

BABERGH DISTRICT COUNCIL

From: Director of Finance	Report Number: L48
To: OVERVIEW AND SCRUTINY (STEWARDSHIP) COMMITTEE	Date of meeting: 12 July 2011

STATEMENT OF ACCOUNTS 2010/11

1. Purpose of Report

- 1.1 To highlight key issues relating to the 2010/11 Statement of Accounts, which has been approved by the Director of Finance by the due date of the 30 June, and update the Committee on the financial outturn for the year.
- 1.2 To enable Members to scrutinise the Statement of Accounts and raise any issues that can be considered further by officers before the accounts are audited.

<p>2. Recommendations</p> <p>2.1 That the Committee notes the updated final financial outturn for 2010/11 and the new arrangements for approving the Statement of Accounts.</p> <p>2.2 To scrutinise the draft Statement of Accounts and to highlight any issues that may need further consideration before they are audited.</p> <p>2.3 To note that the Annual Governance Statement (AGS), which is a separate item on today's agenda, will then be published alongside and to accompany the Statement of Accounts.</p> <p>The Committee is able to resolve these matters.</p>

3. Financial Implications

- 3.1 None.

4. Risk Management

- 4.1 This report is most closely linked with the Council's Corporate/ Significant Business Risk No. 6 – Performance and Cost Management. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Material misstatements in the accounts or non-compliance with accounting requirements, resulting in a possible 'qualified' audit opinion or unfavourable audit report.	Low	Marginal	Clear arrangements in place for ensuring compliance with other accounting requirements. Analytical review of 2010/11 outturn against previous year and the Budget by officers. Joint working with MSDC and other Councils. Discussion on key issues with the auditors.

Risk Description	Likelihood	Impact	Mitigation Measures
Issues or concerns raised by the public from the right to inspect the accounts	Low	Marginal	Open and transparent arrangements and publication of the public's right to inspect the accounts.

4.2 Notwithstanding the mitigation measures, given the scale of changes required by IFRS, there is clearly a heightened risk this year of misstatements. We will work closely with the external auditors on any that are identified.

5. Consultations

5.1 With the external auditors on IFRS requirements and other key changes to this year's accounts compared to previous years.

6. Equality and Diversity Impact

6.1 An Equality Impact Assessment (EqIA) has not been completed because the production of the Statement of Accounts is a technical accounting exercise and does not have any equality impacts.

7. Shared Service / Partnership Implications

7.1 None, although it should be noted that officers have worked closely with Mid Suffolk DC to ensure consistency on key accounting issues and reporting presentation in the Statement of Accounts.

8. Key Information

Background

8.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) prescribe the format of the accounts ('the Code'). This is the first year that local authority accounts have had to conform to International Financial Reporting Standards (IFRS), so there are some major changes to the statements and notes as a result of this.

8.2 Strategy Committee were advised on the financial outturn on the 7 July, which included an update on the General Fund outturn position compared to what was reported to the O&S (Stewardship) Committee on the 14 June.

8.3 It is a legal requirement under the Accounts and Audit Regulations 2003 (amended 2011) that the accounts are formally signed off by the Section 151 Officer (the Director of Finance at Babergh) by 30 June, before publication and subject to audit.

8.4 The accounts may change following external audit and any changes will be reported to the Committee and Council in September 2011, including a full re-presentation if there are any material adjustments requiring approval. The audited final accounts will then be published following Council approval.

8.5 The amendments to the Accounts and Audit Regulations state that the Annual Governance Statement (AGS) no longer forms an integral part of the Statement of Accounts, but should accompany it. The AGS is on today's agenda.

- 8.6 A public notice will be placed in local newspapers to advise the public of their rights to inspect the accounts and question the auditor during the audit process. In addition, this is being more widely publicised on our website as part of the Government's transparency agenda.

2010/11 Outturn – Update

- 8.7 Strategy Committee considered the 2010/11 results on 7 July 2011. In summary, these are:

- General Fund: a net favourable variance compared with the revised budget of around £0.2m. This is better than the position indicated to this Committee on the 14 June. Officers will advise Members further at the meeting
- Housing Revenue Account: a net favourable variance of £48k
- Capital Programme: £5.3m investment

For further details, please refer to Strategy Committee paper L39.

Key Changes

- 8.8 The Accounts and Audit Regulations were amended in 2011 and the key changes which affect the Statement of Accounts, as set out in the paragraphs below:

- The Regulations previously required that Members (in Babergh's case, the full Council, following scrutiny by this Committee) approve the draft Statement of Accounts by 30 June, before publication. This has now been changed, so that the Section 151 Officer can approve the draft Statement of Accounts, which meant that Members did not need to meet in June to consider and approve the draft accounts
- Following consultation with the Members of this Committee, it was agreed that the accounts should, however, be looked at by this Committee at the July meeting. This was so that Members could become familiar with the new format of the accounts before the external auditor presented his report in September and also to provide an independent review of the accounts
- The AGS was in previous years an integral part of the Statement of Accounts. The 2011 amendments to the Accounts and Audit Regulations stipulated that because the District Auditor's opinion on the accounts does not cover the AGS, then in future it should accompany the accounts instead of being an integral part of them.

Format of Statement of Accounts

- 8.9 CIPFA prescribes the format of the accounts and for 2010/11 they have issued a new Code for local authorities, so that their accounts comply with IFRS.

- 8.10 The introduction of IFRS has certainly not reduced the complexity of local authority accounts. It is still a complex series of statements, notes and reconciliations which members of the public are likely to find difficult to understand. The Explanatory Foreword aims to help readers to gain a reasonable understanding of the Council's finances.

8.11 The external auditors will compare the accounts against the CIPFA Code and any significant deviations will be presented to Committee in September 2011.

Key Elements of the Statement of Accounts

8.12 The key elements that comprise the accounts and significant features of these in the 2010/11 accounts are set out in more detail below.

- **Explanatory Foreword** – a summary of the key results of the financial year and other key contextual information
- **Statement of Responsibilities and Approval of the Statement of Accounts** – outlines the responsibilities of the Council and the Chief Financial Officer in relation to the Statement of Accounts and includes the approval of the accounts by the Section 151 Officer on the 30 June 2011
- **Comprehensive Income and Expenditure Account** – draws together in one statement all aspects of the Council's revenue finances and the net result of £9.6m represents the movement in usable and unusable reserves the Balance Sheet between 2009/10 and 2010/11. This account includes Council Housing – the Housing Revenue Account. The CIPFA Accounting Code requires that income and expenditure on council services is categorised in a certain way, to ensure standardisation and comparability with other councils. The analysis required does not, however, match the Council's organisational and financial management arrangements
- **Movement in Reserves** – this is a new statement under the IFRS format and represents all reserves held by the Council and their movement over the last two financial years. The total reserves reconcile to the Balance Sheet
- **Balance Sheet** – this part of the accounts most closely resembles accounts for other sectors e.g. companies and sets out the Council's assets and liabilities as at 31 March 2011. Under IFRS there have been some minor changes to headings within the Balance Sheet
- **Cash Flow Statement** – this statement sets out the net movement in cash transactions during the year, reconciling to the closing position as 31 March 2011, as shown in the Balance Sheet
- **Notes to the Core Financial Statements** – these provide additional contextual information including the Accounting Policies. The latter were shown separately before the introduction of IFRS
- **Restatement of prior year figures** – required by the IFRS changes. The accounts for 2010/11 and the comparative figures are, therefore, significantly different to those published in 2009/10.

8.13 In addition, the application of IFRS to local authority accounts has resulted in a number of changes to notes to the accounts and also the introduction of some new notes.

8.14 In relation to the Comprehensive Income and Expenditure Account, the significant changes in the cost of services between 2009/10 and 2010/11 are as follows:

- Non-distributed costs - This relates to the required accounting treatment of the actuary's assessment of certain Pension Fund costs. This does not affect the financial outturn for the year
- Impairment - New valuation guidance was issued by CIPFA which affects the discount value applied to social housing. The discount factor was amended for 2010/11 from 54% to 61% for "Existing Use Value - Social Housing" (EUV-SH). This represents the economic cost of providing council housing at less than the open market value and has resulted in an impairment charge of £12.1m to the HRA.

8.15 In relation to reserves, these are split into usable and unusable. The usable reserves are represented by cash held by the authority and are split into General Fund, Housing Revenue Account and Capital reserves. The unusable reserves relate to accounting adjustments that have to be made in the accounts in relation to, for example, assets, the Pension Fund and the Collection Fund. The Council's net assets fell by around £10m in 2010/11, mainly due to the HRA impairment.

8.16 For the 2010/11 accounts three years of figures are shown in the balance sheet as required under IFRS. The revised opening and closing positions for 2009/10 are shown alongside the closing position for 2010/11. In future years only the normal two years figures (current/previous year) will be shown.

8.17 In addition to the core financial statements referred to in the preceding sections, there are also the following accounting statements:

- **Housing Revenue Account** – a separate analysis of income and expenditure relating to the provision of Council housing. Supporting notes provide additional contextual information. The Housing Revenue Account and notes remain largely unchanged under IFRS accounting.
- **Collection Fund** – a statement of transactions relating to the Council's role as a billing authority for Council Tax and Business Rates, which has also remained unchanged under IFRS accounting. Supporting notes provide contextual information.

8.18 The Auditor's Report will be provided by the external auditor following the completion of the audit of the accounts. Finally, there is a glossary and explanation of financial terms to assist the user of the accounts to understand the terminology used.

9. Appendices

Title	Location
A – Unaudited Statement of Accounts for 2010/11.	Attached

Authorship:

Name Barry Hunter
Job Title Director of Finance

Tel. 01473 825819
Email: barry.hunter@babergh.gov.uk

Name Sue Smith
Job Title Acting Corporate Finance Manager

Tel. 01473 825816
Email: sue.smith@babergh.gov.uk

Statement of Accounts 2010/11



BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

CONTENTS

	PAGE
Explanatory Foreward	1
Statement of Responsibilities	12
Comprehensive Income and Expenditure Statement	13
Movement in Reserves Balance	14
Balance Sheet	15
Cash Flow Statement	16
Note 1 Accounting Policies	17
Note 2 Critical Judgements in Applying Accounting Policies	34
Note 3 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	34
Note 4 Adjustments between Accounting basis and Funding basis under Regulations	35
Note 5 Transfers to/from Earmarked Reserves	39
Note 6 Other Operating Expenditure	41
Note 7 Financing and Investment Income and Expenditure	41
Note 8 Unusable Reserves	42
Note 9 Cash Flow Statement - Operating Activities	48
Note 10 Cash Flow Statement - Investing Activities	48
Note 11 Cash Flow Statement - Financing Activities	49
Note 12 Cash Flow Statement - Cash and Cash Equivalents	49
Note 13 Amounts Reported for Resource Allocation Decisions	50
Note 14 Officers' Remuneration	54
Note 15 Members' Allowances	56
Note 16 External Audit Costs	56
Note 17 Defined Benefit Pension Schemes	57
Note 18 Related Parties	63
Note 19 Events After the Balance Sheet Date	64
Note 20 Leases	65

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Note 21 Intangible Assets	68
Note 22 Impairment Losses	69
Note 23 Property, Plant and Equipment	70
Note 24 Capital Expenditure and Capital Financing	75
Note 25 Assets Held for Sale	76
Note 26 Inventories	76
Note 27 Debtors	77
Note 28 Creditors	77
Note 29 Provisions	77
Note 30 Contingent Liabilities	78
Note 31 Contingent Assets	79
Note 32 Grant Income	80
Note 33 Financial Instruments	83
Note 34 Nature and Extent of Risks Arising from Financial Instruments	85
Housing Revenue Account Contents	88
Collection Fund Contents	98

STATEMENT OF ACCOUNTS 2010/11

Appendix A

Explanatory Foreword

	Page
1. Introduction/Background.....	1
2. Audit Opinion.....	1
3. Accounting and Disclosure Changes.....	1
4. Statements Included.....	2
5. Net Revenue Expenditure	5
6. Capital Investment (incl. Treasury Management).....	7
7. Pensions.....	9
8. Funds/Reserves	9
9. Future Plans and Challenges	10
10. Further Information.....	11

1. Introduction/Background

This foreword provides an explanation of the most significant matters affecting the Council's accounts in 2010/11, including a comparison of actual income and expenditure against the budget and the Council's overall financial position. The aim is to assist readers in understanding key aspects of the Council's finances for the year and the detailed accounting statements.

