Babergh District Council
Statement of Accounts 2011/12

BABERGH
DISTRICT COUNCIL
SOUTH SUFFOLK

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Explanatory Foreword

1. Introduction/Background

This foreword is not a formal part of the Statement of Accounts for 2011/12 but the aim is to assist readers in understanding key aspects of the Council's finances for the year rather than providing a commentary on the Council's policies. It provides an explanation of the most significant matters affecting the Council's financial position in 2011/12 and the information reported here is consistent with the figures in the Statement of Accounts.

The Statement of Accounts have to be produced in accordance with the Code of Practice on Local Authority Accounting 2011 (The Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and is based on International Financial Reporting Standards (IFRS).

The Code specifies the accounting principles and practices 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 2012. It also prescribes the accounting treatment and minimum requirements for disclosures.

2. Audit Opinion

The accounts are published subject to audit and were considered to be a true and fair view on 29 June 2012.

3. Accounting Policies and Disclosure Changes

The Council adopted IFRS for the first time in 2010/11 when a number of accounting policies were changed. For 2011/12, key changes include the following and a full explanation of these is shown within the Accounting Policies where required:

- Accounting for Heritage Assets – the Code requires that these assets are reported separately on the Balance Sheet if material. The Council has concluded that it has no material assets within this category. More details can be found in the Accounting Policy at Section V.

- Integration with Mid Suffolk District Council - The Accounting Policy at Section F sets out the basis on which the two Councils shared costs and income in relation to joint working and integration in 2011/12.
- HRA (Council Housing) self financing - In 2011/12 the Council paid £83.6m to the Government to move away from the national subsidy system to enable HRA self financing. The accounting policy at Section E provides more detail.
- Exit Packages – a new disclosure note related to staff payments on departure. These include redundancy costs and, where appropriate, pension contributions, ex-gratia payments and other departure costs.

4. Statements Included

The Council's Statement of Accounts consists of:

(i) Statement of Accounting Policies

Policies adopted in compiling the Accounts for the year.

(ii) Statement of Responsibilities for the Statement of Accounts

Sets out the respective responsibilities of the Council and the Chief Financial Officer.

(iii) The four core financial statements - required to be given equal prominence:

(a) Comprehensive Income and Expenditure Statement

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

(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.

(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 (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories:

- '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).

- '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'.

(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 contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows in relation to capital activities (ie borrowing requirements).

(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 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 is a statutory memorandum account that is part of the housing authority's General Fund. It records all income and expenditure relating to the provision of housing accommodation and associated services. 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 HRA Statement. No separate HRA Balance Sheet is maintained.

(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 explain the content of individual statements, and provide more analysis where matters of financial significance cannot adequately be set out in the statements themselves.

Other information included within the financial statements:

(vi) Audit Opinion

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 the *Code of Audit Practice for Local Government (2010)* (the '*Code*'). The Audit Opinion is shown on page 89.

(vii) Annual Governance Statement

This statement, required by regulations to accompany the Statement of Accounts, outlines the Council's approach to corporate governance and internal control. It sets out a framework within which overall governance and internal control are managed and reviewed.

(viii) Glossary of Terms

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

5. Net Revenue Expenditure

The CIES Account includes all expenditure on services including Council Housing, interest payable and other operating costs, income from grants, local taxpayers and other sources. Where material assets are acquired or liabilities incurred that are unusual in scale, the amount is disclosed on the face of the CIES.

The Council's General Fund

The Comprehensive Income and Expenditure (CIES) Account also includes changes resulting from the revaluation of assets, which impacts both on the HRA in relation to Council Housing and also affects the reported net cost of General Fund services (i.e. those services paid for by Council Tax and Government's general Formula grant).

