754)
Transfer to Capital Adjustment Account	<b>(347)</b>	(354)
Balance at the end of the year	<b><u>2,053</u></b>	<u>2,973</u>

### 6. Capital Receipts

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

	<b>2010</b>	2009
Number of disposals	<b>4</b>	2
Value of disposals	<b>£000</b>	£000
	<b>135</b>	162

## Notes to the Housing Revenue Account

### 7. Capital Related Charges

	2010	2009
	£000	£000
Depreciation Charge (see HRA note 14)	3,308	3,227
Government Grants Deferred amortisation (reversed in SMHRAB)	1	1
Revenue Expenditure funded by Capital under Statute (reversed)	9	10
Debt Management Expenses	12	10
Item 8 Debit - Interest	435	478
Housing Subsidy - Major Repairs Allowance	(2,961)	(2,873)
Transfer to Capital Financing Account via MRR	(347)	(354)

Revenue Expenditure funded by Capital under Statute (REFCuS) relates to Telephone Helpline Grants. Capital Grants financing fixed assets are written down to revenue to offset any depreciation charge for that asset via Government Grants Deferred Account.

### 8. Revenue Contribution to Capital

Capital expenditure which cannot be financed from other sources is funded by revenue contributions. The original budget provision made in 2009/10 for a direct financing contribution was £1,050k and the actual amount was £1,453k. (2008/09 figures were Budget, £690k, and £1,034k actual). The increase from original budget to actual reflects an underspend in the R&M budget which was utilised to fund additional works in the Housing Capital Programme.

### 9. Housing Stock

The stock of dwellings has changed as follows:

	2010	2009
Opening stock of dwellings	4,645	4,651
Add: new build/purchases/additions	-	-
Less: sales	(4)	(2)
Less: properties lost to conversion, disposal and deletion	(44)	(4)
<b>Closing stock of dwellings</b>	<b>4,597</b>	<b>4,645</b>
Analysis of closing stock numbers:		
Houses	2,145	2,145
Flats	1,142	1,360
Bungalows	1,310	1,140
	<b>4,597</b>	<b>4,645</b>

### 10. HRA share of contributions to or from the 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 14 to the Core Financial Statements for a fuller explanation.

## Notes to the Housing Revenue Account

### 11. Capital Expenditure

	2010 £000	2009 £000
Dwellings	4,960	4,740
Vehicles	139	45
Equipment - Funded from Capital under Statute	9	9
IT Infrastructure	188	-
	<u>5,296</u>	<u>4,794</u>
Financed by:		
Revenue Contributions	1,453	1,034
Major Repairs Reserve	3,881	3,754
Other Financing Adjustments	(38)	6
	<u>5,296</u>	<u>4,794</u>

### 12. Subsidy

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

	2010 £000	2009 £000
Management and Maintenance	6,619	6,439
Capital Charges	906	897
Rent Income	(13,993)	(13,790)
Interest	(1)	(2)
Prior Years Adjustments	(63)	(25)
<b>Negative Subsidy</b>	<u>(6,532)</u>	<u>(6,481)</u>
Major Repairs Allowance (MRA) - Grant Received	2,961	2,873
<b>HRA Subsidy Payable to the Government</b>	<u>(3,571)</u>	<u>(3,608)</u>

### 13. Fixed Assets

	Balance 31 Mar 10 £000	Balance 1 Apr 09 £000
<b>Operational Assets</b>		
Dwellings - Balance Sheet Value	221,097	219,440
Other HRA Property	1,578	1,916
<b>Non-Operational Assets</b>		
Other HRA Property	383	967
<b>Total Balance Sheet Value of HRA Assets</b>	<u>223,058</u>	<u>222,323</u>
Dwellings- Vacant Possession Value	480,645	477,043

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.

Increases in the valuation for many Beacon properties has resulted in a £5.645m reversal of impairment that partly reverses the impairment loss seen in 2008/09. Valuation gains for some of these Beacon properties exceeded the previous fall in value, resulting in a £2.024m valuation increase taken to the Revaluation Reserve. However, some Beacon groups experienced further falls in value, and £4.248m has been impaired to the HRA Income and Expenditure Account for these properties.

## Notes to the Housing Revenue Account

### 14. Depreciation

HRA accounting authorities are required to show depreciation charges for all of the HRA's fixed assets.

	2010	2009
	£000	£000
Dwellings	2,961	2,873
Other HRA property	347	354
Impairment of Capital Improvements charged to the Inc. and Exp. A/c	4,118	22,174
	<u>7,426</u>	<u>25,401</u>

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 useful life of approximately 50 years.

The depreciation charge in respect of 'Other HRA Property' is included in the Net Cost of Services but is reversed out in the Statement of Movement in the HRA Balance because, unlike the charge for HRA dwellings, it is not funded by the MRA.

The 2009/10 financial results include £4.118m (2008/09 £22,174m) relating to net Impairment of Capital Improvements charged to the Income and Expenditure Account. This element is reversed out in the Statement of Movement of HRA Balances and therefore does not affect the overall working balance of the HRA. This partly reflects the cost of enhancement works that do not add to the overall valuation of the council housing stock in the Balance Sheet, and the impact of any decrease /increase in the value of property prices on the Balance Sheet valuation.

### 15. Gain / Loss on Disposal of Fixed 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 Income and Expenditure Account, 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 Statement of Movement on the HRA Balance to ensure there is no real impact on fund balances for the year.

### 16. Redundancy payments

Charged to the HRA Income and Expenditure Account are payments totalling £36,900 in respect of voluntary redundancy and associated pension costs for 6 housing staff made redundant in 2009/10. (2008/09 £166,742 for 7 staff).

## The Collection Fund Income and Expenditure Account

for the year ended 31 March 2010

	Notes	2009/10 £000	2008/09 £000
<b>Income:</b>			
Income from Council Tax	2	47,172	46,018
Transfer from General Fund:			
Council Tax Benefits	3	9,186	8,793
Income collectable from business ratepayers	4	24,039	23,272
<b>Total Income</b>		<b>80,397</b>	<b>78,083</b>
<b>Expenditure:</b>			
Precepts and demands			
Suffolk County Council		43,779	42,685
Suffolk Police Authority		6,210	5,949
Waveney District Council		6,133	5,895
Business rates			
Payment to national pool		23,834	23,072
Cost of collection allowance		205	200
Bad and doubtful debts			
Write offs	6	117	116
Change in bad debt provision	6	240	(86)
Share of previous years'			
Collection Fund surplus / (deficit)	5	(332)	(213)
<b>Total Expenditure</b>		<b>80,186</b>	<b>77,618</b>
<b>Deficit/(Surplus) for Year</b>		<b>(211)</b>	<b>(465)</b>
<b>Collection Fund Balance</b>			
At the start of the year		(96)	(561)
(Deficit)/Surplus for year		211	465
<b>Balance at Year End-Surplus/(Deficit)</b>	7	<b>115</b>	<b>(96)</b>

## Notes to the Collection Fund

### 1. General

The Collection Fund records the transactions relating to the collection of the Council Tax and the Business Rates.