The Statement of Accounts have to be produced in accordance with the Code of Practice on Local Authority Accounting 2010 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and, for the first time this is based on International Financial Reporting Standards (IFRS).

The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents a true and fair view of the financial position of the Authority at the 31 March 2011. It also prescribes the accounting treatment and minimum requirements for disclosures.

2. Audit Opinion

The accounts are published subject to audit.

3. Accounting and Disclosure Changes

As a result of the transition to IFRS the following accounting policies have been changed. A full explanation is shown within the Accounting Policies.

Property, plant and equipment

Intangible assets

Non-current assets and liabilities classified as held for sale

Grants and contributions received

Leasing

The 2010/11 Accounts reflect a number of significant changes to reflect IFRS including the restatement of the 2009/10 core financial statements. The Council's first IFRS-based financial statements include three statements of the financial position, two statements of comprehensive income and expenditure, two statements of cashflows and two statements of changes in equity (Movement in Reserves Statements).

4. Statements Included

As specified under the Code the following accounting statements have been prepared:

(i) Statement of Accounting Policies

Policies adopted in compiling the Accounts for the year are set out.

(ii) Statement of Responsibilities for the Statement of Accounts

Sets out the respective responsibilities of the Council and the Director of Finance.

(iii) The four Core Financial Statements - required to be given equal prominence:

(a) Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The total reported net expenditure for 2010/11 of £9.598m reconciles to the Segmental Reporting Note (Page x, Note x) which provides a comparison between the way financial information is reported and monitored in the Council's budget as opposed to the statutory financial statement. The taxation position is shown in the Movement in Reserves Statement.

This reported 'deficit' largely results from 'negative' movements on unusable reserves of, which largely result from technical accounting requirements. Discounting these, there was a small increase in usable reserves relating to the General Fund, the HRA and capital reserves.

(b) Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority. Not all of these reserves can be used to deliver services or to reduce local taxation and the Code reflects this by reporting in two groups – 'usable' reserves and 'unusable' reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting and the Housing Revenue Account for rent setting purposes.

The Net Increase/Decrease before transfers to Earmarked Reserves line shows the actual General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

(c) Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The 'usable' reserves can be used to provide services Members can, therefore, exercise control over these. They are subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (e.g. the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The 'unusable' reserves, are not available to use to provide services. These include reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that will become a charge against the revenue account or 'usable' reserves – over time. These timing differences are shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Net assets stood at just over £165m as at the 31 March 2011, a fall of around £10m during the year, largely as a result of impairment (i.e. reduction in value) of Council Housing assets but also reflecting the significant reduction in the Pension Scheme liability.

(d) Cash Flow Statement

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

(iv) Notes to the Core Financial Statements

The Code requires certain information to be disclosed in notes to the core financial statements. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

(v) Supplementary Financial Statements:

(a) Housing Revenue Account (HRA)

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

Authorities charge rents to cover expenditure in accordance with regulations and this may differ from the accounting cost. The reconciliation between the surplus or deficit on the HRA and the amounts that are required by statute and by non-statutory proper practices to be disclosed are shown in the Movement in the HRA Statement.

(b) Notes to the HRA

The Code requires certain information to be disclosed in notes to the HRA. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

(c) Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

(d) Notes to the Collection Fund

The Code requires certain information to be disclosed in notes to the Collection Fund. These are intended to add to and explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

(vi) Accompanying Statements

(a) Audit Report

The accounts signed by the Council's Chief Financial Officer (the Director of Finance) are subject to audit.

The external Auditor's responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing. The auditor's opinion is given on whether the financial statements present true and fair view, in accordance with applicable laws and regulations and the SORP and this will be provided in September 2011.

Glossary of Terms

Explanations are given to help the reader understand some of the terms used.

5. Net Revenue Expenditure

The Comprehensive Income and Expenditure (CI & E) Account includes all expenditure on services including Council Housing, interest payable and other operating costs, income from grants, local taxpayers and other sources.

The General Fund

The Comprehensive Income and Expenditure (CI & E) Account also includes changes resulting from the revaluation of assets, which impacts both on the HRA in relation to Council Housing, but also affects the reported costs of General Fund services (i.e. those services paid for by Council Tax and general Government Formula grant). A comparison of the overall position in 2010/11 compared with 2009/10 is given below, removing these items, to arrive at the resulting General Fund position:

	2009/10	2010/11
	Restated	
	£000	£000
Reported I&E deficit/(surplus) for the year	(9,278)	22,628
Adjust for:		
Revaluation of assets (impairment/changes in value)	11,737	(27,902)
Other Changes	<u>(1,742)</u>	<u>4,691</u>
Actual deficit/(surplus) for the year/decrease in General Fund balance	<u>717</u>	<u>(583)</u>

The following table compares the actual position on General Fund income and expenditure with the original and revised budget for the year. This covers all services excluding Council Housing:

	Original Budget	Revised Budget	Actual	Variance
	£000	£000	£000	£000
Net Expenditure (excl. items below)	11,113	11,066	10,291	(775)
Revenue Financing - Capital Investment	-	1,120	573	(547)
Transfer to (from) Earmarked Reserves	<u>(175)</u>	<u>(1,175)</u>	<u>(609)</u>	<u>566</u>
Net Revenue Expenditure	10,938	11,011	10,255	(756)
Less: Government Formula Grant and Council Tax	<u>(10,838)</u>	<u>(10,838)</u>	<u>(10,838)</u>	<u>-</u>
Deficit/Use of Reserves or (surplus)	<u>100</u>	<u>173</u>	<u>(583)</u>	<u>(756)</u>

The original budget was based on making savings and achieving additional income of around £1.6m during the year or around 14% of the net revenue expenditure budget and this has been achieved.

Details of the key variations compared to the revised budget are provided below:-

	Variation £ 000
Savings:	
Budget savings to be carried forward into 2011/12	436
Salaries and other operational expenditure	116
Housing and Council Tax Benefits	192
Other	151
	<u>895</u>
Additional Costs:	
Waste collection - Gate Fees	(14)
Grounds Maintenance & Street Cleansing	(10)
	<u>(24)</u>
Lower net income on a variety of services	(115)
Total net saving compared to budget	<u><u>756</u></u>

This total net saving includes £556k in relation to budgets carried forward into 2011/12 and an additional transfer to the Capital Projects Earmarked Reserve. The resulting net saving of £200k has been added to reserves and will be available for use in future years.

The Housing Revenue Account (Council Housing)

The following table compares the actual position on General Fund income and expenditure with the original and revised budget for the year:

	Original Budget £000	Revised Budget £000	Actual £000
Income	(14,004)	(14,067)	(14,116)
Expenditure (net of appropriations)	<u>13,987</u>	<u>13,969</u>	<u>13,912</u>
Decrease/(Increase) in Housing Revenue Account Balance	<u>(17)</u>	<u>(98)</u>	<u>(204)</u>
Variance from Revised Budget			107

An analysis of this variation is shown below:

	£ 000
Higher Income:	
Rent income & charges	(17)
Government Grant	54
	<u>37</u>
Additional Costs:	
Repairs & maintenance	120
	<u>-</u>
	<u>120</u>
Savings:	
Energy costs	(20)
Planned maintenance	(45)
Tenancy changes	(98)
Non-Programmed work	(39)
Management and staffing and others	(62)
	<u>(264)</u>
	<u>(107)</u>
Total net saving compared to budget	(107)

Of this, £59k is to be carried forward and spent in 2011/12, leaving HRA reserves £48k higher overall than expected in the budget.

6. Capital Investment

Capital Expenditure for the year and how it has been financed is summarised below, comparing it with the original and revised approved capital programme:

	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Expenditure				
ICT/Information Management	324	238	202	(36)
Asset Management	1,317	727	545	(182)
Community Services	549	656	626	(30)
Private Sector Housing	536	586	459	(127)
The Environment	225	246	11	(235)
Integration Costs	-	186	179	(7)
Open Spaces and Play Areas (funded from S106 contributions)	-	-	133	133
Total General Fund	<u>2,951</u>	<u>2,639</u>	<u>2,155</u>	<u>(484)</u>
Council Housing	3,604	3,533	3,330	(203)
Total	<u>6,555</u>	<u>6,172</u>	<u>5,485</u>	<u>(687)</u>
Financed from:				
Supported borrowing	550	550	550	-
Non-supported borrowing	768	57	400	343
Capital Receipts	1,125	295	179	(116)
Grants/external contributions including LABGI	1,083	1,710	1,529	(181)
Major Repairs Allowances *	2,413	2,342	2,121	(221)
Revenue *	616	1,218	706	(512)
Total	<u>6,555</u>	<u>6,172</u>	<u>5,485</u>	<u>(687)</u>

* All Council Housing apart from £90k use of revenue from earmarked revenue reserves in the revised budget

An analysis of the variance compared to the revised budget is shown below:

	Variance £000
Green Waste Scheme	135
Haven Gateway Projects (externally funded)	64
Car Parks	73
Council Housing	203
Affordable Housing	150
Other	62
	<u>687</u>

The majority of this expenditure will be carried forward and take place in 2010/11 or future years.

In terms of borrowing, the current strategy is to use internal surplus funds where appropriate to temporarily to finance the capital expenditure indicated above. Long-term external borrowing of £2m has been undertaken during the year to take advantage of the prevailing low interest rates that were available during the year. The Council's net borrowing requirement shown below indicates the extent to which the Council has temporarily borrowed internal resources to finance capital expenditure rather than borrow externally. Advice is sought regarding the timing of replacing any internal borrowing with external borrowing:

	£000
Underlying need to borrow at 31 March 2011 (Capital Financing Requirement)	7,905
Long Term Borrowing at 31 March 2011(Public Works Loan Board	<u>(3,000)</u>
Net Borrowing Facility at 31 Mrch 2011	<u>4,905</u>

Treasury Management

The CIPFA prudential code sets out the governance arrangements for borrowing and lending. It states that the authorised limit and operational boundary is for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities.

Current long term borrowing is from the government's Public Works Loan Board (PWLB). One new fixed rate loan was undertaken during the year, taking advantage of low interest rates, of a £2m, 10 year EIP loan repayable in equal half yearly instalments over the term of the loan. At the year end external long-term debt was £3m. Short term borrowing during the year was kept to a minimum to aid cash flow and cover daily cash flow requirements.

The underlying need to borrow and actual borrowing are prudent in relation to the Council's overall capital investment plans and the total long term asset value of around £180m as at the 31 March 2011.

Surplus funds were invested with counterparties with high credit ratings as determined in the Treasury Management Strategy documents. At the 31 March 2011, surplus funds invested were £3.5m. The approved limits established for borrowing and the operation boundary were set at £9.6m and £5.5m.

Further details on treasury management activity are shown in note 35 to the Core Statements.

7. Pensions

There is a substantial deficit on the Council's Pension Fund, administered by Suffolk County Council. The most recent triennial valuation and actuarial review on the 31 March 2011 puts this deficit at £12.6m. This is £5.9m more than reported at the last triennial valuation in 2007 but considerably less than the £31.5m reported as at the 31 March 2010 (under Financial Reporting Standard 17). The reasons for the changes between 2010 and 2011, as assessed by the Fund's actuary, are given in the Notes to the Financial Statements. Annual lump sum payments are being made towards the deficit.

The lump sum payments, annual contribution rates towards current/future pensions and costs shown in the accounts for 2010/11 and previous years are, however, based on the previous valuation that was done in March 2008. Based on this, the Council's contribution rate to the Pension Fund, over and above the lump sum deficit payments, for the last 3 years has been 16.0%.

8. Sources of Funds/Reserves

A summary of the Council's funds available to meet its future expenditure plans and other financial commitments is shown below:

	31 March 2011 £000	31 March 2010 £000
General Fund		
General Reserves	2,089	1,624
Earmarked Reserves	979	1,467
Collection Fund	-	(13)
	3,068	3,078
Housing Revenue Account		
General Reserves	1,424	1,214
Major Repairs Reserve	286	186
	1,710	1,400
	4,778	4,478

There are plans to use some of these reserves in future years. Specifically, some of the money will be needed to meet the expenditure in relation to budgets carried over from 2010/11, which are estimated at £495k (General Fund and HRA combined).

The Council's Strategy Committee will be considering some changes to the level and use of earmarked reserves on the 7 July, including setting money aside to meet the initial costs of service integration with Mid Suffolk District Council. These changes will not materially affect the overall reserves position stated above but will provide increased flexibility in the use of reserves to generate future savings.