By removing these items, the summary below shows the resulting General Fund position and compares the actual position on General Fund income and expenditure with the original budget forecast for the year. This covers all service expenditure, interest payable and other operating costs, income from grants, local taxpayers and other sources, excluding Council Housing:

	Original Budget £000	Actual £000	Variance £000
Net Expenditure (excl. items below)	9,403	9,115	(288)
Revenue Financing - Capital Investment	-	-	-
Carry Forwards from 2010/11	436		(436)
Transfer to (from) Earmarked Reserves	273	664	391
Net Revenue Expenditure	10,112	9,779	(333)
Less: Government Formula Grant and Council Tax	(9,466)	(9,467)	(1)
Deficit/Use of Reserves or (surplus)	**646**	**312**	**(334)**

Additional grants of £200k have been received in the year which have been transferred into earmarked reserves.

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 budget and this has been achieved.

Details of the key variations compared to the original budget forecast are provided below:

	Variation £000
Savings:	
Salaries and other operational expenditure	371
Corporate Management and other costs	106
Domestic waste collection and recycling	187
Trade and green waste collection	75
Budget savings carried forward to 12/13	291
	1,030
Additional Costs/Lower Income:	
Integration	(153)
Other additional costs	(140)
Lower net income on a variety of services	(203)
	(496)
Transfer to Earmarked Reserve re Integration	(200)
Total net transfer to reserves compared to budget	**334**

As a result of rigorous monitoring of staff and other costs through vacancy management, and control of operational costs throughout the year, salary and other savings have exceeded those included in the budget.

The waste service achieved a saving of £82k due to close monitoring of the Serco contract and other costs and an additional contribution has been received from Serco of £96k as a result of the non-provision of the joint depot. Additional income arose in the year as new customers subscribed to the green waste service.

Integration costs were in line with the latest business case approved by both councils in October 2011, but the original budget for the year was based on the previous business case, which did not fully reflect staff redundancy costs. In addition, a financial provision has been made in the 2011/12 accounts for redundancies that arose early in 2012/13 as part of putting in place the integrated staffing structure.

Costs and savings compared to the business case are being reported to and monitored by the Joint Member Integration Board and the Joint Scrutiny Committee. The business case forecasts annual savings as a result of integration of at least £1.3m in 2012/13, rising to £2m by 2015/16, excluding further savings from transformation.

There was lower building control income as a result of the continuing economic downturn, a reduction in income from the community alarm service (Babergh Response) which is under review and less income from long term parking charges, although a provision for this was included in the budget. Grant funding for the management of the concessionary travel scheme is no longer received as delivery of this service has transferred to Suffolk County Council.

A number of the favourable variances are subject to budget carry forward requests totaling £291k and this money will now be spent in 2012/13.

After allowing for the additional transfer to earmarked reserves and budget carry forwards, the General Fund balance of the general reserves stands at £1.44m, in line with the budget forecast, which will be available for use in future years. The Council's agreed current minimum reserve level is £1.2m. There are further sums of earmarked reserves totalling £1.65m.

A reconciliation of the overall position on the Comprehensive Income and Expenditure Account to the surplus on the General Fund in both 2011/12 and 2010/11 is shown below:

	2010/11	2011/12
	£000	£000
Reported CIES deficit/(surplus) for the year	23,362	**83,085**
Adjust for:		
Revaluation of assets (impairment/changes in value)	(27,896)	**-**
Housing Reform payment to CLG	-	**(83,647)**
Other Changes	4,113	**874**
Actual deficit/(surplus) for the year in General Fund balance	(421)	**312**

The table above includes borrowing to fund self-financing of Council House Reform and further details are included in Section 6 below.

The Housing Revenue Account (Council Housing)

	Original Budget	Revised Budget	Actual
	£000	£000	£000
Income	14,488	14,353	14,474
Expenditure (net of appropriations)	(14,717)	(14,676)	(14,283)
Decrease/(Increase) in Housing Revenue Account Balance	**(229)**	**(323)**	**191**
Variance from Revised Budget			**514**

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

	£000
Higher Income:	
Rent, income & other charges	(121)
	-
	(121)
Additional Costs:	
Responsive repairs	72
Interest costs	34
	106
Savings:	
Government Grant (subsidy)	(34)
Planned maintenance	(34)
Tenancy changes	(14)
Energy costs	(48)
Management, staffing and other costs	(110)
Capital charges and contributions	(259)
	(499)
Total net transfer to reserves compared to budget	**(514)**

Most of the above £514k relates to capital expenditure of £468k that will now be carried forward and undertaken in 2012/13. A further revenue carry forward of £71k is to be spent in 2011/12, leaving HRA reserves £75k higher overall than expected in the revised budget.