### 2. 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.

The average Band D Council Tax set was:	<b>2010</b>	2009
	<b>£1,410.31</b>	£1,371.85

The Council estimated its Tax Base for 2009/10 as follows:

Valuation Band	Number of Chargeable dwellings	Band D Equivalents
A	15,582	10,381
B	13,478	10,483
C	9,340	8,302
D	5,713	5,713
E	2,661	3,252
F	878	1,268
G	503	838
H	30	60
	48,185	40,297
Less:		
Provision for bad and doubtful debts (1.25%)		(504)
Tax Base 2009/10 (Band D equivalents)		39,793

The income from Council Tax can be analysed as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Gross amounts charged	<b>63,888</b>	61,842
Less: exemptions, discounts and reliefs	<b>(7,530)</b>	(7,031)
Council Tax Benefits	<b>(9,186)</b>	(8,793)
	<b>47,172</b>	46,018

### 3. 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.

## Notes to the Collection Fund

### 4. 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 Income and Expenditure Account. The valuation list was revised in April 2005.

	<b>2010</b>	2009
The rateable value at 31 March was	<b>£58.0m</b>	£57.6m
The multiplier was	<b>48.5p</b>	46.2p
The next revaluation of all business properties is due in April 2011		

### 5. Share of Previous Year's Collection Fund (Deficit) / Surplus

When setting the Council Tax the Council estimated the (deficit) / surplus on the Collection Fund. This amount was shared as follows:

	<b>2010</b>	2009
	<b>£000</b>	£000
Suffolk County Council (Council Tax)	<b>(260)</b>	(167)
Suffolk Police Authority (Council Tax)	<b>(36)</b>	(22)
Waveney District Council (Council Tax)	<b>(36)</b>	(24)
	<b><u>(332)</u></b>	<u>(213)</u>

### 6. Movement in Bad Debt Provision

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

	Balance	Applied	Increased /	Balance
	1 Apr 09	in Year	Decreased	31 Mar 10
	£000	£000	Provision	£000
Council Tax	1,110	(117)	357	1,350
Business Rates	323	(192)	136	267
	<b><u>1,433</u></b>	<b><u>(309)</u></b>	<b><u>493</u></b>	<b><u>1,617</u></b>

## Notes to the Collection Fund

### 7. Collection Fund Balance

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Surplus / (Deficit) relating to:		
<u>Council Tax:</u>		
Suffolk County Council	<b>89</b>	(75)
Suffolk Police Authority	<b>13</b>	(11)
Waveney District Council	<b>13</b>	(10)
Total Council Tax	<b>115</b>	(96)
Community Charges:	<b>-</b>	-
	<b>115</b>	(96)

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

### 8. Parish/Town Council Precepts

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

	<b>2010</b>	2009
	<b>£000</b>	£000
Parish and Town Precepts	<b>431</b>	393



## Notes to the Collection Fund

### 9. Collection Fund Adjustment Account

Under the 2009 CIPFA SORP, the amounts owed to/from Suffolk County Council (SCC) and Suffolk Police Authority (SPA), in respect of Council Tax bad debt provisions, outstanding arrears and prepayments together with balances on the Collection Fund, previously on Waveney DC's Accounts, have now been accounted for by SCC & SPA directly. The comparative figures for 2008/09 have also been amended to take account of this change. See paragraph 2 of the Explanatory Foreword and Debtors/Creditors for more detailed explanations.

Figures for Non-Domestic Rates have been amended in order to comply with the 2009 SORP. Waveney DC must not now recognise NNDR Debtors but reflect amounts due to/from the Government. More detailed information is set out in paragraph 2 to the Explanatory Foreword, and Debtors/Creditors. Comparative figures for 2008/09 have also been amended.

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.

	<b>2010</b>	2009
	<b>£000</b>	£000
Balance at 1 April	<b>10</b>	60 Restated
Movement in year	<b>(23)</b>	(50)
Balance at 31 March	<b>(13)</b>	10

# Statement of Responsibilities for the Statement of Accounts

## **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 Section 151 Officer, as the responsibilities are specified in Section 151 of the Local Government Act 1972. 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 Flegg, Vice Chairman, Waveney District Council

28 September 2010

## **• The Section 151 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 of Practice").

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 Code of Practice.

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 Section 151 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 2010 and its income and expenditure for the year ending on that date.

Alan McFarlane, CPFA  
Director of Resources

28 September 2010

# **Independent Auditor's Opinion**

---

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

### **Opinion on the accounting statements**

I have audited the Authority accounting statements and related notes of Waveney District Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Director of Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

# **Independent Auditor's Opinion**

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## **Opinion**

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

# **Independent Auditor's Opinion**

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Waveney District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Neil A Harris

Officer of the Audit Commission

Crown House, Crown Street, Ipswich, Suffolk IP13 3HS

30 September 2010

# Annual Governance Statement

## 1. SCOPE OF RESPONSIBILITY

Waveney District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 2000 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has produced a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code, revised during summer of 2009 is available on the Council's website: <http://www.waveney.gov.uk>

This Statement explains how the Council has complied with the Code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a Statement on Internal Control.

## 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

## 3. THE GOVERNANCE FRAMEWORK

The Council has committed itself to the pursuit of proper corporate governance throughout its services and to establishing the principles and practices by which this can be achieved, and to that end following the award of the Member Development Charter Mark in February 2009 it continued to engage in a significant Member development programme during 2009/10, embedding learning and culminating in the Council being the third Council in the country to be awarded Charter Plus in November 2009.

Corporate governance is the system and processes by which the Council leads, directs and controls its functions and relates to the community and its partners. Through various systems and processes the Council strives to adhere to the principles of good governance, which are: openness, inclusivity, integrity and accountability.