9. Future Plans and Challenges

Annual Savings

The Council needs to achieve significant savings and efficiencies in future budgets and to meet the Government's planned reduction in the public sector deficit. It is currently forecast that further very significant savings or additional income of around £5m over the next 4 years. This will depend upon a range of factors including the scale of Government grant cuts over this period that affect the Council.

The Council will continue to aim to minimise the impact on services of making the above savings, by working with others, including local communities, to find new ways of delivering services.

Shared Services and Partnerships

The Council has established a Shared Revenues Partnership with Mid Suffolk District Council and Ipswich Borough Council and service provision will commence on 1st April 2011.

The Council is progressing its work with Mid Suffolk District Council to integrate staff and services and explore opportunities to transform how services are provided in the future. Following the 'No vote' in the advisory residents poll on constitutional merger and the creation of a single Council, each Council will continue to account separately for its own expenditure and income and for assets, liabilities, income, expenditure and cash flows. The above plans are expected to make a significant contribution towards the future savings that will be required

10. Further Information

The Council publishes a number of important documents to inform the public about the work of the Council. These (including the annual Statement of Accounts and Summary Financial Information) can be viewed and downloaded via the Council and Democracy page of the Council's website: www.babergh.gov.uk.

Further information about the accounts is available from the Council's Director of Finance.

Mr Barry Hunter CPFA
Babergh District Council
Council Offices
Corks Lane
Hadleigh
IPSWICH
Suffolk
IP7 6SJ

Tel: 01473 825819; Fax: 01473 823594; Email: barry.hunter@babbergh.gov.uk

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

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

The Director of Finance's Responsibilities

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

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

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

The Director of Finance has also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31 March 2011 and its income and expenditure for the year then ended.

Barry Hunter CPFA

Director of Finance, Babergh District Council

30 June 2011

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10			2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
7,058	(5,884)	1,174	7,576	(6,064)	1,512
10,676	(3,360)	7,316	9,719	(3,508)	6,211
1,061	(293)	768	1,056	(195)	861
920	(13,932)	(13,012)	41,141	(14,109)	27,032
18,736	(17,820)	916	19,384	(18,766)	618
2,244	(4)	2,240	2,578	(58)	2,520
		-	(6,349)	-	(6,349)
40,695	(41,293)	(598)	75,105	(42,700)	32,405
3,216	-	3,216	3,287	-	3,287
1,229	(93)	1,136	906	(54)	852
	(13,032)	(13,032)		(13,916)	(13,916)
		(9,278)			22,628
		(771)			(344)
		(116)			4
		106			-
		16,900			(12,865)
		16,119			(13,205)
		6,841			9,423

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2009	(2,342)	(1,277)	(1,060)	(520)	(1,180)	(140)	(6,519)	(175,742)	(182,261)
<u>Movement in reserves during 2009/10</u>									
Surplus or (deficit) on provision of services	2,483	-	(11,761)	-	-	-	(9,278)	-	(9,278)
Other Comprehensive Expenditure and Income							-	16,119	16,119
Total Comprehensive Expenditure and Income	2,483	-	(11,761)	-	-	-	(9,278)	16,119	6,841
Adjustments between accounting basis and funding basis under regulations (note 4)	(1,955)	-	11,607	334	871	(10)	10,847	(10,847)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	528	-	(154)	334	871	(10)	1,569	5,272	6,841
Transfer to/from Earmarked Reserves (note 5)	190	(190)	-	-	-	-	-	-	-
Increase/Decrease in 2009/10	718	(190)	(154)	334	871	(10)	1,569	5,272	6,841
Balance at 31 March 2010 carried forward	(1,624)	(1,467)	(1,214)	(186)	(309)	(150)	(4,950)	(170,470)	(175,420)
<u>Movement in reserves during 2010/11</u>									
Surplus or (deficit) on provision of services	(5,975)	-	28,603	-	-	-	22,628	-	22,628
Other Comprehensive Expenditure and Income							-	(13,205)	(13,205)
Total Comprehensive Expenditure and Income	(5,975)	-	28,603	-	-	-	22,628	(13,205)	9,423
Adjustments between accounting basis and funding basis under regulations (note 4)	5,510	-	(28,813)	(100)	(89)	43	(23,449)	23,449	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(465)	-	(210)	(100)	(89)	43	(821)	10,244	9,423
Transfer to/(from) Earmarked Reserves (note 5)	-	488	-	-	-	-	488	-	488
Increase/Decrease in Year	(465)	488	(210)	(100)	(89)	43	(333)	10,244	9,911
Balance at 31 March 2011 carried forward	(2,089)	(979)	(1,424)	(286)	(398)	(107)	(5,283)	(160,226)	(165,509)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

BALANCE SHEET

31st March 2010 Restated £'000	1st April 2009 Restated £'000		Note	31st March 2011 £'000
207,518	194,700	Property, Plant and Equipment	23	179,183
1,747	1,626	Intangible Assets	21	1,431
-	124	Assets held for sale	25	-
370	386	Long Term Debtors	33	368
<u>209,635</u>	<u>196,836</u>	Long Term Assets		<u>180,982</u>
2,507	2,538	Short Term Investments	33	3,500
53	75	Inventories	26	49
3,128	2,561	Short Term Debtors	27	3,394
799	3,432	Cash and Cash Equivalents	12	364
124	-	Assets held for sale	25	105
<u>6,611</u>	<u>8,606</u>	Current Assets		<u>7,412</u>
(1,008)	(7)	Short Term Borrowing	33	-
(6,705)	(6,757)	Short Term Creditors	28	(6,811)
(153)	(76)	Provisions	29	(149)
<u>(7,866)</u>	<u>(6,840)</u>	Current Liabilities		<u>(6,960)</u>
(1,100)	(1,100)	Long Term Borrowing	33	(3,000)
(23)	(46)	Other Long Term Liabilities	33	-
(368)	(543)	Deferred Liabilities	20	(368)
(31,469)	(14,652)	Defined Benefit Pension Scheme Liability	17	(12,557)
<u>(32,960)</u>	<u>(16,341)</u>	Long Term Liabilities		<u>(15,925)</u>
<u>175,420</u>	<u>182,261</u>	Net Assets		<u>165,509</u>
4,950	6,519	Usable reserves		5,283
170,470	175,742	Unusable reserves	8	160,226
<u>175,420</u>	<u>182,261</u>			<u>165,509</u>

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

CASH FLOW STATEMENT

2009/10 £'000	2010/11 £'000
(9,278) Net (surplus) or deficit on the provision of services	22,628
Adjust net surplus or deficit on the provision of services for	
9,952 non cash movements	(29,922)
Adjust for items included in the net surplus or deficit on the	
provision of services that are investing and financing activities	
22 (note 9)	(55)
696 Net cash flows from Operating Activities (note 9)	(7,349)
(4,054) Investing Activities (note 10)	4,639
725 Financing Activities (note 11)	2,275
(2,633) Net increase or decrease in cash and cash equivalents	(435)
Cash and cash equivalents at the beginning of the reporting	
3,432 period	799
Cash and cash equivalents at the end of the reporting	
799 period (note 12)	364

STATEMENT OF ACCOUNTING POLICIES

1 Accounting Policies

A First Time Adoption of International Financial Reporting Standards (IFRS)

2010/11 is the first year that local authorities are required to prepare their accounts under IFRS. There are specific transitional arrangements that apply only in this first year.

Accounting policy changes arising out of the adoption of the IFRS-based Code have been accounted for retrospectively, except where there are specific transitional provisions that override this basic principle.

The following principles have been followed when adopting IFRS for the first time:

- The financial statements to be based on IFRS can be generated at a cost that does not exceed the benefits
- The first set of IFRS-based financial statements are transparent for users and comparable over all periods presented
- The first set of IFRS-based financial statements provide a suitable starting point for accounting in accordance with IFRS

B Changes in Accounting Policy

As the changes arising out of the adoption of IFRS are significant, the 2009/10 core financial statements have been restated and the Council's first IFRS financial statements include three statements of financial position, two statements of comprehensive income, two statements of cashflows and two statements of changes in equity (Movement in Reserves Statements).

Specific disclosure is not required by the Code if the information is not material, however, these have been included if it enhances the presentation of the Statement of Accounts and ensures greater clarity and understanding.

C General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, and those Regulations require the Statement of Accounts to be prepared in accordance with proper accounting policies. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Accounts and Audit (England) Regulations 2011.

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

D Events after the Balance Sheet Date

Where a material post balance sheet event occurs which, prior to issue and authorisation:

- 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 Council is not appropriate
- changes are made in the amounts to be included in the Statement of Accounts.

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

The Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the Statement of Accounts. (note: The Council's Strategy Committee will consider a change in the use of Earmarked Reserves on the 7th July 2011 - See [page 31](#) for further details)

E Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are shown as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council is acting as an agent for another party (eg, in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

F Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

G Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, ie, in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

H Charges to Revenue for Non-Current Assets

Service revenue accounts and support services are charged with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance, or loans fund principal charges]. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by an annual revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

I Construction Contracts

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

J Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. These include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

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

- The liabilities of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on high quality corporate bond).
- The assets of the Suffolk County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost - the increase in liabilities arising from decisions taken in the current year whose effect relates to years of service earned in earlier years - debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - expected return on assets - the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
 - gains/losses on settlements and curtailments - the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
 - actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve
 - contributions paid to the Suffolk County Council pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

K Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly. Where items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

L Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

M Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the balance sheet value and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and included in the Balance Sheet at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices - the market price
- other instruments with fixed and determinable payments - discounted cash flow analysis
- equity shares with no quoted market prices - independent appraisal of company valuations.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted as the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale reserve.

Where fair value cannot be measured reliably, the instrument is stated in the Balance Sheet at cost (less any impairment losses).

N Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

O Grants and Contributions Received

Grants and contributions received are accounted for on an accruals basis and recognised when there is reasonable assurance that:

- the grant or contribution will be received
- the Council will comply with the conditions attached to the payments, and

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as a creditor and recorded in cash. When conditions are satisfied, or no conditions are attached, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions). Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) are shown in the Comprehensive Income and Expenditure Statement. Grants received that have no conditions attached but there are restrictions as to how the monies are to be applied, will be transferred to an earmarked reserve and shown in the Movement in Reserves Statement.

Capital Grants

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

P Intangible Assets

Intangible Assets represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council. Intangible Assets include assets such as acquired or internally developed software that qualifies for recognition as an intangible asset and is used in provision of services or administration.

Internally generated assets are capitalised where it can be demonstrated that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential through the use of the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

The balance is amortised (written off) to the relevant service revenue account over the economic life of the asset to reflect the life used. Expenditure on intangible assets is not permitted to have an impact on the General Fund Balance. Gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Q Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and/or jointly controlled entities that would require the preparation of group accounts. No arrangement requiring Group Accounting has been identified.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

R Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be fair value as at the date of acquisition.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

S Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to Property, Plant and Equipment, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

Operating Leases

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

The Council as Lessor

Finance Leases

The Council has no finance leases where it is the lessor.

Operating Leases

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

T Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (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.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

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

U Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie, repairs and maintenance) or that is below a de minimis level of £10k is charged as an expense when it is incurred. Individual transactions within capital schemes below the £10k de minimis are aggregated before being capitalised.

Where a large asset, for example the headquarters building, includes a number of components with significantly different asset lives, e.g. plant and equipment (services) then these components are treated as separate assets and depreciated over their own useful economic lives.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings - fair value, determined using a valuation method appropriate for the asset, existing use value for social housing (EUV-SH)
- vehicles, plant and equipment - depreciated historical cost. These assets have short useful lives and any difference from current replacement cost would be insignificant.
- all other assets - fair value, using a valuation method appropriate for the asset in its existing use

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

Valuation

Assets included in the Balance Sheet at fair value are revalued regularly to ensure that their balance sheet value is not materially different from their fair value at the year end, but as a minimum every five years. Valuations of land and buildings are carried out in accordance with the specific bases and methods of valuation set out in the professional standards of the Royal Institute of Chartered Surveyors. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains will be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a downward revaluation or impairment.

The revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the balance sheet value of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the balance sheet value of the asset is written down against the available balance and then charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve was established on 1 April 2007 and contains revaluation gains recognised since that date. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the Balance Sheet value of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the Balance Sheet value of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Disposals

When it becomes probable that the balance sheet value of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then stated in the Balance Sheet at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the Balance Sheet value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings - 20 to 60 years
- Surplus Assets - 15 to 35 years
- Infrastructure - 30 years
- Plant and Equipment - 5 to 15 years
- IT and Communications - 5 years

Depreciation is charged from the month following addition.