The Government's Social Housing Reforms will impact on the future delivery of the housing service and resulted in the Council paying £83.647m to the Government on 28 March 2012 to release the Council from the current subsidy arrangement. The payment was funded by four long term loans taken from the Public Works Loan Board (PWLB).

The former Housing Subsidy regime required the Council to pay a proportion of its housing rents to the Government but the new Self-financing arrangement, commencing on 1 April 2012, allows the Council to retain housing rents and pay interest on the settlement loans. The Government required a 30 year Business Plan to be developed to demonstrate that the Council can continue to manage and maintain the Council's housing stock over the next 30 years, provide cash to invest in capital works and meet all the costs and repayment of the settlement loan.

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	314	227	103	(124)
Asset Management	2,878	2,227	1,413	(814)
Community Services	180	337	210	(127)
Private Sector Housing	513	552	518	(34)
The Environment	-	76	25	(51)
Capitalised Redundancy Costs	200	750	401	(349)
Open Spaces and Play Areas (funded from S106 contributions)	-	-	239	239
Total General Fund	4,085	4,169	2,909	(1,260)
HRA Self-Financing	-	83,647	83,647	-
Council Housing	3,254	3,478	2,990	(488)
Total	**7,339**	**91,294**	**89,546**	**(1,748)**
Financed from:				
Supported borrowing	-	-	-	-
Non-supported borrowing	1,821	86,225	85,160	(1,065)
Capital Receipts	1,881	548	401	(147)
Grants/external contributions including LABGI	408	829	995	166
Major Repairs Allowances	2,301	2,395	2,542	147
Revenue *	928	1,297	448	(849)
Total	**7,339**	**91,294**	**89,546**	**(1,748)**

* All Council Housing apart from £5k use of revenue from earmarked revenue reserves in the revised budget.

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

	Variance £000
Green Waste Scheme	110
Haven Gateway Projects (externally funded)	43
Hadleigh Community Facilities	525
Council Housing	488
Capitalised Redundancy Costs	349
Community Grants	109
ICT Transformation & Integration	68
Affordable Housing	30
Other	26
	1,748

The majority of this expenditure will be carried forward and take place in 2012/13 or future years.

7. Treasury Management

The CIPFA prudential code, which has been adopted by the council, 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.

The Capital Financing Requirement, which represents the Council's underlying need to borrow for capital purposes, is summarised in the table below.

	£000
Underlying need to borrow at 31 March 2012 (Capital Financing Requirement)	92,846
Borrowing at 31 March 2012 (Public Works Loan Board)	(89,297)
Net Borrowing Facility at 31 March 2012	**3,549**

Note - Existing borrowing of £5.65m will transfer to the HRA on 1 April 2012 as a result of the Council Housing reforms, which means the General Fund commences 2012/13 debt free.

The current strategy is to use internal surplus funds to temporarily finance the General Fund capital expenditure. Advice is sought regarding the timing or replacing any internal borrowing with external borrowing.

The borrowing of £83.647m for the Council Housing Reform self-financing has been treated as capital expenditure in the accounts and is shown as an exceptional item in the CIES. Long term borrowing has, therefore, increased significantly to £89.3m as at 31st March 2012. This is within the approved limits established for overall borrowing and the operational boundary, which were set at £96.6m and £94.6m respectively.

Although actual borrowing has increased markedly, future HRA borrowing costs are affordable, as demonstrated by the 30 year Business Plan, due to the previous annual payments to the Government of 'negative' housing subsidy ceasing from April 2012.