# Annual Governance Statement

## 3.1 The Council's Vision, Ambition and Values

The Council's Strategic Direction (incorporating its Vision and priority outcomes) and values provide the core to build everything else around. Its Vision "to ensure a safe, clean, attractive and prosperous environment for our communities" is addressed through 7 Priority Outcomes:

- Environment
- Community safety
- Housing
- Regeneration
- Health and well-being
- Customer access
- Performance

The Council has realigned its organisational, Cabinet and Overview and Scrutiny structures with these priorities.

The Strategic Direction is set each year and consultation is undertaken with the community, stakeholders and partners. Furthermore, Service Plans are set each year in relation to the 7 priority outcomes to document how these will be addressed and what key tasks need to be undertaken. The template for Service Plans incorporates achievements and outcomes, improvement actions, financial and risk management, Value for Money efficiencies, Customer consultation and performance management. Service Plans for 2009/10 have been further improved and underwent a thorough challenge. These plans were completed prior to 31 March 2009 and actions arising from them were monitored during the year. Work will continue in 2010/11 to better evidence Value for Money at service level.

During 2009/10 the Council reviewed and approved a revised Strategic Direction to apply from April 2010 in order to more closely align with the priorities of the Waveney Local Strategic Partnership and Suffolk Strategic Partnership in their Sustainable Community Strategies, and thereby work more effectively with its partners across Suffolk.

The Overview and Scrutiny Committee and three further themed sub-committees also review the operations of the Council in relation to the Strategic Direction to ensure responsibilities are carried out properly. The minutes of their meetings and an Annual Report are published and evidence the level of their scrutiny.

Waveney's Vision of its purpose and intended outcomes for citizens and service users is clearly documented within its Corporate Plan, a copy of which is available on the Council's Website. This Plan is closely linked to the Sustainable Community Strategy, which was published in 2007 following public consultation by the Waveney Local Strategic Partnership (LSP). The Council's Sustainable Community Strategy was reviewed and revised during 2009/10 following the implementation of Comprehensive Area Assessments and the new Local Area Agreement (LAA2). The Strategy outlines the Partnership's vision for the future of the Waveney district and identifies key issues that need to be addressed in order to successfully achieve its Vision.

The LSP's Strategy for 2007 to 2010 identifies four issues, which are linked to the Council's Priority Outcomes, as priorities, where it is believed that the work of the Partnership can make a unique difference. These are:

- Children and Young People.
- Safer, Stronger Sustainable Communities.
- Healthier Communities and Older People.
- Economic Development and Enterprise.

# Annual Governance Statement

LSP working groups review existing aims and objectives and action plans have been drawn up to tackle these areas. Further working groups have also been established to mirror the nine Delivery Partnerships created by the Suffolk Strategic Partnership to deliver the Suffolk Sustainable Community Strategy. The other issues are being addressed by other organisations and partnerships. The LSP is monitoring and managing achievements in these areas and supporting the work of the partners where appropriate. The LSP has also undertaken a review of itself through the 'Aspire 2 Perform' assessment and is delivering an action plan for improvement.

The Council led the commissioning of Local Improvement Advisors during 2009/10 on behalf of the LSP. As a result of their work the governance arrangements for the LSP were reviewed and amended. Revised terms of reference and membership were put in place that created a greater strategic role for the LSP Board, separate from a new LSP Executive, responsible for delivery. This structure was designed to reflect the new Sustainable Community Strategy 2010 – 2028 that was adopted during the year. The new strategic priorities for the LSP directly align with those of Suffolk Strategic Partnership's Sustainable Community Strategy. These four new priorities are:

- Prosperous and Vibrant Economy
- Learning and Skills for the Future
- Safe, Healthy Inclusive Communities
- Greenest County

These are the same four priorities adopted as part of the Council's Strategic Direction from April 2010. The LSP Executive uses Task and Finish Groups to address specific issues. In addition to support delivery of the revised Sustainable Community Strategy there are three Standing Groups that are developing four year action plans to deliver the new Strategy:

- Waveney Economic Partnership
- Housing Group
- Community safety Partnership

## **3.2 Communication**

The Council has a Communications Protocol with the aim of clearly communicating its Vision, strategic objectives and aims, to foster an integrated approach to communication across the Council. Communication is a key area identified by the Council to help maximise its full potential and to develop an open culture. The Protocol aims to ensure accountability by communicating in a manner which is transparent and consistent, accurate, honest, timely, and as simple and as free of jargon as possible. It helps to establish clear channels of communication both internally and externally and promotes two-way communications by encouraging open consultation. The protocol has been developed into a comprehensive Council Communications Strategy and an LSP Community Engagement Strategy.

Internal communication has also improved through the adoption during the year of a specific Staff Engagement Strategy. Such engagement is mainly carried out using the Council's Intranet, through cascading information within teams by Heads of Service, Principal Service Managers, and/or Service Managers as appropriate, through Corporate Management Team meetings, Principal Service Managers / Service Manager meetings, Staff Forums, 'Learning Lunches' and a 'You Say' electronic suggestion scheme. The effectiveness of the Strategy is managed through direct evaluation of specific sessions and through an annual Staff Attitude Survey.

## **3.3 Managing Performance**

The Council has a number of systems, arrangements and processes in place for measuring performance and the quality of its services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring it represents the best use of resources. It has an integrated performance management framework linking finance and service performance targets. This framework was extended during 2009/10 to also include complaints and direct customer feedback, and is also now more closely aligned to the actions under the refreshed Sustainable Community Strategy and the work of the LSP.



# Annual Governance Statement

## **3.4 Competency Framework**

The Council has established a Competency Framework identifying behaviours that support the Council's Vision and provides objective measures of behavioural performance that supports and examines the way in which the Council performs. This enables the Council to improve its performance and for individuals to improve their personal skills; it is a way in which it can objectively examine, coach and give feedback on individual performance. This is undertaken on an annual basis through Personal Development Plans that are reviewed at 6 monthly intervals and through monthly 1-2-1 meetings. The competencies are part of a management process that links an individual's personal requirements with their Team Service Plan, and therefore also the priorities of the Council. The Competency Framework has been reviewed during the year to ensure it aligns with the refreshed Sustainable Community Strategy. This "golden thread" helps to ensure that corporate targets can be achieved and that all staff are developed with appropriate skills.

## **3.5 Performance Reports**

The Council takes the quality of its services seriously and produces quarterly performance reports, which are taken to the Performance Challenge Board, Corporate Management Team and the Cabinet. These reports give details of the Council's performance against National and Local Indicators and include financial and risk management performance information. Financial performance is also separately reported monthly to the Portfolio Holder (Performance). Performance in risk management and compliance with agreed internal and external audit actions is reported regularly to the Audit & Risk Management Committee.