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.

Componentisation

Where an item of Property, Plant and Equipment has major components with different useful lives and a cost that is significant in relation to the total cost of the item, the components are depreciated separately. The council has established a threshold of £500k for individual General Fund assets to determine whether an asset needs to be componentised. For these assets a component is required to have a value of more than 20% of the total asset value to be depreciated separately. For 2010/11 General Fund assets have been componentised if the asset value is equal to or greater than £400k as this captures 80% of the value of the General Fund assets. The threshold for HRA assets is £25k per property (to capture 80% of the total value of HRA dwellings) but housing dwellings are not componentised beyond land, buildings and leased heating systems as the value of components is not considered to be significant in relation to the total cost of the asset and the difference in depreciation is not considered to be material.

V Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

W Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council - these reserves are explained in more detail in note 5.

X Revenue Expenditure Funded from Capital under Statute

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

Y VAT

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

2 Critical Judgements in Applying Accounting Policies

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

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

3 Critical Judgements in Applying Accounting Policies - Future and other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is changed, depreciation reduces or increases and the value of the assets shown in the Balance Sheet will increase or decrease accordingly. The Depreciation policy is shown in note 1 at Section U.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Hymans Robertson, is engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in note 17.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

4 Adjustments Between Accounting Basis and Funding Basis

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	2009/10 Restated			Usable Reserves			Total Usable Reserves £'000	Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000		
Adjustments Involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Charges for depreciation and impairment of non current assets	(926)	-	12,095	(3,005)	-	-	8,164	(8,164)
Transfer HRA/MRR	-	-	(740)	740	-	-	-	-
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-	-	-
Movements in the market value of Investment Properties	-	-	-	-	-	-	-	-
Amortisation of intangible assets	(427)	-	(23)	23	-	-	(427)	427
Capital grants and contributions that have been applied to capital financing	706	-	55	-	-	-	761	(761)
Movement in the Donated Assets Account	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(710)	-	-	-	-	-	(710)	710
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13)	-	(559)	-	-	-	(572)	572
<u>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Statutory provision for the financing of capital investment	74	-	-	2,576	-	-	2,650	(2,650)
Capital expenditure charged against the General Fund and HRA balances	14	-	401	-	-	-	415	(415)
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	(943)	-	(943)	943
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	1,189	-	1,189	(1,189)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(625)	-	-	-	625	-	-	-

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

2009/10 Restated	Usable Reserves							Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
Adjustment involving the Capital Grants Unapplied Account								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	57	-	-	-	-	(57)	-	-
Application of grants to capital financing	-	-	-	-	-	47	47	(47)
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(27)	-	264	-	-	-	237	(237)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 28)	(1,675)	-	(330)	-	-	-	(2,005)	2,005
Employer's pensions contributions and direct payments to pensioners payable in the year	1,630	-	458	-	-	-	2,088	(2,088)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	30	-	-	-	-	-	30	(30)
Adjustment involving the Accumulating Compensated Absences Adjustment Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(63)	-	(14)	-	-	-	(77)	77
Total Adjustments	(1,955)	-	11,607	334	871	(10)	10,847	(10,847)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

2010/11	Usable Reserves							Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
Adjustments Involving the Capital Adjustment Account:								
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Charges for depreciation and impairment of non current assets	(529)	-	(28,178)	(2,859)	-	-	(31,566)	31,566
Transfer HRA/MRR	-	-	(594)	594	-	-	-	-
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-	-	-
Movements in the market value of Investment Properties	-	-	-	-	-	-	-	-
Amortisation of intangible assets	(474)	-	(44)	44	-	-	(474)	474
Capital grants and contributions that have been applied to capital financing	(572)	-	-	-	-	-	(572)	572
Revenue expenditure funded from capital under statute	(368)	-	-	-	-	-	(368)	368
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12)	-	(856)	-	-	-	(868)	868
<u>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>								
Statutory provision for the financing of capital investment	205	-	-	2,121	-	-	2,326	(2,326)
Capital expenditure charged against the General Fund and HRA balances	573	-	616	-	-	-	1,189	(1,189)
Adjustments involving the Capital Receipts Reserve:								
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	(640)	-	(640)	640
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	179	-	179	(179)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(372)	-	-	-	372	-	-	-
Adjustment involving the Capital Grants Unapplied Account								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	(813)	(813)	813
Application of grants to capital financing	-	-	-	-	-	856	856	(856)
Adjustments involving the Financial Instruments Adjustment Account:								

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

2010/11	Usable Reserves							Movement in Unusable Reserves £'000
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(23)	-	264	-	-	-	241	(241)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 28)	4,583	-	(461)	-	-	-	4,122	(4,122)
Employer's pensions contributions and direct payments to pensioners payable in the year	1,528	-	398	-	-	-	1,926	(1,926)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4	-	-	-	-	-	4	(4)
Adjustment involving the Accumulating Compensated Absences Adjustment Account								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	967	-	42	-	-	-	1,009	(1,009)
Total Adjustments	5,510	-	(28,813)	(100)	(89)	43	(23,449)	23,449

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

5 Transfers to/from Earmarked Reserves

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

	Restated						
	Balance at 1 April 2009	Transfers Out 2009/10	Transfers in 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers in 2010/11	Balance at 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund:							
Invest to Save (Efficiencies)	(43)	44	-	1	(1)	-	-
Capital Projects	(602)	-	-	(602)	90	(120)	(632)
Business Rate Growth	(413)	16	(86)	(483)	483	-	-
Shared Services	(21)	-	(4)	(25)	25	-	-
Legal Costs	(150)	-	-	(150)	66	(66)	(150)
Government Grants	(48)	-	(160)	(208)	160	(149)	(197)
							-
Total	(1,277)	60	(250)	(1,467)	823	(335)	(979)
Total transfers out 2010/11							823
Total transfers in 2010/11							(335)
Net Movement from Earmarked Reserves in 2010/11							488

Invest to Save (Efficiencies)

This Fund is to enable investment in projects that over time will enable revenue savings to be made.

Capital Projects

A revenue Fund for the financing of Capital Projects. The Council's Strategy Committee on the 7th July 2011 will consider transferring this to a Mid Suffolk Intergration Reserve (and 'Invest to Save) Fund.

Business Rate Growth

A Fund established from Government Grant receipts because of a growth in the Business community which creates pressure on the General Fund services. This is also to be used for capital or other projects.

Shared Services

A Fund established to meet any immediate costs related to Shared Services Work. This replaces funding set aside for costs associated with the Local Government Review (LGR) which was halted in 2009/10. This will be combined with the Mid Suffolk Intergration Reserve if the Strategy Committee agrees to the proposal referred to above.

Legal Costs

A Fund established to meet the potential legal costs relating to Tesco and other planning appeals.

Government Grants

Reserve established for grant committed to future budget expenditure.

NOTES TO THE ACCOUNTING STATEMENTS

6 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2010/11 £'000	2009/10 £'000
Parish council precepts	2,047	2,019
Payments to the Government Housing Capital Receipts Pool	372	625
Gains/losses on the disposal of non current assets	868	572
Total	<u>3,287</u>	<u>3,216</u>

7 Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

	2010/11 £'000	2009/10 £'000
Interest payable and similar charges	117	93
Pensions interest cost and expected return on pensions assets	789	1,136
Interest receivable and similar income	(54)	(93)
Total	<u>852</u>	<u>1,136</u>

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

8 Balance Sheet - Unusable Reserves

	31st March 2011 £'000	31st March 2010 £'000
Revaluation Reserve	1,846	1,751
Capital Adjustment Account	171,347	200,851
Financial Instruments Adjustment Account	(348)	(589)
Pensions Reserve	(12,557)	(31,469)
Deferred Capital receipts	11	16
Collection Fund Adjustment Account	-	(13)
Accumulating Compensated Absences Adjustment Account	(73)	(77)
Total Unusable Reserves	160,226	170,470

Details of each of these unusable reserves are provided on the following pages:-

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

a) Revaluation Reserve

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

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

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

	2010/11	2009/10
	£'000	Restated £'000
Balance at 1 April	1,751	989
Upward revaluation of assets	737	1,025
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(167)	(160)
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement (note 7)	(435)	
Difference between fair value depreciation and historical cost depreciation	(26)	(22)
Accumulated gains on assets sold or scrapped	(1)	(81)
Amount written off to the Capital Adjustment Account	(13)	-
Balance at 31 March	<u>1,846</u>	<u>1,751</u>

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve **Note 5** provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11	2009/10
	£'000	Restated £'000
Balance at 1 April	200,851	190,273
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
• Charges for depreciation and impairment of non current assets	(370)	90
• Revaluation losses on Property, Plant and Equipment	14	
• Amortisation of intangible assets	(518)	(450)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss or disposal to the Comprehensive Income and Expenditure Statement	(1,068)	(1,421)
Excess of Depreciation over MRP	(3,419)	(3,475)
Reversal of prior year impairments	(27,897)	11,736
Third Party Loans	(1)	(14)
De-Recognition of leased property	(18)	(100)
Adjusting amounts written out of the Revaluation Reserve	26	22
Grants & Contributions	-	8
Net written out amount of the cost of non current assets consumed in the year		
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	179	1,189
Statement that have been applied to capital financing	259	3
• Capital expenditure charged against the General Fund balance	3,309	2,990
Balance at 31 March	171,347	200,851

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	(589)	(826)
Proportion of premiums incurred in previous financial years to be charged against the General Fund		
Balance in accordance with statutory requirements	241	237
Balance at 31 March	(348)	(589)

d) Pensions Reserve

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

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	(31,469)	(14,652)
Actuarial gains or losses on pensions assets and liabilities	12,865	(16,900)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Employer's pensions contributions and direct payments to pensioners payable in the year	4,122	(2,005)
	1,925	2,088
Balance at 31 March	(12,557)	(31,469)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

e) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	(13)	(128)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	13	115
Balance at 31 March	-	(13)

f) Deferred Capital Receipts

The balance on the Deferred Capital Receipts Account comprises amounts outstanding on mortgages issued for the purchase of council houses in earlier years.

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	16	21
Received in the year	(5)	(5)
Balance at 31 March	11	16

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

g) Accumulating Compensated Absence Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April		(77)	-
Settlement or cancellation of accrual made at the end of the preceding year	77		-
Amount accrued at the end of the current year	(73)		(77)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		4	-
Balance at 31 March		(73)	(77)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

9 Cash Flow Statement - Operating Activities

	2010/11	2009/10
	£'000	Restated £'000
Interest received	(114)	(115)
Interest paid	59	93
Total	(55)	(22)

10 Cash Flow Statement - Investing Activities

	2010/11	2009/10
	£'000	Restated £'000
Purchase of property, plant and equipment, investment property and intangible assets	4,324	4,459
Purchase of short-term and long-term investments	44,425	41,700
Other payments for investing activities	750	1,335
Proceeds from the sale of property, plant and equipment, investment property and intangible asset:	(647)	(947)
Proceeds from short-term and long-term activities	(43,425)	(41,700)
Other receipts from investing activities	(788)	(793)
Net cash flows from investing activities	4,639	4,054

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

11 Cash Flow Statement - Financing Activities

	2010/11	2009/10
	£'000	Restated £'000
Cash receipts of short- and long-term borrowing	2,000	(900)
Other receipts from financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	175	175
Repayments of short- and long-term borrowing	100	-
Net cash flows from financing activities	2,275	(725)

12 Cash Flow Statement - Cash and Cash Equivalents

	2010/11	2009/10
	£'000	Restated £'000
Bank current accounts	(44)	462
Bank Call Account	408	337
Short-term deposits with building societies	-	-
Total	364	799

13 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Strategy Committee on the basis of budget reports analysed across Divisions. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

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

Divisional Income and Expenditure	2010/11					Total £'000
	HRA £'000	Natural & Built £'000	Community Development £'000	Contract & Asset Management £'000	Corporate Services £'000	
Fees, charges & other service income	(13,730)	(985)	(212)	(2,029)	(712)	(17,668)
Government grants	(378)	(40)	(67)	-	(23,770)	(24,255)
Total Income	(14,108)	(1,025)	(279)	(2,029)	(24,482)	(41,923)
Employee expenses	1,621	2,536	963	460	1,265	6,845
Other service expenses	10,787	195	776	4,680	24,288	40,726
Support services recharges	900	252	230	187	2,483	4,052
Total Expenditure	13,308	2,983	1,969	5,327	28,036	51,623
Net Expenditure	(800)	1,958	1,690	3,298	3,554	9,700