In terms of the investment of surplus funds during the year, these were made with counterparties with high credit ratings as determined in the Council's Treasury Management Strategy. At 31 March 2012, the level of surplus funds invested were £4.9m.

Further details on treasury management activity are shown in Notes 32 and 33 to the Core Statements.

8. 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 as at the 31 March 2010 puts this deficit at £11.2m. This is £4.6m more than reported at the last triennial valuation in 2007.

The Council is required to report annually on the estimated assets and liabilities of the Pension Fund under International Accounting Standard (IAS) 19. As at the 31 March 2012, this deficit has been assessed by the actuary at £16.8m, an increase of £4.3m on the previous year's reported figures. It should be noted, however, that these figures are based on the accounting requirements of IFRS, which are not directly comparable with the formal triennial valuations.

The reasons for the changes between 2011 and 2012, 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 Council's accounts for 2011/12 reflect the lump sum payments and agreed annual contribution rates towards current/future pensions and these are based on the March 2010 triennial valuation by the Fund actuary. The Council's contribution rate to the Pension Fund, over and above the lump sum deficit payments, increased from 16.0% in 2010/11 to 16.7% in 2011/12.

9. 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 2012 £000	31 March 2011 £000
General Fund		
General Reserves	1,732	2,044
Earmarked Reserves	1,653	989
Collection Fund	13	-
	3,398	3,033
Housing Revenue Account		
General Reserves	1,614	1,424
Major Repairs Reserve	-	286
	1,614	1,710
	5,012	4,743

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 2011/12, which are estimated at £830k (General Fund and HRA combined, including the capital contribution from the HRA of £468k).

10. Future Plans and Challenges

Future Savings

The Council needs to achieve significant further savings and efficiencies in future budgets to meet the Government's planned reduction in the public sector deficit. In addition to the savings made in 2011/12, a further £1.1m of savings are included in the 2012/13 Budget and it is currently forecast that up to a further £3.5m of further savings will be required over the subsequent 3 years. This will depend upon a range of factors including the scale of Government grant cuts over this period imposed on the Council.

The Council will continue in its aim to minimise the impact on services of making the above savings, through its integration and transformation programme with Mid Suffolk and by working with others, including local communities, to find new ways of providing services.

Shared Services and Partnerships

Integration with Mid Suffolk District Council

In March 2011 the Council took the decision to appoint a new Joint Chief Executive with Mid Suffolk District Council. The new Joint Chief Executive commenced in May 2011.

A full constitutional merger with Mid Suffolk was not supported through the local poll in May 2011 so, following this result, both councils reaffirmed their support for management, staff and service integration and a transformation programme. An integrated senior management team (including Strategic Directors and Heads of Service) has been established working across the two authorities and the remaining integrated staff structure should be in place by the end of 2012.

Plans are being developed to achieve service integration across the two councils and to transform the way services are provided in the future. The detailed programme of work is being overseen by a Joint Member Integration Board.

The above plans will need to make a significant contribution towards the future savings that will be required.

Shared Revenues Partnership

The Council established a Shared Revenues Partnership (SRP) with Mid Suffolk District Council and Ipswich Borough Council to provide the Revenues and Benefits service for the three councils from 1 April 2011. A Joint Committee has been established between the three authorities to oversee the implementation and running of the SRP. The Council has delegated relevant functions to the Committee, which comprises two Members from each council.

On 16 May 2011 the staff from Babergh and Mid Suffolk transferred to the offices of Ipswich Borough Council, so that the service could be provided from one single location in order to maximise the benefits of joint working. All staff have now been appointed to a new organisational structure for SRP and from December 2011, following an ICT procurement exercise and implementation, the three partners have been using the same ICT platform. SRP operated well within its operational budget during 2011/12, its first year of running.

Mid Suffolk District Council and Serco (Refuse Collection Services)

On 1 April 2007 The Council merged its refuse collection service with neighbouring Mid Suffolk District Council and Serco, the Councils' private sector partner contracted to deliver the service. This arrangement provides financial savings to both Councils due to economies of scale and shared contract management.