## **3.6 Place Survey**

From 2008, Government requires all councils to carry out a Place Survey every two years. The Council did not therefore complete a Place Survey during 2009/10 but did commission a representative telephone survey of 1010 Waveney residents in conjunction with the LSP, which informed the revised Sustainable Community Strategy.

## **3.7 Use of Resources Assessment**

The annual Use of Resources (UoR) assessment (by the Audit Commission) evaluates how well the Council has managed and used its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. The latest assessment (2008/09) is available from the Council's website and shows the Council as overall "performing adequately", with a score of 2 out of 4. The Council has improved significantly over the last 2 years, developing and implementing an action plan to improve its performance and address those challenges relating to the revised Use of Resources judgement under the Comprehensive Area Assessment. Following the General Election, however, on 6 May 2010 the new Government has, with immediate effect, abandoned the Use of Resources and Comprehensive Area Assessment performance regime and no scores will be issued for 2009/10.

## **3.8 Compliance**

The Council has committed itself to the adoption of policies, practices and procedures, which ensure openness in all its dealings, and compliance with statutory rules and regulations, other external bodies, and internal policies and procedures.

In ensuring members of staff are compliant with relevant laws and regulations, internal policies and procedures and that expenditure is lawful, all policies, plans and procedures are documented on the Council's Intranet. In addition to this the Council's major policies and procedures are covered at a new member of staff's welcome meeting with their Line Manager, through their welcome pack upon starting and through the corporate induction programme.

# Annual Governance Statement

Policies are also maintained and kept up-to-date through the Council's Policy Register, which is available on the Intranet for access by all Council employees. Notices are published on the "Home" page of the Council's Intranet site to ensure that all staff are made aware when there are any changes to the Register.

## **3.9 Corporate Code of Governance**

The Council's Corporate Code of Governance reflects the requirements of the CIPFA/SOLACE Framework and encompasses the following six principles of good governance:

- (a) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- (b) members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (c) promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (d) taking informed and transparent decisions that are subject to effective scrutiny and managing risk;
- (e) developing the capacity and capability of members and officers to be effective; and
- (f) engaging with local people and other stakeholders to ensure robust public accountability.

The Code details how the Council will carry out its various duties and responsibilities in order to adhere to the principles of good governance and good leadership. It refers to a number of key documents, which regulate the governance of the Council's operations including the Constitution, rules of procedure such as Standing Orders and Financial Procedure Rules, codes and protocols.

## **3.10 The Constitution**

It is the Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, whilst others are a matter for the Council to choose. The Constitution also sets out the roles of the Monitoring Officer and Section 151 Officer in regard to their statutory responsibilities relating to compliance with the law and ensuring sound financial control. The Constitution is continually being reviewed, on a rolling schedule, at each meeting of the Standards Committee to ensure accuracy and completeness, with discussions also being held between Officers and Members on a regular basis. The Constitution was updated during the year.

## **3.11 Financial Procedure Rules**

The Financial Procedure Rules, set out in the Council's Constitution, are the framework within which the financial administration of the Council is conducted. They identify the financial responsibilities of the Full Council, Members, the Monitoring Officer, the Section 151 Officer and Strategic Directors. The Section 151 Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any changes necessary to the Strategic Management Team and the Cabinet prior to seeking approval from Full Council.

Corporate Management Team (CMT) comprising the Chief Executive, Strategic Directors and Heads of Service are responsible for ensuring all members of staff understand and comply with these procedures. CMT, which includes the Monitoring Officer, also maintain a written record where decision-making has been delegated to any staff, including sub-delegations.

All members of staff have a general responsibility for ensuring that the use of resources is authorised and legal and it is the responsibility of the Section 151 Officer to report to the Full Council, Cabinet and External Auditor any decision or action that has or could result in the occurrence of unlawful expenditure.

# Annual Governance Statement

The Council's Internal Audit Team provides independent and objective services, including consultation and fraud-related work. It is the responsibility of Internal Audit to ensure that the Council's anti-fraud, theft and anti-corruption policies are regularly reviewed and advise the Head of Paid Service (the Chief Executive) of any circumstance where investigations, reviews and reports reveal fundamental weaknesses within the Council.

Whenever matters arise involving suspected irregularities concerning assets, finances or interests of the Council, the Head of Paid Service will notify Internal Audit who in turn will take such steps as considered necessary and will report major irregularities to Council Members and those charged with governance.

## **3.12 Whistle Blowing Policy**

This policy, which was updated in November 2009 and is regularly promoted, supports the Council's intention to promote the highest possible standards of openness, integrity and accountability by both officers and Members. It aims to give confidence and reassurance to "workers" who wish to raise concerns in confidence, without fear of victimisation, subsequent discrimination or disadvantage. During March 2009 one member of staff invoked the Policy for the first and only time since its inception. The Audit Commission completed an independent review of the complaint, lasting over a year. The complaint related to actions between approximately October 2007 and July 2008. The Audit Commission presented their findings of the investigation to the Audit and Risk Management Committee on 28 June 2010. The Audit Commission did not find anything new or that raised any concerns with regard to their assessment of financial management, governance and internal controls in 2009-10. They will not therefore, in the public interest, be issuing any formal report or recommendations. The matters found were entirely consistent with the significant issues previously identified with regard to financial management, governance and internal control during 2007-2008 that have subsequently been addressed by the Council.

## **3.13 Complaints**

Customer views are important to the Council and it values constructive feedback on its services. Where relevant and practical the Council will act on any feedback in order to improve its services, efficiencies and focus on the customer.

The Council's website gives its customers the opportunity to make suggestions and compliments and ensures that all complaints and grievances are dealt with in the appropriate manner and timeframe. Advice is also given on making a more formal complaint and the channels available for obtaining independent advice. Complaints are formally incorporated within the Performance Management Framework and reporting. Further work is planned within 2010/11 to strengthen the robustness and consistency of the complaints process.

## **3.14 Functions**

The Council is required by the Local Government Act 2000 and regulations made under it, to indicate how it has arranged for its functions to be carried out. The Council's Constitution defines and documents the roles and responsibilities for the Cabinet, Non-executive, Scrutiny and Officer functions, with clear delegation arrangements, information on how decisions are made, the procedures which are to be followed and protocols for effective communication.

### **3.14.1 Non-executive Functions**

Non-executive functions are those specifically required by statute or designated by the Council to be non-executive functions.

The Council has a number of regulatory committees and sub-committees that make quasi-judicial decisions concerning non-executive functions that cannot be dealt with by the Cabinet such as Development Control and Licensing. Chairmen of the committees are elected annually to manage committee business and to provide leadership and direction.