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Divisional Income and Expenditure	2009/10 Comparative Figures					Total £'000
	HRA £'000	Natural & Built £'000	Community Development £'000	Contract & Asset Management £'000	Corporate Services £'000	
Fees, charges & other service income	(13,494)	(1,009)	(352)	(1,831)	(849)	(17,535)
Government grants	(370)	(105)	(188)	(46)	(22,780)	(23,489)
Total Income	(13,864)	(1,114)	(540)	(1,877)	(23,629)	(41,024)
Employee expenses	1,868	2,734	1,119	664	1,506	7,891
Other service expenses	10,701	343	1,730	4,440	23,123	40,337
Support services recharges	819	358	389	263	2,397	4,226
Total Expenditure	13,388	3,435	3,238	5,367	27,026	52,454
Net Expenditure	(476)	2,321	2,698	3,490	3,397	11,430

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

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

	2010/11 £'000	2009/10 £'000
Net expenditure in Divisional Analysis	9,700	11,430
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(5,535)	(51)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	28,240	(11,977)
Cost of Services in Comprehensive Income and Expenditure Statement	32,405	(598)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Reconciliation to Subjective Analysis

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

2010/11						
	Divisional Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in I&E £'000	Cost of Services £'000	Other £'000	Total £'000
Fees, charges & other service income	(17,668)	-	-	(17,668)	-	(17,668)
Capital Grant and Contributions	-	-	-	-	(1,004)	(1,004)
Interest and investment income	-	-	-	-	(54)	(54)
Income from council tax	-	-	-	-	(6,649)	(6,649)
Government grants and contributions	(24,255)	-	22	(24,233)	(6,263)	(30,496)
Total Income	(41,923)	-	22	(41,901)	(13,970)	(55,871)
Employee expenses	6,845	431	-	7,276	789	8,065
Other services expenses	40,726	-	-	40,726	-	40,726
Support Service recharges	4,052	-	-	4,052	-	4,052
Depreciation, amortisation and impairment	-	-	28,222	28,222	-	28,222
Interest Payments	-	-	(4)	(4)	117	113
Precepts & Levies	-	-	-	-	2,047	2,047
Payments to Housing Capital Receipts Pool	-	-	-	-	372	372
IAS Charge to Service	-	(6,334)	-	(6,334)	-	(6,334)
Revenue Expenditure Funded from Capital Under Statute	-	368	-	368	-	368
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	868	868
Total Expenditure	51,623	(5,535)	28,218	74,306	4,193	78,499
Surplus or deficit on the provision of services	9,700	(5,535)	28,240	32,405	(9,777)	22,628

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

	2009/10 comparative figures					
	Divisional Analysis £'000	Amounts not reported to mgmt £'000	Amounts not included in I&E £'000	Cost of Services £'000	Other £'000	Total £'000
Fees, charges & other service income	(17,535)	-	-	(17,535)	(8)	(17,543)
Capital Grant and Contributions	-	-	-	-	(343)	(343)
Interest and investment income	-	-	-	-	(93)	(93)
Income from council tax	-	-	-	-	(6,450)	(6,450)
Government grants and contributions	(23,489)	-	108	(23,381)	(6,231)	(29,612)
Total Income	(41,024)	-	108	(40,916)	(13,125)	(54,041)
Employee expenses	7,891	-	-	7,891	1,136	9,027
Other services expenses	40,337	-	-	40,337	-	40,337
Support Service recharges	4,226	-	-	4,226	-	4,226
Depreciation, amortisation and impairment	-	-	(12,072)	(12,072)	-	(12,072)
Interest Payments	-	-	(13)	(13)	93	80
Precepts & Levies	-	-	-	-	2,019	2,019
Payments to Housing Capital Receipts Pool	-	-	-	-	625	625
FRS 17 Adjustments	-	(286)	-	(286)	-	(286)
Revenue Expenditure Funded from Capital Under Statute	-	235	-	235	-	235
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	572	572
Total Expenditure	52,454	(51)	(12,085)	40,318	4,445	44,763
						-
Surplus or deficit on the provision of services	11,430	(51)	(11,977)	(598)	(8,680)	(9,278)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

14 Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

Table 1		Salary, Fees and Allowances £	Performance Related Payment £	Expenses/ Benefits in Kind £	Pension Contribution £	Total £
Chief Executive	2010/11	120,507	-	702	19,334	140,543
	2009/10	119,614	-	7,981	19,350	146,945
Deputy Chief Executive	2010/11	93,728	-	982	15,444	110,154
	2009/10	93,033	2,668	2,085	15,859	113,645
Director of Finance	2010/11	73,477	-	-	12,049	85,526
	2009/10	71,110	1,830	700	11,778	85,418
Director of Corporate Services	2010/11	73,477	-	-	12,043	85,520
	2009/10	71,110	1,795	482	11,743	85,130
Head of Contract & Asset Management	2010/11	67,950	-	-	11,167	79,117
	2009/10	67,461	1,830	700	11,194	81,185
Head of Community Development	2010/11	67,965	-	3,653	11,187	82,805
	2009/10	67,461	1,830	3,881	11,215	84,387
Head of Natural & Built Environment	2010/11	67,965	-	2,395	11,187	81,547
	2009/10	67,461	1,830	2,905	11,215	83,411
Head of Customer Services (Retired July 2010)	2010/11	20,511	-	-	3,533	24,044
	2009/10	61,990	3,660	-	10,207	75,857

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Table 2	2010/11	2009/10
Remuneration band	Number of employees	Number of employees
£50,000 - £54,999	3	3
£55,000 - £59,999	1	4
£60,000 - £64,999	1	1
£65,000 - £69,999	1	2
£70,000 - £74,999	4	4
£90,000 - £94,999	1	-
£95,000 - £99,999	-	1
£120,000 - £124,999	1	-
£125,000 - £129,999	-	1

Decisions to terminate the employment of two staff members were made by the Council in 2010/11 which did not take effect until after the year end. The expenditure was recognised immediately in 2010/11 and the expenditure, which was paid after the year end, is included as a liability in the Balance Sheet in Creditors and shown in the relevant service expenditure in the Comprehensive Income and Expenditure Statement.

The District Monitoring Officer role is now shared jointly with Mid Suffolk District Council.

The Chief Executive was awarded a performance payment in 2009/10 & 2010/11 but decided to forego this and the Deputy Chief Executive accepted only 50% of his award. Expenses for the Chief Executive in 2009/10 includes European and County elections of £6,551 paid by SCC and Ministry of Justice.

No Performance Awards were paid to staff in 2010/11 and the lease car scheme was withdrawn during 2010/11.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

15 Members' Allowances

The Council paid the following amounts to members of the council during the year.

	2010/11	2009/10
	£'000	Restated £'000
Allowances	211	212
Expenses	27	34
Total	238	246

16 External Audit Costs

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

	2010/11	2009/10
	£'000	£'000
Fees payable to PKF with regard to external audit services carried out by the appointed auditor for the year	105	110
Fees payable to the Audit Commission in respect of statutory inspections	2	8
Fees payable to PKF for the certification of grant claims and returns for the year	42	47
Fees payable in respect of other services provided by the appointed auditor during the year		
Total	149	165

17 Pensions

Participation in the pension scheme

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

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

Change from RPI to CPI for Pensions Increases

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the LGPS fund by £6,430k and has been recognised as a past service gain in accordance with guidance set down in the Urgent Issue Task Force Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Transactions relating to post employment benefits

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

	Local Government Pension Scheme	
	2010/11 £'000	2009/10 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
Current service cost	1,423	869
Past Service cost/(gain)	(6,430)	
Losses on Curtailments	96	
<i>Financing and Investment Income and Expenditure</i>		
Interest cost	3,842	3,215
Expected return on scheme assets	(3,053)	(2,079)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	(4,122)	2,005
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Actuarial gains and losses	12,865	16,900
<i>Movement in Reserves Statement</i>		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	4,122	2,005
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
Employers' contributions payable to scheme	(1,925)	(2,088)
The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £12,554k.		

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Assets and Liabilities in Relation to Retirement Benefits

<u>Reconciliation of present value of the scheme liabilities (defined benefit obligation):</u>		
	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Opening balance 1 April	(74,910)	(46,947)
Current service cost	(1,423)	(869)
Interest cost	(3,842)	(3,215)
Contributions by scheme participants	(441)	(473)
Actuarial gains and losses	13,694	(25,458)
Settlements and curtailments	(96)	-
Benefits paid	2,112	2,052
Past service (costs)/gains	6,430	-
Closing balance at 31 March	(58,476)	(74,910)
<u>Reconciliation of fair value of the scheme (plan) assets:</u>		
	Local Government Pension Scheme	
	2010/11	2009/10
	£'000	£'000
Opening balance 1 April	43,441	32,295
Expected rate of return	3,053	2,079
Actuarial gains and losses	(1,002)	8,669
Settlements	-	-
Employer contributions	2,098	1,977
Contributions by scheme participants	441	473
Benefits paid	(2,112)	(2,052)
Closing balance at 31 March	45,919	43,441
Deficit	(12,557)	(31,469)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

The actual return on scheme assets in the year was £3.146 million (2010 £10.748 million).

Scheme history	Year to 31 Mar '11 £'000	Year to 31 Mar '10 £'000	Year to 31 Mar '09 £'000	Year to 31 Mar '08 £'000	Year to 31 Mar '07 £'000
Present value of liabilities:					
Local Government Pension Scheme	(58,476)	(74,910)	(46,947)	(47,692)	(53,656)
Fair value of assets in the Local Government Pension Scheme					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	45,919	43,441	32,295	41,450	42,993
Total	<u>(12,557)</u>	<u>(31,469)</u>	<u>(14,652)</u>	<u>(6,242)</u>	<u>(10,663)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £58,476k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £12,557k. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie, before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 are £1,876k.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Other	5.2%	5.6%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21 years	21 years
Women	23 years	24 years
Longevity at 65 for future pensioners:		
Men	24 years	22 years
Women	26 years	26 years
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	6.7%	7.0%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	25.0%	25.0%

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

	31 March 2011 %	31 March 2010 %
Equity investments	69.0%	68.0%
Bonds	18.0%	20.0%
Property	9.0%	9.0%
Cash	4.0%	3.0%
	<u>100.0%</u>	<u>100.0%</u>

The actuarial gains identified as movements on the Pension Reserve in 2010/11 and previous years, measured as a percentage of assets or liabilities at 31 March 2011 are shown below:

History of experience gains and losses	Year to 31 Mar '11 %	Year to 31 Mar '10 %	Year to 31 Mar '09 %	Year to 31 Mar '08 %	Year to 31 Mar '07 %
Differences between the expected and actual return on assets	-2.2%	19.7%	-39.1%	-12.2%	0.9%
Experience gains/(losses) on liabilities	-23.4%	34.0%	-8.9%	-16.4%	-5.7%

Sensitivity Analysis

The Council is required to disclose a sensitivity analysis of the results to the methods and assumptions used (IAS1). The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Change in assumptions at year ended 31/03/2011:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	5,392
1 year increase in member life expectancy	3%	1,754
0.5% increase in the Salary Increase Rate	2%	1,222
0.5% increase in the Pension Increase Rate	7%	3,906

18 Related Parties

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

Central Government

Central government has 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 (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 17 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2011 are shown in note 48.

Members

Members of the council have direct control over the council's financial and operating policies and Strategy. The total of members' allowances and expenses paid in 2010/11 is shown in note 15. Details of all these transactions are recorded in the Register of Members' Interest contains details of all member interests and the Register is open to public inspection at the Council Offices during office hours.

South Suffolk Leisure Trust

The South Suffolk Leisure Trust (SSLT) is a registered charity and provides leisure services, through a normal service provision agreement that is set out in the Annual Delivery Plan, for a management fee. The Council has management board nomination rights which are less than 20% of the total management board. These nominees are not Council representatives speaking on behalf of the Council, nor can they prematurely be dismissed by the Council. For 2010/11 the Council nominees were Cllrs Brian Lazenby and Gerald White. For 2011/12, the Council nominees are Cllrs Mary Munson and Brian Riley.

Hadleigh & District Swimming Pool Trust

Hadleigh & District Swimming Pool Trust in 2010/11 (HDSPT) is a registered charity. The swimming pool is included on the Council's balance sheet and the net revenue expenditure of the Pool is recorded in the Council's accounts as part of its normal activities. Payment is made to HDSPT through (SSLT) who were appointed to manage the pool operations on 1 April 2006. This is the equivalent to the Council giving an annual grant to the charity and this is reflected in the charity's accounts. These arrangements mean that the charity has no liabilities at any given year end.