11. Major Influences on the Council's income, expenditure and cashflow

2011/12 did not see any major change in the Council's statutory functions that had an impact on the accounts, except the Revenues and Benefits function that is now provided by the new SRP in conjunction with Mid Suffolk District Council and Ipswich Borough Council.

Developments in future service provision and delivery will largely focus around the integration and transformation programme with Mid Suffolk. Due to the financial and other challenges that face all local authorities over the next five years, as a result of public sector spending reductions and cuts in Government grant, the transformational element will need to achieve further significant savings. The forward capital programme for the Council includes investment of £756,000 in ICT to enable joint working.

The 2012/13 General Fund Budget allows for initial transition costs and the earmarked reserve will help to fund these and other activities relating to integration and transformation.

The forward capital programme also includes investment to maintain existing service levels and an element to expand existing services and community facilities. Examples of these include replacement vehicles and a range of grants that the Council gives to individuals and organisations to improve either the quality of life or the quality of the surrounding environment e.g. disabled facilities, empty homes, affordable housing and community fund project grants. The largest element of the Council's capital programme relates to maintaining and improving the standard of its housing stock.

The Council continues to be affected by the on-going economic climate and their remains some uncertainty regarding income levels going forward. The Revenues and Benefits function is particularly affected. More people apply for housing and council tax benefit in times of rising unemployment and more people and businesses struggle to pay their council tax and business rates. The caseload for people claiming benefits did not increase as much as anticipated though during 2011/12. Also, the collection rate for council tax has been maintained, despite the difficult economic conditions, but a decrease was experienced in the collection of business rates.

Looking ahead, the Governments funding and welfare reforms, including an element of business rates growth retention by councils will create financial pressures but also opportunities, as does the New Homes Bonus that was introduced in 2010/11. The Council will need to carefully consider how to deal with these in relation to its strategic priorities and the outcomes it is looking to achieve.

12. The Financial Needs and Resources of the Council

The Council requires financial resources to deliver its Strategic Priorities and statutory obligations. For a detailed explanation of how the Council’s budget is aligned to its priorities, and a forecast of the resources required over the next few years, please refer to the Council’s Medium Term Financial Strategy, available on the Council’s website or from the contact details given below. Savings forecasts were revised during 2011 and an updated Medium Term Financial Strategy will be developed during 2012 covering the period 2013/14 to 2015/16. It is currently forecast that up to £3.5 million of further savings will be needed over this period.

13. 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 Chief Financial Officer.

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration (by appointing a chief financial officer) of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In 2011/12, 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 2012 and its income and expenditure for the year then ended.

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Barry Hunter CPFA
Director of Finance, Babergh District Council 28 September 2012

In accordance with the requirements of s10 of the Accounts and Audit Regulations, I confirm that the Statement of Accounts was approved by a resolution of the Babergh District Council on 28 September 2012.