# Annual Governance Statement

Except for matters under the responsibility of the committees, all decisions relating to non-executive functions are delegated to the Chief Executive, Strategic Directors and the Heads of Service. The Council can delegate non-executive functions to officers.

## **3.14.2 Executive Functions**

Executive functions are all those functions that are not non-executive functions and will be exercised by either the Cabinet as a whole, individual Cabinet Members in their role as Portfolio Holders, or officers. Most day-to-day decisions are made by the Cabinet, which is headed by the Leader of the Council, or by individual Portfolio Holders in their own area of responsibility. The relevant Director or Head of Service advises Cabinet Members before exercising their delegated powers. Decisions have to be made within established Council policies and procedures and in line with the Council's overall policies and budget. Decisions that are outside the budget or policy framework are referred to Full Council. The Cabinet sets the overall policy framework through an annual review of the Policy register and this is then used as the basis for policy development and review, carried out through the Overview & Scrutiny Committee and its three themed sub-committees.

Full Council meets regularly to give individual Councillors the opportunity to raise important issues and to underpin policy formulation (where necessary) and performance review, as well as holding the Cabinet to account for its actions, policy and direction and considering reports from the Leader of the Council and the Chairman of the Overview & Scrutiny Committee. It is also the responsibility of Full Council to adopt and approve changes to the Constitution.

## **3.14.3 Overview and Scrutiny Functions**

The Council has an Overview and Scrutiny Committee, which has a statutory role to ensure that the Council carries out its responsibilities properly. The role of the Overview and Scrutiny Committee and its three themed sub-committees in relation to the development of the Council's budget and policy framework is set out in detail in the Constitution.

The Committee and sub-committees review decisions made by Cabinet, Portfolio Holders and Council officers to ensure that they are fair and correct. They are not decision making bodies themselves and can only make recommendations to the Cabinet or, if the Cabinet does not agree with those recommendations, to Full Council. All Councillors, except members of the Cabinet, may be members of the Committee or sub-committees. However, no Member may be involved in scrutinising a decision in which they are or have been directly involved.

The Committee has also expanded its role under Comprehensive Area Assessment to scrutinise externally from the Council. The Committee and sub-committees are therefore each undertaking at least one external public enquiry of issues within the Waveney area each year. These issues and the internal work of the Committee are summarised in the Committee's Annual Report.

## **3.14.4 Officer Functions**

It is the responsibility of the Head of Paid Service to determine a description of the overall organisational structure of the Council showing the management structure and deployment of officers. All officer roles have a job description defining clear delegation arrangements and lines of communication. The Human Resources Team carries out assessments of new roles. Over the last two years the Council has undertaken a process of implementing a revised staffing structure across the Council as a whole, which has significantly reduced ongoing employee expenditure, minimised the costs of this transition and ensured continuous improvement to services.

# Annual Governance Statement

## 3.15 Audit and Risk Management Committee

It is through this Committee, in conjunction with the Overview and Scrutiny Committee and the Standards Committee, that the Council ensures good corporate governance. It provides an independent assurance of the control environment, an independent review of the Council's performance and the extent it affects the exposure to risks, and assurance that any issues arising are properly dealt with. Training has been given to ensure that the Committee complies with the CIPFA guidelines on Audit Committees. The Committee's work is summarised in its Annual Report.

## 3.16 Codes of Conduct

It is the responsibility of the Council's Standards Committee to promote high standards of conduct by Members and Officers. It does this by agreeing to and promoting awareness and understanding of Codes of Conduct for Members and Officers, both of which are documented in the Council's Constitution. The Standards Committee has clear, documented procedures in place should action need to be taken if a member or officer is reported not to have followed the relevant Code of Conduct. The Standards Committee received a 'Highly Commended' in the Standards & Ethics category at the 2010 LGC Annual Awards in recognition of the innovative approach and outcomes it has achieved in Waveney area during 2009/10 through delivering its Ethical Governance Action Plan. The work of this Committee is also summarised in its Annual Report.

## 3.17 Development needs and training

### Officers

All officers have an appraisal each year through the Personal Development Plan process and this is reviewed after 6 months. Ongoing 1-2-1 meetings are also undertaken to address any development or training needs that may arise throughout the year. This process brings together the objectives identified in the Council's Strategic Direction, the Improvement Plan and Service Plans, with the core competencies required for each individual to satisfactorily achieve their own personal objectives as well as those of their team and the organisation as a whole. This process also identifies development and training needs to inform the annual Corporate Training Plan. Over 40 corporate training sessions were held for Officers during 2009/10, with 328 places taken (approximately 66% of available space). Both internal and external facilitators led these sessions. The Council has also formally committed itself and begun the process for achieving Investors in People status.

### Members

The development needs of Councillors are identified via the Personal Development Plan process and a 360 degree appraisal pilot offered to Chairs and Vice Chairs of Committees. A total of 30 events were made available to Members during 2009/10. Sessions included specialist events to cover changes in legislation and had a take up of at least 80%. An on-line 'First Certificate in Community Leadership' development course was offered for the first time with external funding for 25% of Members to complete and this was achieved. All Members attended at least one course during the year and all courses were offered as both daytime and evening sessions. Professional development was provided by internal and external facilitators, some of these in-house sessions were shared with neighbouring authorities including a 'Planning Ahead' Regional Conference organised by Waveney which attracted more than 60 Councillors from authorities across Norfolk and Suffolk.

A number of 'Potential Councillor' events were held prior to the local elections with the aim of encouraging members of the public to stand as District Councillors. Newly elected Councillors are provided with an extensive induction programme and supported by in-house Peer Mentors.

The quality of professional development available to Councillors at Waveney was recognised externally in November 2009 and Waveney was awarded Elected Member Development Charter Plus status - only the third authority in the country to be awarded this Charter Mark and the first in the East, South East or London.

# Annual Governance Statement

## 3.18 Partnerships

To ensure that it incorporates good governance arrangements in respect of partnerships and other group working, the Council has adopted a Partnership Policy that contains detailed guidance on the setting up and governance arrangements of Partnerships. The Council applies this policy to its selection of which Outside Bodies Members should be appointed to.

The guidance incorporates a step-by-step approach to setting up a partnership arrangement and includes a means of evaluating the possible benefits and assessing the risks involved. The process includes:

- Ensuring that the project is justified, in that it contributes to the relevant corporate objectives of the Council;
- Ensuring that it offers clear benefits to the Council and that the risks are recognised and mitigated;
- An assessment of the Partnership using a Best Practice Model, including the completion of a Risk Assessment review; and
- Depending on the size of the Partnership, an agreement including arrangements for monitoring performance, reporting, review procedures and Risk Management.