Sudbury Citizens Advice Bureau

The Council provided a grant of £52,000 to Sudbury Citizens Advice Bureau (CAB) during the year. Cllr Jenny Antill has a controlling interest in the organisation but has not been appointed as a Council representative. The Council has no significant interest in the organisation and has no entitlement to any surpluses of this Not-for-Profit organisation.

Officers

The Council's Solicitor is also the District Monitoring Officer and this role is now shared jointly with Mid Suffolk District Council (MSDC). The cost of this post is

19 Events After the Balance Sheet Date

The Draft Statement of Accounts was authorised for issue by the Director of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have been adjusted for the following events which took place after 31 March 2011:

- The Chief Executive's employment was terminated during 2011/12 but the cost has been recognised in the 2010/11 accounts when the decision was made. Details are shown in note 14.
- Transfers to Earmarked Reserves and for Earmarked Reserves have been identified and are to be presented to Strategy Committee for approval on 7 July 2011, Paper L39

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011:

- The Shared Revenues Partnership (SRP) has been set up to deliver a Shared Revenues and Benefits Service for Babergh, Mid Suffolk District Council and Ipswich Borough Council, to deliver significant savings in accordance with the Council's three year Medium Term Financial Strategy. The Partnership commenced on 1 April 2011 and a total of 27 full time equivalent Babergh staff members were transferred under TUPE arrangements (Transfer Under Protected Employment) to Ipswich Borough Council, the host authority.
- The arrangement with Hadleigh & District Swimming Pool Trust (HDSPT) has changed with an Order submitted to the Charity Commission to discharge the Council from its trusteeship of the charity and appointing South Suffolk Leisure Trust (SSLT) as trustee. The title to the land described in the Order is to be held in trust for HDSPT by SSLT. The Order will enable a re-grant of the lease from the Council to SSLT in its capacity as corporate trustee and will continue to further the objectives of HDSPT.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

20 Leases

Authority as Lessee

Finance Leases

The Council has acquired wheeled bins for the General Fund and central heating systems for the Housing Revenue Account under finance leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Leases that are not finance leases are operating leases.

The wheeled bins are included in the Balance Sheet within Vehicles, Plant and Equipment and the central heating systems as part of Council Dwellings at the following net amounts:

	31 March 2011 £'000	31 March 2010 £'000
Council Dwellings (central heating systems)	272	415
Vehicles, Plant, Furniture and Equipment (wheeled bins)	128	154
	<u>400</u>	<u>569</u>

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

	31 March 2011 £'000	31 March 2010 £'000
Finance lease liabilities (net present value of minimum lease payments):		
current	150	175
non current	218	368
Finance costs payable in future years	94	147
Minimum lease payments	<u>462</u>	<u>690</u>

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Not later than one year	39	52	150	175
Later than one year and not later than five years	55	95	218	368
	94	147	368	543

Operating Leases

The Council leases in property and equipment under operating leases. Some examples of property and equipment leased in are as follows:

- Homeless Unit, Hadleigh
- Heat and power unit, Kingfisher Leisure Centre
- Vehicles

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

	31 March 2011 £'000	31 March 2010 Restated £'000
Not later than one year	67	106
Later than one year and not later than five years	91	146
Later than five years	36	46
	194	298

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

	2010/11	2009/10
	£'000	Restated £'000
Minimum lease payments - General Fund	98	115
Minimum lease payments - Housing Revenue Account	8	8
	106	123

Authority as Lessor

Finance Leases

The Council does not hold any finance lease arrangements as lessor. However, the following arrangement is in place. The refuse collection service is carried out under contract by Serco who utilise the refuse freighters as part of the service provision. These vehicles are owned by and appear in the fixed asset register of Babergh District Council. As part of the agreement the fleet was replaced during 2009/10. The gross value of the freighters is £1,823 (£1,823k in 2009/10). Accumulated depreciation stands at £561k (£328k in 2009/10). The depreciation charged to the Comprehensive Income & Expenditure Statement during 2010/11 was £233k (£55k in 2009/10)

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	31 March 2011	31 March 2010
	£'000	Restated £'000
Not later than one year	94	99
Later than one year and not later than five years	248	298
Later than five years	2,084	2,133
	2,426	2,530

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

21 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £518k charged to revenue in 2010/11 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	Internally Generated Assets £'000	2010/11 Other Assets £'000	Total £'000	Internally Generated Assets £'000	2009/10 Other Assets £'000	Total Restated £'000
Balance at start of year:						
• Gross carrying amount	-	3,506	3,506	-	3,645	3,645
• Accumulated amortisation	-	(1,759)	(1,759)	-	(2,019)	(2,019)
Net carrying amount at start of year	-	1,747	1,747	-	1,626	1,626
Additions:						
• Purchases	-	202	202	-	597	597
Other disposals	-	-	-	-	(26)	(26)
Amortisation for the period	-	(518)	(518)	-	(450)	(450)
Net carrying amount at end of year	-	1,431	1,431	-	1,747	1,747
Comprising						
• Gross carrying amount	-	3,555	3,555	-	3,506	3,506
• Accumulated amortisation	-	(2,124)	(2,124)	-	(1,759)	(1,759)
	-	1,431	1,431	-	1,747	1,747

22 Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £28,178k in relation to its council dwellings. The dwellings are valued in the Balance Sheet at 'Existing Use-Social Housing Value' (EUV-SH). They are initially valued at Vacant Possession Value (equivalent to open market value) and then discounted to arrive at EUV-SH to reflect continuing use for social housing. In 2010/11 the discount factor used has been increased from 54% to 61% (as instructed by the Department for Communities and Local Government) to reflect changes in market conditions. This increase in the discount factor has given rise to an impairment loss charged to the Local Authority Housing (HRA) line in the Comprehensive Income and Expenditure Statement.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

23 Property, Plant and Equipment

Movements on Balances in 2010/11 and values at 31 March 2011 are shown below:

	Council Housing £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2010	185,729	14,797	4,619	1,415	816	3,076	196	210,648
Additions	3,260	656	198	-	-	-	9	4,123
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(38)	724	-	-	-	(154)	-	532
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(30,735)	(17)	-	-	-	(50)	-	(30,802)
Derecognition - Disposals	(1,169)	(12)	(53)	-	-	(624)	-	(1,858)
Derecognition - Other		(19)	-	-	-	-	-	(19)
Assets reclassified (to)/from Held for Sale	(64)	-	-	-	-	-	-	(64)
At 31 March 2011	156,983	16,129	4,764	1,415	816	2,248	205	182,560

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

	Council Housing £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
Accumulated Depreciation and Impairment								
At 1 April 2010	-	-	(2,365)	(749)	-	(16)	-	(3,130)
Depreciation charge	(2,747)	(369)	(464)	(33)	-	(15)	-	(3,628)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Impairment losses/(reversals) recognised in the Revaluation Reserve	2,599	301	-	-	-	-	-	2,900
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	438	-	41	-	-	-	-	479
Derecognition - Other	-	-	-	-	-	-	-	-
Eliminated on reclassification to Assets Held for Sale	3	-	-	-	-	-	-	3
At 31 March 2011	293	(68)	(2,788)	(782)	-	(31)	-	(3,376)
Net Book Value								
At 31 March 2011	157,276	16,061	1,976	633	816	2,217	205	179,184

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Comparative Movements in 2009/10 Restated:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2009	173,786	15,065	2,940	1,403	805	3,387	181	197,567
Additions	3,486	182	1,679	12	33	-	15	5,407
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,851)	(132)	-	-	(20)	543	-	(2,460)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	12,015	(272)	-	-	(2)	(4)	-	11,737
Derecognition - Disposals	(601)	(46)	-	-	-	(850)	-	(1,497)
Derecognition - Other	(106)	-	-	-	-	-	-	(106)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-
At 31 March 2010	185,729	14,797	4,619	1,415	816	3,076	196	210,648

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Comparative Movements in 2009/10 Restated:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
Accumulated Depreciation and Impairment								
At 1 April 2009	0	0	(2,153)	(714)	-	-	-	(2,867)
Depreciation charge	(2,901)	(374)	(212)	(35)	-	(28)	-	(3,550)
Depreciation written out to the Revaluation Reserve	2,887	373	0	0	-	-	-	3,260
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - Disposals	14	1	-	-	-	12	-	27
Derecognition - Other	-	-	-	-	-	-	-	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2010	-	-	(2,365)	(749)	-	(16)	-	(3,130)
Net Book Value								
At 31 March 2010	185,729	14,797	2,254	666	816	3,060	196	207,518

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £1,780k. Similar commitments at 31 March 2010 were £828k. The major commitments (over £100k) are:

- Door & Window Replacement (HRA) £1,040k
- Central Heating (HRA) £400k
- Renovation Grants Approved £158k
- Other Commitments £182k

Effects of Changes in Estimates

In 2010/11, the Authority made a material change to its accounting estimates for Property, Plant and Equipment:

- The remaining useful lives were reviewed critically for all properties occupied by the Authority. As a result, the residual useful economic life of council dwellings was increased from 43 years to 50 years for 2010/11. Consequently, the depreciation charge for the properties of £2,747k for 2010/11 was £438k lower than it would have been if the useful lives assessed in 2009/10 had been used for the calculations. The impact of this change will carry forward into 2011/12 and future years.

Revaluations

Valuations are carried out by the Valuation Office. A full valuation is carried out at 5 yearly intervals, or sooner where there is a material change in any year. An annual impairment review is also carried out. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The Valuation Office carried out a desk top valuation at 31/03/11 for all categories of General Fund Properties; the next full valuation is due on 31/03/2014. A full revaluation of Housing Revenue Account Properties was carried out by the Valuation Office on 31/03/2010. The next full valuation for Housing Revenue Account properties is due on 31/03/2015.

	Council Housing £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	272	0	1,976	-	-	-	205	2,453
Value at fair value as at:								
31 March 2011	-	12,536	-	633	636	936	-	14,741
31 March 2010	157,004	3,525	-	-	180	1,281	-	161,990
Total Cost or Valuation	157,276	16,061	1,976	633	816	2,217	205	179,184

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

24 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2009/10
	£'000	£'000
<i>Opening Capital Financing Requirement</i>	7,160	5,507
<i>Capital investment</i>		
Property, Plant and Equipment	4,123	5,407
Intangible Assets	202	597
Revenue Expenditure Funded from Capital under Statute	1,159	710
Mortgages/Loans	3	4
<i>Sources of finance</i>		
Capital receipts	(179)	(1,189)
Government grants and other contributions	(1,048)	(811)
Sums set aside from revenue:		
Direct Revenue Contributions	(1,189)	(415)
Major Repairs Reserve	(2,121)	(2,576)
Minimum Revenue provision for the repayment of debt	(205)	(74)
<i>Closing Capital Financing Requirement</i>	7,905	7,160
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (supported by government financial assistance)	550	550
Increase in underlying need to borrowing (unsupported by government financial assistance)	400	1,177
Minimum Revenue provision for the repayment of debt	(205)	(74)
<i>Increase/(decrease) in Capital Financing Requirement</i>	745	1,653

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

25 Assets Held for Sale

	Current		Non Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	124	-	-	124
Assets newly classified as held for sale:				
Property, Plant and Equipment	105	-	-	-
Assets sold	(124)	-	-	-
Transfers from non current to current	-	124		(124)
Balance outstanding at year-end	105	124	-	-

26 Inventories

	Consumable Stores	
	2010/11 £'000	2009/10 Restated £'000
Balance outstanding at start of year	53	75
Purchases	80	108
Recognised as an expense in the year	(82)	(130)
Written off balances	(2)	-
Balance outstanding at year-end	49	53

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

27 Debtors

	31 March 2011	31 March 2010 Restated
	£'000	£'000
Central government bodies	958	1,039
Other local authorities	985	809
Other entities and individuals	1,452	1,280
Total	3,395	3,128

28 Creditors

	31 March 2011	31 March 2010 Restated
	£'000	£'000
Central government bodies	397	910
Other local authorities	1,173	1,056
Other entities and individuals	5,241	4,739
Total	6,811	6,705

29 Provisions

	Outstanding Legal Cases	Other Provisions Restated	Total
	£'000	£'000	£'000
Balance at 1 April 2010	76	77	153
Additional provisions made in 2010/11	-	73	73
Unused amounts reversed in 2010/11	-	(77)	(77)
Balance at 31 March 2011	76	73	149

The Council has one substantial legal case related to the following and details are shown at note 30:

- Mesothelioma

In addition to the provision shown above a sum of £70k has been established as an earmarked reserve and costs previously awarded of £75k, pending the Court decision, are held in Creditors as a Receipt in Advance .