The Council continues to improve the consistency of its application of the Corporate Partnership Policy, embedding it and providing greater support to Councillors regarding Outside Bodies. Further improvements to the arrangements for the completion and review of Partnership Monitoring Forms are targeted in 2010/11.

## 4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates. A review was conducted within 2009/10, which follows the six principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and highlights areas for further improvement. The principles are being audited as part of a rolling review of the Council's governance arrangements; a copy of the review conducted during 2009/10 is available on the Council's website and on its Intranet.

### 4.1 The Council

The Council has a key role in leading the community and delivering high quality services to the public. Guided by the Constitution it aims to provide clear leadership to the community in partnership with citizens, businesses and other organisations and supports the active involvement of citizens in the process of local Council decision-making.

The Council recognises that good corporate governance enables it to pursue its Vision and objectives and to operate in an effective, efficient, economic and ethical manner. It also recognises that good corporate governance strengthens the Council's credibility and the public's confidence in its services. The Council also recognises the importance of observing high standards of integrity, objectivity and honesty in its business, to follow a policy of openness and transparency and being accountable for its stewardship of funds.

# Annual Governance Statement

## 4.2 Code of Corporate Governance

The Council is committed to high standards of governance and has adopted a Code of Corporate Governance to ensure that it has robust governance arrangements in place and has underpinned its vision with mechanisms for control and management of risk.

The Council has produced a Code of Corporate Governance, prepared by its Strategic Management Team. The Code was prepared taking into account relevant legislation, the requirements of external review agencies and inspectorates, and changes to internal policies and procedures. The monitoring and review of the Council's governance arrangements is an on-going process that relies on the commitment to sound governance from both Members and Officers. Corporate Governance issues are covered in the induction programmes run by the Council for both Members and Officers.

During the year, the Chief Executive and Directors, aided by the Heads of Service, Section 151 Officer and Monitoring Officer have striven to ensure that:

- The Council has focused on the organisation's purpose and on outcomes for citizens and service users;
- All services have performed effectively in clearly defined functions and roles;
- The Council has continuously promoted values for the whole organisation and has demonstrated the values of good governance through behaviour;
- It has taken informed, transparent decisions and has managed risk;
- The Council has developed its capacity and capability so that it is effective; and
- Stakeholders have been engaged and that accountability has been made real.

These principles were further reviewed during the year and were formally adopted by Full Council during the summer of 2009. In addition the Council reviewed its Values following public consultation. The Council's revised values are:

- Take collective and personal responsibility for the people and places that make up Waveney (**Leadership**)
- Be inclusive and promote community cohesion by focusing on the needs of individuals across the Waveney area (**Equality and Diversity**)
- Be in touch with what the general public thinks is important (**Customers first**)
- Ask local people for their opinions, respect those opinions and act accordingly to determine local priorities (**Listening and Responding**)
- Always act only in the best interests of Waveney's communities (**Selflessness**)
- Take full personal responsibility for your own conduct and actions; including if or when mistakes are made, being answerable for them, and learning from them (**Accountability**)

## 4.3 Internal Control and Risk Management

A sound system of internal control and the management of risks are integral parts of the Council's corporate governance arrangements. During the year the Council's Internal Audit Team were assessed by the Audit Commission as being fully compliant with relevant codes of practice. As a consequence the Council's external auditors can place greater reliance on the outcomes of the work undertaken by the Team.

Risk Management, a discipline that covers all services and operations throughout the Council, took a further step forward during the year with corporate risks now fully integrated into the Council's overall performance management processes. The management of risk is supported by a dedicated Risk Manager post and a Corporate Risk Management Group (CRMG). The Council's Risk Management Strategy is available on its Intranet site. The Strategy details risk management roles and responsibilities of individuals and groups across the Council.

# Annual Governance Statement

The Council continues to work towards ensuring that there is an understanding of risks at all levels, as the responsibility for managing risks is not restricted to one area or person but to every Member and Officer. The Council's risk management activity is co-ordinated and led by the CRMG. This is chaired by the Director of Resources and includes Member and senior officer representation.

The Risk Registers, held by the Performance Team, identify those risks, along with the controls that are in place to prevent them, and proposals for improvement and mitigation. These are now being reviewed on a rolling programme through CRMG and Audit and Risk Management Committee. The Committee, at its annual review also determines those corporate risks that are closed or sufficiently reduced to be removed from the Corporate Risk Register and managed by individual Teams through the monitoring undertaken as part of the service planning process. The Cabinet also reviews strategic risks on a quarterly basis through the performance reports.

During the year the Council successfully addressed the issues and weaknesses raised by its auditors in relation to the Statement of Internal Control for 2006/07 and 2007/08, including two section 11 recommendations, receiving an unqualified audit opinion in respect of its Statutory Statement of Accounts for 2008/09. It is necessary for work to be undertaken to ensure that the Council's accounts meet the presentation and disclosure requirements of the International Financial Reporting Standards. Work will need to continue into 2010/11 and be reported to the Audit and Risk Management Committee to ensure that requirements are met. A few residual actions were outstanding at the year-end in relation to financial systems, and actions have since been taken to improve authorisation processes and controls in accordance with Internal Audit recommendations.

The Council outsourced its Asset Management services in August 2009. Specific governance arrangements are in place to manage this major strategic partnership.

During 2009/10, the Council faced continuing uncertainty around the outcome of Local Government Review of Suffolk and Norfolk, since abandoned by Government following the general election. However, this uncertainty had the effect of preventing and / or delaying some key strategic projects for the Council such as a replacement Housing Management and Maintenance system and the delivery of its Campus project. Given those delays and the significant economic uncertainties surrounding the recession, it was jointly agreed with partners that the Campus project be abandoned. As a consequence the partners were required to share costs incurred to that point. The Council successfully absorbed its share of aborted capital costs amounting to £1.240 million within its revenue resources. An additional £3.4 million was spent by the Council on land purchases at the Campus site to facilitate the intended development. The Council will need to consider carefully how this land be best used to maximise value for money from this investment.