30 Contingent Liabilities

At 31 March 2011, there are two material contingent liabilities, no provisions were been made during 2010/11 due to a number of uncertainties related to the cases. Provision has been made in the Council's three year Medium Term Financial Strategy.

- Mesothelioma

In June 2008 the Council were involved in a test case in the High Court to establish when the insurance cover for mesothelioma is triggered (Municipal Mutual Insurance v Zurich Municipal and 9 other councils). The judge ruled in favour of the councils and a sum of £64.5k, including interest, was paid to the Council in settlement of legal costs. However, MMI were given leave to appeal and this was heard in November 2009. On this occasion the judgement went against Babergh and two of the other local authority defendants. The matter is now scheduled to be heard in the Supreme Court on 5th December 2011.

It is anticipated that judgment will be delivered during first part of 2012. If the Council lose, damages will, most likely, need to be repaid before the end March 2012. An order for costs may follow which is not likely to be until 2012/13. If the Council win it is expected that damages will be recovered by the end March 2012 with the Council's costs paid 2012/13. The Council could potentially be exposed to £558,000 if the Appeal Court decision not to award costs is reversed. However, this is unlikely and a realistic exposure would be in the region of £226,000 and provisions totalling £226k have been made in the accounts. If successful in the Supreme Court, the Council would expect to recover £135,000.

- Mutual Municipal Insurance

In 1992, MMI, the Council's insurers at the time, stopped accepting new business and with it's policy holders set up a Scheme of Arrangement for the orderly run down of it's affairs. MMI's future liabilities under it's 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 it's major policy holders the value of claims settled on their behalf. If the Scheme is triggered, the amount liable to clawback is the total claims less £50k. Under this arrangement, at 31st March 2011 claims settled for this Council amounted to £384k (plus £5k estimated for outstanding claims) and this could be subject of a reclaim at a future date. MMI remained solvent at 31st March 2011.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

- VAT/Fleming Ruling

Babergh, along with many other local authorities argued for many years that VAT should not be paid on car park penalty notices. HM Revenue & Customs (HMRC) finally agreed and repaid over declared VAT up to May 1996. This followed what is known as the Fleming Ruling (the result of a House of Lords decision in the joined cases of *Michael Fleming t/a Bodycraft v CRC and Condé Nast Publications Ltd v CRC [2008] STC 324*). Fleming successfully argued that claims could be paid for overpaid VAT that was in excess of a time limit of three years imposed by legislation introduced in 1996/97.

Following Fleming, the Scottish Equitable Society took the argument that claims from June 1996 to mid 2002 should also be paid. Babergh had engaged local authority VAT and Tax Consultants, Elysian Associates, to pursue the original Fleming claim and they lodged a further claim behind the Scottish Equitable case. Elysian were engaged on a 'success only' fee of 10% of the VAT claim and this action does not involve Babergh in any additional legal costs as, to date, such costs have been borne by Elysian Associates.

Scottish Equitable agreed an out of court settlement of their claim with HMRC and following this settlement Babergh have become the lead case. In a landmark decision it has now been decided that the matter will be heard directly in the Upper Tier VAT Tribunal and the date is currently awaited. The arrangement with Elysian Associates will continue in the VAT Tribunal. No provisions for costs have been made in the accounts as the Council will withdraw from the case if there is any risk of incurring additional costs.

31 Contingent Assets

No Contingent Assets have been identified.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

32 Taxation and Non-Specific Income

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

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
<i>Revenue Grants</i>		
Council Tax Income	(6,649)	(6,458)
Non-Domestic Rates	(5,449)	(4,974)
Revenue Support Grant	(791)	(1,148)
LABGI	-	(86)
Area Based Grant	(23)	(23)
Total Revenue Grants	(12,912)	(12,689)
<i>Capital Grants</i>		
Disabled Facilities Grant	(314)	-
Haven Gateway Partnership	(205)	-
East LSP	(83)	(28)
Council Tax Efficiencies	-	(5)
Free Swimming Capital Modernisation Programme	(127)	(104)
Regional Housing Pot	(57)	(3)
Decent Homes from Empty Homes	(7)	-
Energy Saving Trust	(43)	(38)
British Gas - Fuel Change Subsidy	-	(16)
Suffolk County Council - Play Project, Great Cornard	-	(40)
Big Lottery Fund	(7)	(99)
S106 Contributions	(142)	(10)
LAA Funding - Crime & Disorder Reduction Programme	(9)	-
Other	(10)	-
Total Capital Grants	(1,004)	(343)
Total	(13,916)	(13,032)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

	2010/11 £'000	2009/10 £'000
Grants		
Credited to Services		
Land Charges Personal Searches	(4)	-
Petitions Duty	(5)	-
Big Lottery Fund	(17)	(32)
Trail Blazer	(96)	(51)
East LSP	(66)	(22)
New Burdens	(33)	(6)
Planning Delivery Grant	(44)	(63)
HB Admin	(539)	(552)
Social Housing Fraud	(10)	-
Various DWP	(47)	(58)
Concessionary Travel	(90)	(221)
Recession Impact	-	(24)
Disabled Facilities Grant		(138)
S106 Contributions		(194)
LAA Funding - Crime & Disorder Reduction Programme		(20)
Regional Housing Pot		(81)
Haven Gateway Partnership		(12)
Big Lottery Fund		(6)
Total	(951)	(1,480)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

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

	31 March 2011 £'000	31 March 2010 £'000
Capital Grants Receipts in Advance		
Disabled Facilities Grant	(35)	(123)
Free Swimming Capital Modernisation Programme	-	(117)
Suffolk County Council - Waste Reduction Scheme	(137)	-
S106 Contributions	(1,651)	(1,439)
Total	<u>(1,823)</u>	<u>(1,679)</u>

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

33 Financial Instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Investments				
Loans and receivables	-	-	3,505	2,507
Available-for-sale financial assets	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	-	-	3,505	2,507
Debtors				
Loans and receivables	-	-	408	347
Financial assets carried at contract amounts	-	-	-	-
Total borrowings	-	-	408	347
Borrowings				
Financial liabilities at amortised cost	(3,000)	(1,100)	-	(1,008)
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	(3,000)	(1,100)	-	(1,008)
Other Long Term Liabilities				
Finance lease liabilities	(193)	(368)	(175)	(175)
Total other long term liabilities	(193)	(368)	(175)	(175)
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	(1,846)	(2,527)
Total creditors	-	-	(1,846)	(2,527)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Cash flows arising from investments have been discounted at indicative rates applicable at the balance sheet date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	Principal £000	Interest £000	Fair Value £000	Exposure to Credit Risk £000
Total short-term investments	3,500	4	3,504	-
Short-term borrowing (at cost)	-	-	-	-
Long-term borrowing (at cost)	(3,000)	(11)	(2,889)	-
Sundry debtors	350	-	350	54
Trade creditors	1,846	-	1,846	-

The value shown in the Balance Sheet and the fair value of short-term investments are considered to be the same because the exposure to credit risk is insignificant as all short-term investments mature within three months of the Balance Sheet date

34 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council manages its treasury risk exposures in compliance with the CIPFA Code of Practice on Treasury Management in the Public Services, and complies with the Prudential Code of Capital Finance for Local Authorities. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury activities, including risk management, are carried out by the Director of Finance and his staff in accordance with policies approved by the Council in the annual Treasury Management Strategy.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

Loans and receivables have been reviewed and bad debt provision has been considered where the likelihood of irrecovery is considered significant. No significant items have been identified. The Council manages credit risk by ensuring that investments are placed with central government, other local authorities or Banks and building societies having sufficiently high credit ratings as detailed in the Treasury Management Strategy. The maximum lent to any one financial institution is £2m and banks within the same group ownership are treated as one bank for limit purposes. Clear country limits also apply with the maximum invested in any one foreign country with a 'AAA' rating being £2m. The Council has no experience of counterparty default.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £364k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this could arise.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Liquidity risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements occur, the authority has ready access to borrowing from the money markets and the Public Works Loans Board. Liquidity and refinancing risks are managed by arranging fixed term loans and investments with a range of maturity dates, within the framework and indicators approved each year in the Treasury Management Strategy. At present the Council does not invest for periods of more than 364 days although the Treasury Management Strategy allows for investments to be placed for longer periods. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The maturity analysis of financial liabilities is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Maturity of Fixed Rate Borrowing		
Less than one year	200	-
Between one and two years	400	-
Between two and five years	600	-
More than five years	1,800	1,100
	<u>3,000</u>	<u>1,100</u>

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

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

Interest rate risk

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

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

Financial assets classed as loans and receivables and all financial liabilities are carried on the Balance Sheet at amortised cost, so changes in their fair value do not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The policy is to hold an appropriate mix of fixed and variable rate instruments within the framework and indicators approved each year in the Treasury Management Strategy. A range of interest rate forecasts are used when setting and updating the interest budget, so that adverse rate changes can be accommodated in the Council's plans with sufficient notice. The analysis will also advise whether new borrowing is taken out is at fixed or variable rates.

All borrowing and term investments during 2010/11 were held at fixed rates.

Price risk

The Council does not invest in equity instruments and therefore is not exposed to changes in share prices. Changes in the prices of fixed interest investments are managed as part of the Council's interest rate management strategy.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movements in exchange rates.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

HOUSING REVENUE ACCOUNT CONTENTS

	Page
Note 1 General	91
Note 2 Dwelling Rents	91
Note 3 Charges for Services and Facilities	91
Note 4 Housing Stock	91
Note 5 Capital Receipts	92
Note 6 Gain / Loss on Disposal of Fixed Assets	92
Note 7 Major Repairs Reserve	93
Note 8 Capital Expenditure	94
Note 9 Capital Related Charges	94
Note 10 Fixed Assets	95
Note 11 Depreciation	96
Note 12 HRA Valuation	96
Note 13 Housing Subsidy	97
Note 14 HRA Contribution to Pension Reserve	97
Note 15 Redundancy Payments	97
Note 16 Premiums and Discounts	97

HOUSING REVENUE ACCOUNT

	HRA Note	2010/11 £'000	2009/10 Restated £'000
Income			
Gross Rental Income:			
- Dwelling Rents	2	12,775	12,563
- Non-Dwelling Rents		219	227
Charges for Services and Facilities	3	954	992
Contributions towards expenditure		151	140
Other Income		10	10
		14,109	13,932
Expenditure			
Repairs, Maintenance and Management:			
- Repairs and Maintenance		2,163	1,874
- Supervision and Management		2,721	3,153
- Redundancy and Associated Pension Costs			
Rents, rates and other charges		26	33
Negative Subsidy	13	5,102	4,780
Sums Directed By Secretary of State that are expenditure in accordance with UK GAAP	16	46	97
Increase in Bad Debts Provision		22	25
Depreciation of Fixed Assets:			
- Dwellings	10	2,747	2,901
- Other Assets	10	115	104
Impairment of HRA Assets	11	28,178	
Reversal of Impairments charged to Income and Expenditure in prior years	11		(12,095)
Debt Management Costs	9	20	48
		41,140	920
Net Cost/(Surplus) - HRA Services included in the Comprehensive Income and Expenditure Account		27,031	(13,012)
- HRA share of Corporate and Democratic Core contribution		290	183
- HRA share of other amounts included in Net Cost of Services but not allocated to specific services		143	147
Net Cost of HRA Services		27,464	(12,682)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

	HRA Note	2010/11 £'000	2009/10 Restated £'000
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
- (Gains)/losses on the disposal of non current assets	6	856	559
- Interest payable and similar charges	6	146	132
- Interest receivable and similar income		(21)	(16)
- Pensions interest cost and expected return on pension assets	14	158	246
(Surplus) or Deficit on Provision of HRA Services		28,603	(11,761)
Adjustments between accounting basis and funding basis under regulations (note 4 to the Core Statements)		(28,813)	11,607
Movement in HRA Balance for the Year (Surplus)		(210)	(154)
HRA Balance brought forward		(1,214)	(1,060)
HRA Balance carried forward (Surplus)		(1,424)	(1,214)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 General

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

2 Dwelling Rents

	2010/11 £'000	2009/10 £'000
The account shows the rent due in the year after allowing for voids and other losses in collection.		
Average rent per week (£)	£71.06	£67.99
Rent arrears at 31 March (£'000)	£323k	£316k
Rent arrears at 31 March as % of the gross rent collectable	2.4%	2.4%
Provision for bad debts at 31 March (£'000)	£120k	£115k

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 Stock

	2010/11	2009/10
The stock of dwellings has changed as follows:		
Opening stock of dwellings	3,505	3,522
Add: new build/purchases/additions	-	-
Less: sales - Right to Buy (RTB)	(5)	(10)
Non-RTB	(1)	(2)
Less: properties lost to conversion, disposal and deletion	(5)	(5)
Closing stock of dwellings	3,494	3,505
Analysis of closing stock numbers:		
Houses and Bungalows	2,852	2,862
Flats	638	639
Other	4	4
	3,494	3,505

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

5 Capital Receipts - Disposal of Council Dwellings

	2010/11	2009/10
Capital receipts from sales of council houses can be summarised as follows:		
- Number of disposals	5	10
- Value of disposals	£ 485,000	£ 841,000

6 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 Comprehensive Income and Expenditure Statement, and any difference between the two amounts is recognised as a gain or loss on disposal.

It is important to highlight that gains and losses are not a charge on HRA tenants, and the impact is reversed out in the Movement in Reserves Statement to ensure there is no real impact on fund balances for the year.

	2010/11	2009/10
	£'000	£'000
Cost of Selling Council Houses	7	21
Discount on land to housing associations	316	320
Other Housing Fixed Assets	533	218
Loss on disposal of Housing Fixed Assets	856	559

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

7 Major Repairs Reserve

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

Credits to the Major Repairs Reserve

- (a) an amount equal to HRA depreciation for the year
- (b) transfers from the HRA required by statutory provision

Item (a) has to be debited to the Capital Adjustment Account and item (b) to the HRA Balance and included as a reconciling item in the Statement of Movement on the HRA Balance and Movement in Reserves Statement, **Note 5** to the Core Statements.

Debits to the Major Repairs Reserve

- (a) expenditure for HRA capital purposes, where this is to be funded from the MRR
- (b) repayments of loan/credit liability principal (not required to be charged to a revenue account) where this is to be funded from the MRR
- (c) transfers to the HRA required by statutory provision

Items (a) and (b) have to be credited to the Capital Adjustment Account and item (c) to the HRA Balance and included as a reconciling item in the Statement of Movement on the HRA Balance and Movement in Reserves Statement, **Note 5** to the Core Statements.

The following table summarises the movement on the Major Repairs Reserve:

	2010/11	2009/10
	£'000	£'000
Balance at 1 April	186	520
Contribution from HRA - Depreciation	2,859	3,005
Capital Financing - dwellings	(2,121)	(2,576)
Transfers from/(to) the HRA	(594)	(740)
Amortisation of Intangible Fixed Assets	(44)	(23)
Balance at 1 April	286	186

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

8 Capital Expenditure

Capital expenditure and how it has been financed is shown below:

	2010/11	2009/10
	£'000	£'000
Dwellings	3,280	3,485
Equipment (including IT Infrastructure)	50	97
	3,330	3,582
Financed by:		
Borrowing	550	550
Useable Capital Receipts	-	-
Revenue Contributions	616	401
Major Repairs Reserve	2,121	2,576
Contributions	43	55
	3,330	3,582

9 Capital-Related Charges

	2010/11	2009/10
	£'000	£'000
Depreciation Charge	2,859	3,005
Debt Management Expenses	20	48
Item 8 Debit - Interest (HRA share of interest receivable)	94	73
Other Finance Costs	52	59
Housing Subsidy - Major Repairs Allowance	(2,221)	(2,242)
Transfer to Capital Financing Account via MRR	(2,121)	(2,576)

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

10 Fixed Assets

	31 March 2011	31 March 2010 Restated
	£'000	£'000
Operational Assets		
Dwellings - Balance Sheet Value	157,276	156,983
Other HRA Property	2,839	2,890
Non-Operational Assets		
Other HRA Property	2,312	3,156
Surplus Assets not Held for Sale		
Assets Held for Sale	105	124
Total Balance Sheet Value of HRA Assets	162,532	163,153
Dwellings- Vacant Possession Value	403,278	404,995

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 is a discount of 61% (54% in 2009/10), based on guidance issued by the Communities and Local Government, and reflects the economic cost of providing council housing at less than the open market value.

The change in discount has resulted in an impairment charge to the HRA Income and Expenditure Account in 2010/11. In 2009/10, increases in the valuation for many Beacon properties resulted in a £12.1m reversal of previous year's impairment losses. Valuation gains for some of these Beacon properties exceeded the previous fall in value and these valuation increases were taken to the Revaluation Reserve. The balance on the Revaluation Reserve in relation to dwellings has been fully utilised before impairment is charged to the HRA Income and Expenditure Account.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

11 Depreciation

	2010/11	2009/10
	£'000	Restated £'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's fixed asset, as follows:		
Dwellings	2,747	2,901
Other Land and Buildings	68	53
Other HRA property	30	24
Non-operational Assets	17	27
Impairment of Dwellings and Other Land and Buildings charged to the Income and Expenditure Account	28,178	-
Reversal of Impairments charged to Income and Expenditure in prior years	-	(12,095)
	31,040	(9,090)

The HRA includes a depreciation charge for dwellings based on their estimated useful economic lives. The depreciation charge in respect of dwellings is included in the Surplus / Deficit on the Provision of Services but is partly reversed by a transfer from the Major Repairs Reserve equal to the Major Repairs Allowance for the year.

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

The 2010/11 financial results include £28.2m (2009/10 (£12.1m) relating to the impairment of council dwellings. The impairment is charged to the Comprehensive Income and Expenditure Statement. It is reversed out in the Movement in Reserves Statement and therefore does not affect the overall working balance of the HRA. The dwellings are initially valued at Vacant Possession Value (equivalent to open market value) and then discounted to arrive at EUV-SH to reflect continuing use for social housing. In 2010/11 the discount factor used has been increased from 54% to 61% (as instructed by the Department for Communities and Local Government) to reflect changes in market conditions. This change in the discount factor has given rise to the impairment loss.

12 HRA Valuation

A full valuation of HRA properties was carried out as at 31 March 2010 by the Valuation Office. A full valuation is required every five years and the next full valuation is due on 31 March 2015.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

13 Housing Subsidy

	2010/11	2009/10
	£'000	£'000
The HRA Subsidy payable to the Government is split into the following elements:		
Management and Maintenance	4,788	4,733
Capital Charges	443	509
Rent Income	(12,508)	(12,247)
Interest	-	(1)
Prior Years Adjustments	(54)	(24)
Other	8	8
Negative Subsidy	(7,323)	(7,022)
Major Repairs Allowance (MRA) - Grant Received	2,221	2,242
HRA Subsidy Payable to the Government	(5,102)	(4,780)

14 HRA Contribution to Pension Reserve

The charge reflected in each of the Services is based on the cost of retirement benefits earned by the employee. However the charge against Housing Rents is based on the cash payable in the year, so the real cost of retirement benefits is reversed out as an appropriation to the Pensions Reserve. See Note 19, Pensions, within the Notes to the Core Financial Statements for a fuller explanation.

15 Redundancy Payments

These are charged to the HRA Income and Expenditure Account and payments totalling £13,003 were made in respect of voluntary redundancy and associated pension costs for 1 housing staff in 2010/11 (2009/10 £6,281 for 1 staff). The HRA also receives a share of the redundancy costs of the Chief Executive.

16 Premiums and Discounts

See Core Statements Note 10 Financial Instruments Adjustment Account.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

COLLECTION FUND CONTENTS

	Page
Note 1 General	100
Note 2 Transfer from General Fund	100
Note 3 Business Rates	100
Note 4 Income from Council Tax	101
Note 5 Collection Fund Balance	102
Note 6 Precepts and Demands	103

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

COLLECTION FUND

The Collection Fund reflects the statutory requirement to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national Non-Domestic Rates (NNDR).

2009/10 £'000		Note	2010/11 £'000
	Income		
42,778	Income from Council Tax	4	44,119
	Transfers from General Fund		
5,124	Council Tax Benefits	2	5,305
(1)	Council Tax Transitional relief		(1)
19,896	Income from Business Ratepayers	3	19,717
86	Contributions from the General Fund (Discretionary Rate Relief)		-
<u>67,883</u>			<u>69,140</u>
	Expenditure		
47,693	Precepts and Demands	6	49,266
	Business Rates		
19,771	Payments to Pool		19,593
125	Costs of Collection		125
	Council Tax - Bad and Doubtful Debts		
98	Write Offs		95
23	Provisions		(14)
	Contributions		
(135)	Towards previous year's estimated Collection Fund Surplus/(Deficit)		(20)
<u>67,575</u>			<u>69,045</u>
308	Movement on Fund Balance - Surplus (Deficit)	5	95
<u>(401)</u>	Surplus/(Deficit) Brought Forward 1 April	5	<u>(93)</u>
<u>(93)</u>	Surplus/(Deficit) Carried Forward 31 March		<u>2</u>

COLLECTION FUND

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2. Transfer from General Fund

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

3. Business Rates

The Council collects the business rates (National Non-Domestic Rates) in the district. The amount collected less an allowance for the cost of collection is paid into a national pool administered by the Government. The pool is then redistributed to all local authorities as a standard amount per head of population. The Council's share of this redistribution is shown in the Income and Expenditure Account. The valuation list was revised in April 2010. The next revaluation of all business properties is due in April 2015.

	2010/11 £'000	2009/10 £'000
Total Ratable Value of Business Properties in March	£58,450k	£47,831k
National Rate in the £	41.4p	48.5p
Small Business Rate Multiplier	40.7p	48.1p

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

4. Income from council Tax

The Council estimates its Tax Base as follows:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £'000
A	3,644.20	6/9ths	2,429.47	3,615
B	10,058.78	7/9ths	7,823.49	11,642
C	7,173.34	8/9ths	6,376.30	9,489
D	6,420.61	9/9ths	6,420.61	9,555
E	3,717.83	11/9ths	4,544.01	6,762
F	1,980.45	13/9ths	2,860.65	4,257
G	1,483.52	15/9ths	2,472.53	3,679
H	159.41	18/9ths	318.82	474
Total	<u>34,638.14</u>		<u>33,245.88</u>	<u>49,473</u>
Less provision for bad and doubtful debts	0.3488%		(115.95)	(173)
Less provision for banding adjustment	0.07%		<u>(23.18)</u>	<u>(35)</u>
Taxbase (Band D Equivalent)			<u>33,106.75</u>	<u>49,265</u>
			2010/11	2009/10
Average Band D Council Tax			£1,488.10	£1,452.69
Babergh's Share			£139.01	£134.96

Actual income in 2010/11 was £49,424k (including £5,305k Council Tax Benefits), which was £159k higher than the forecast income, equivalent to 107 Band D properties.

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

5. Collection Fund Balance

The collection of council tax is in substance an agency arrangement and the cash collected belongs proportionately to the Council and the major preceptors. The Council's share of the fund balance is taken to the Collection Fund Adjustment Account. Balances belonging to major preceptors are shown in the accounts within debtors or creditors as appropriate. The Council's balance will be taken into account in setting future Council Tax levels.

	Balance 01-Apr-09 £000	Movement 2009/10 £000	Balance 31-Mar-10 £000	Movement 2010/11 £000	Balance 31-Mar-11 £000
Babergh District Council - Council Tax	(42)	29	(13)	13	-
Suffolk County Council - Council Tax	(240)	168	(72)	74	2
Suffolk Police Authority - Council Tax	(33)	25	(8)	8	-
	<u>(315)</u>	<u>222</u>	<u>(93)</u>	<u>95</u>	<u>2</u>
Discretionary Rate Relief	(86)	86	-	-	-

BABERGH DISTRICT COUNCIL - STATEMENT OF ACCOUNTS 2010/11

6. Precepts and Demands

The Suffolk County Council and the Suffolk Police Authority precepts are charged to the Collection Fund. Precepts by Parish and Town Councils are charged to the Council's General Fund and included in Babergh District Council's demand on the Collection Fund. The amount of those precepts is shown below.

	2010/11	2009/10
	£000	£000
Babergh District Council		
District Council Purposes	4,602	4,431
Town / Parish Council purposes	2,047	2,019
	6,649	6,450
Suffolk County Council	37,296	36,119
Suffolk Police Authority	5,321	5,124
Total	49,266	47,693