The most significant risk the Council faced related to Housing Benefit Subsidy returns for the financial years 2004/05 to 2007/08 and the risk of penalty / claw back of Subsidy granted originally estimated as £9.8 million. The risk resulted from a number of weaknesses and errors identified as part of the detailed audit work for the grant claims. The extent of this risk was brought to Members' attention in a comprehensive report in May 2008 and in subsequent reports including a further report under section 114 of the Local Government Finance Act 1988, in November 2009 surrounding the Council's ability to set a balanced budget for the coming year 2010/11. The Council subsequently received assurances surrounding the extent of recovery during 2010/11 from the Department, allowing it to set a balanced budget. Work continued in order to mitigate the extent of the potential impact on the Council with final submissions made in June 2010. In September 2010 the Council received notification that the amount due has been successfully reduced to £379,000 and the accounts have been restated to reflect a creditor to this value. This removes a significant risk to the Council and has resulted in General Fund balances being restored to approximately £2 million.

Whilst a project management methodology has been adopted by the Council and some training provided, the availability and access to project information and software remains limited. During 2010/11



# Annual Governance Statement

the Council will extend access and training in project management. This will be a necessary key component in mitigating risks associated with the introduction of changing the Council's main financial systems during 2010/11.

Processes and controls were found to be weak in relation to car park income collection with fraud occurring during the year. This led to 4 personnel being dismissed and criminal proceedings are taking place. New controls have been implemented and a thorough internal audit review is programmed to commence shortly which will provide stakeholders with independent assurance upon the robustness of controls. Additional recommendations will be made if required.

During the year Waveney and Suffolk Coastal District Council took steps to secure closer working between the Council's as "preferred partners". This included establishing a Joint Partnership Board and initiating meetings of both Cabinets and Management Teams. On 13 September 2010 Cabinets of Suffolk Coastal District Council and Waveney District Council met simultaneously for the first time and agreed to recommend the merger of the councils' two senior management teams. The complexities of sharing services and senior management structures, building on arrangements already in place, will need to be closely monitored to secure the intended efficiencies and mitigate risk.

## **4.4 The Chief Executive**

The Chief Executive advises Councillors on policy and necessary procedures to drive the aims and objectives of the Council. The Chief Executive leads a Strategic Management Team, which is responsible for advising the Cabinet and the Overview & Scrutiny Committee on legislative, financial and other policy considerations to achieve the aims and objectives of the Council and is responsible for implementing Council decisions for service performance.

In turn, the Cabinet and the Overview and Scrutiny Committee, along with the Audit & Risk Management Committee, Standards Committee and Internal Audit, also play important roles in embedding the Council's corporate governance arrangements. They help to ensure that issues are challenged, procedures are followed, that sound decisions are made and that the Council is following good governance practice.

## **4.5 The Cabinet**

The role of the Cabinet is to carry out all of the Council's functions that are not the responsibility of any other part of the Council, whether by law or under its Constitution. The functions of the Cabinet cover some 67 areas, and are detailed within the Constitution.

## **4.6 Overview and Scrutiny Committee**

The Council has appointed an Overview and Scrutiny Committee (supported by three themed Sub-Committees) whose terms of reference are detailed in the Constitution. Responsibility for the Council's Priority Outcomes is directly linked to the Committee for Performance and Customer Access and the three Sub-Committees as follows:

- Regeneration and Environment.
- Housing.
- Community Safety, Health and Well-being.

The general role of Overview and Scrutiny is to review, question and scrutinise decisions made and actions taken by bodies or individuals empowered to discharge any of the Council's functions, the Cabinet or committees (as appropriate) and to report and make recommendations to the Cabinet and/or Full Council. Members of the Committee also take part in various county-wide Scrutiny Panels (for example, Emergency Planning and Health). Members will also review, scrutinise and report on the performance of other public bodies in the district, and this is an area that is continuing to expand.

# Annual Governance Statement

## 4.7 Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to consider the Council's audit activity, regulatory framework, budget and accounts. In doing so, the Committee:

- Review and scrutinise reports relating to both internal and external audit services, including the management and performance of internal audit work and the scope and depth of external audit work;
- Monitor audit arrangements and the implementation of agreed audit recommendations;
- Give an oversight of risk management issues including a review of the Council's policy on risk, and the degree to which the Council is willing to accept risk;
- Monitor Council policies on anti-fraud and anti-corruption, and the Council's complaints process;
- Oversee the Council's Annual Governance Statement; and
- Review the Annual Statement of Accounts.

## 4.8 Standards Committee

The Council has established a Standards Committee. It exercises all its "Standards" responsibilities through a single, independently chaired, Standards Committee. Separate sub-committees are however formed when dealing with the different stages of a complaint about a Member.

The role of the Standards Committee is to promote and maintain high standards of conduct by councillors and officers alike. This is done by advising, assisting, observing and training the Council on the adoption or revision of the Members' Code of Conduct, Employees' Code of Conduct and Member/Officer Protocol, and monitoring the operation of the Members' Code of Conduct. It is also responsible for granting dispensations to councillors from requirements relating to interests set out in the Members' Code of Conduct.

Further functions of the Standards Committee include:

- Dealing with any complaints about a Member;
- Responding to any report from the Monitoring Officer;
- Raising awareness of ethical and conduct issues in District, Parish and Town Councils within the Waveney area;
- Reviewing the Council's Whistleblowing Policy and the Protocols for Councillors dealing with planning and licensing matters;
- Receive monitoring reports on declarations of interest made and gifts/hospitality received by Members and officers;
- Delivering the Ethical Governance Action Plan; and
- Producing an Annual Report for Council and Annual Return to the Standards Board for England.

The incoming Coalition Government has expressed its intention to abolish the current 'Standards Board regime'. The Council will continue to monitor this during the year and ensure that sufficient safeguards are in place to maintain the critical governance roles of this Committee in the event that Standards Committees and / or the Code of Conduct are abolished.

## 4.9 Internal Audit

The Council's Internal Audit is an independent body within the organisation, which acts in accordance with the Accounts and Audit Regulations, the CIPFA Code of Practice, and the Standards of the Institute of Internal Auditors (IIA). It acts as an assurance function that provides independent and objective opinion on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit was assessed as being fully compliant with codes of practice during 2009/10 and forms part of a wider joint Internal Audit Team with Suffolk Coastal District Council and Ipswich Borough Council, effective from January 2009.

# Annual Governance Statement

Internal Audit's plan of work is agreed each year with the Strategic Management Team, Heads of Service, the Audit Commission and Members of the Audit and Risk Management Committee. The Internal Audit output is reviewed by Senior Officers, reported to the Audit and Risk Management Committee and is available to all Members via the Intranet.

## 4.10 Role of the Chief Finance Officer

In accordance with the 'CIPFA Statement on the Role of the Chief Financial Officer in Public Service Organisations', the Section 151 officer, the Director of Resources, is a member of the Council's Strategic Management Team.

## 5. SIGNIFICANT GOVERNANCE ISSUES

In arriving at the areas to address during 2010/11, the Council has been informed by the results of the review of the effectiveness of the governance framework within the Council arising from last year's reports, by the outcomes of internal and external review bodies that report on the Council's performance to date, by undertaking a gap analysis of the 6 core principles that underpin delivering good governance in local government, and by consulting Members.

The 2008/09 Annual Governance Statement included 15 governance improvement actions, of which 12 have been successfully completed during the 2009/10 financial year, and the residual action in relation to risks arising from the DWP Subsidy work was successfully cleared when the audited accounts were approved: The following two actions were not fully completed during the year and are rolled-over to be addressed in 2010/11:

Para. No.	Agreed Areas to Address	Responsibility	Priority
3.2	Develop a co-ordinated programme of ongoing external consultation and engagement	CMT	Medium
4.3	Address the issues raised by Internal Audit regarding weaknesses in key financial systems.	SMT, CMT and Internal Audit.	High

The following new actions have been identified in the year:

Para. No.	Agreed Areas to Address	Responsibility	Priority
3.1	To enhance processes that evidence the delivery of Value for Money at service level.	Director of Resources, CMT	High
3.1	To continue to embed Value for Money principles within each of the Waveney Local Strategic Partnership stakeholders and within the partnership itself.	Performance Team	Medium
3.5	To review the Council's and Waveney Local Strategic Partnership's core National and Local indicators as part of refreshing the Council's Performance Framework and adopting the new Waveney Sustainable Community Strategy Action Plans.	CMT	Medium

# Annual Governance Statement

3.7	To review procedures and performance reporting following the coalition Government's decision to remove Comprehensive Area Assessment. Waveney and Suffolk Coastal District Councils to seek to minimise bureaucracy, increase capacity but remain self-aware, transparent and accountable (review to include the Council's Corporate Partnership Policy)	CMT	High
3.13	To improve the robustness and consistency of the Complaints process	Head of Customer Services	High
3.18	To improve arrangements for the completion and review of Partnership Monitoring Forms	SMT and Head of Partnership Management and Procurement	High
3.18	Consider incorporating the partnership and Third Sector performance management systems within the Council's overall Performance Framework	Head of Partnership Management and Procurement	Medium
4.3	To monitor and review budget risks facing the Council moving forward, taking mitigating action where possible to protect the Council's financial standing.	SMT, CMT	High
4.3	To mitigate any risks arising from the ongoing Shared Services agenda with Suffolk Coastal District Council	SMT, CMT	High
4.3	To extend access and training in the Council's Project Management methodology	SMT, CMT	High
4.3	To mitigate risks arising from the change of Financial Ledger systems	Director of Resources / Chief Accountant	High
4.3	To ensure that the Council's Accounts for 2010/11 comply with International Financial Reporting Standards (IFRS)	Director of Resources / CMT / Chief Accountant	High
4.3	To conduct a review into the robustness of controls in relation to car park income collection	Head of Partnership Management and Procurement	High

An action plan to address the outstanding governance issues has been prepared in consultation with a joint meeting of the Overview and Scrutiny & the Audit and Risk Management Committees. The Audit and Risk Management Committee will monitor progress against the plan during the year. The prioritisation attached to each of the areas above follows the Council's risk management matrix where "High" equates to corporate objectives not being met and "Medium" meaning objectives not being met within a Team or Portfolio.

# Annual Governance Statement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

<b>Post</b>	<b>Signature</b>	<b>Date</b>
Mark Bee Leader of the Council		
Stephen Baker Chief Executive		

# 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.

## Agency Services

Services provided for another local or public authority where the principal reimburses the agent for the cost of the work/service provided.

## Area Based Grant

Area Based Grant (ABG) replaces Local Area Agreement (LAA) Grant, from 2009/10. Unlike LAA Grant, ABG is a non-ring fenced general grant and no conditions on use are imposed.

## Business Rates

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

## Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services, usually comprising depreciation charges, interest 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.

## 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.

## 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.

## 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.

## 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 expenses and the purchase of Lowestoft porcelain.

# Glossary of Financial Terms

Concessionary Fares Reserve - Resources set aside for any potential liability with a local bus company in respect of the 2009/10 travel scheme.

Conservation, Planning and Building Control – A statutory fund to ensure that 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

LABGI Fund – resources put aside from central government, Local Authority Business Growth Incentive grant was to support General Fund activities including regeneration. LABGI ended on 31 March 2008.

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

Direct Revenue Financing – established to finance capital expenditure from revenue and de-minimis capital receipts.

Waveney Campus Financing – established to support the initial revenue costs arising from the capital scheme.

District Elections – resources earmarked to support costs of future elections.

Private Sector Housing Stock Condition Survey – resources earmarked for future survey obligation.

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

## 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.

## 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).

## 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 dwellings. These are financed by rents charged to tenants and subsidies received from the government.

## 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.

## Impairment

A material reduction in the value of fixed assets during the accounting period. This can be caused by a clear consumption of economic benefits (such as physical damage or quality deterioration) or a general fall in prices.

## 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.

## Leasing or Leases

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

These may be finance leases or operating leases. For the latter, the asset can never be owned by the Council and at least 10% of its initial value must be returned to the lessor.

# Glossary of Financial Terms

A finance lease transfers substantially all of the risks and rewards of ownership of the asset to the Lessee.

## **Major Repairs Allowance (MRA)**

An amount of capital resource required to maintain the housing stock in its current condition.

## **Major Repairs Reserve (MRR)**

A discretionary reserve to which the MRA may be transferred, and that is used to finance major repairs.

## **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.

## **Non Domestic Rates (NDR)**

See Business Rates

## **Non-Domestic Rate Pool**

The net proceeds of the Non-Domestic Rate are pooled 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**

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

## **Out-turn**

Actual income and expenditure.

## **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 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.

## **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**

A capital reserve representing accumulated gains in valuation on fixed assets 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**

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, some redundancy payments approved to be capitalised by Government and other capital grants.

## **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.

## **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



# Glossary of Financial Terms

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.

The nature of the trading accounts disclosed in the Statement of Accounts as former Direct Services Organisation accounts is explained below.

*Leisure Management* – Management of leisure facilities, primarily yacht stations.

*Vehicle maintenance* – maintenance of the Council's fleet of vehicles including refuse freighters.

## **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 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.

## **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

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