Nick Ridley
Chairman of Babergh District Council 28 September 2012

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 Gross Expenditure £'000	2010/11 Gross Income £'000	2010/11 Net Expenditure £'000		2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net Expenditure £'000
7,492	(6,136)	1,356	Central services to the public	**8,440**	**(5,989)**	**2,451**
2,177	(481)	1,696	Cultural & Related Services	**2,073**	**(428)**	**1,645**
5,130	(2,078)	3,052	Environmental & Regulatory Services	**5,313**	**(2,676)**	**2,637**
2,412	(905)	1,507	Planning Services	**2,439**	**(911)**	**1,528**
312	(104)	208	Highways and transport services	**426**	**(196)**	**230**
744	(91)	653	Concessionary fares	**12**	**(45)**	**(33)**
12,963	(14,109)	(1,146)	Local Authority Housing (HRA)	**11,601**	**(14,506)**	**(2,905)**
-	-	-	Local Authority Housing settlement payment (note 5a)	**83,647**	**-**	**83,647**
28,178		28,178	HRA revaluation losses on dwellings (note 5a)	**-**	**-**	**-**
19,384	(18,719)	665	Other housing services	**19,770**	**(19,648)**	**122**
2,578	(28)	2,550	Corporate and democratic core	**3,114**	**(341)**	**2,773**
-	(6,334)	(6,334)	Non distributed costs - change in inflation factor for retirement beneftis (note 5a and note 16)	**-**	**-**	**-**
-	(15)	(15)	Non distributed costs - other	**752**	**-**	**752**
81,370	(49,000)	32,370	**Cost of Services**	**137,587**	**(44,740)**	**92,847**
3,287	-	3,287	Other Operating Expenditure (note 6a)	**2,446**		**2,446**
906	(54)	852	Financing and Investment Income and Expenditure (note 6b)	**361**	**(71)**	**290**
-	(13,147)	(13,147)	Taxation and Non-Specific Grant Income (note 31)	**-**	**(12,404)**	**(12,404)**
85,563	(62,201)	23,362	**(Surplus) or Deficit on Provision of Services (note 12) - A**	**140,394**	**(57,215)**	**83,179**
230	(800)	(570)	(Surplus) or deficit on revaluation of fixed assets (note 7a)	**205**	**(775)**	**(570)**
19	-	19	Derecognition of Fixed Asset (note 21)	**-**	**-**	**-**
-	(12,865)	(12,865)	Actuarial (gains)/losses on pension assets/liabilities (note 16)	**4,138**		**4,138**
249	(13,665)	(13,416)	**Other Comprehensive Income and Expenditure - B**	**4,343**	**(775)**	**3,568**
85,812	(75,866)	9,946	**Total Comprehensive Income and Expenditure (A+B)**	**144,737**	**(57,990)**	**86,747**

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 2010	**(1,623)**	**(1,467)**	**(1,215)**	**(186)**	**(309)**	**(150)**	**(4,950)**	**(170,470)**	**(175,420)**
Movement in reserves during 2010/11									
(Surplus) / deficit on provision of services	(5,241)	-	28,603	-	-	-	**23,362**	-	**23,362**
Other Comprehensive Expenditure and Income							**-**	(13,416)	**(13,416)**
Total Comprehensive Expenditure and Income	**(5,241)**	**-**	**28,603**	**-**	**-**	**-**	**23,362**	**(13,416)**	**9,946**
Adjustments between accounting basis and funding basis under regulations (note 3)	5,298	-	(28,812)	(100)	(89)	43	**(23,660)**	**23,660**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**57**	**-**	**(209)**	**(100)**	**(89)**	**43**	**(298)**	**10,244**	**9,946**
Transfer to/(from) Earmarked Reserves (note 4)	(478)	478	-	-	-	-	**-**	-	**-**
(Increase)/Decrease in 2010/11	**(421)**	**478**	**(209)**	**(100)**	**(89)**	**43**	**(298)**	**10,244**	**9,946**
Balance at 31 March 2011	**(2,044)**	**(989)**	**(1,424)**	**(286)**	**(398)**	**(107)**	**(5,248)**	**(160,226)**	**(165,474)**
Movement in reserves during 2011/12									
(Surplus) / deficit on provision of services	1,672	-	81,507	-	-	-	**83,179**	-	**83,179**
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	**-**	**3,568**	**3,568**
Total Comprehensive Expenditure and Income	**1,672**	**-**	**81,507**	**-**	**-**	**-**	**83,179**	**3,568**	**86,747**
Adjustments between accounting basis and funding basis under regulations (note 3)	**(2,024)**	-	**(81,697)**	**286**	**259**	**(44)**	**(83,220)**	83,220	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(352)**	**-**	**(190)**	**286**	**259**	**(44)**	**(41)**	**86,788**	**86,747**
Transfer to/(from) Earmarked Reserves (note 4)	664	(664)	-	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**312**	**(664)**	**(190)**	**286**	**259**	**(44)**	**(41)**	**86,788**	**86,747**
Balance at 31 March 2012 carried forward	**(1,732)**	**(1,653)**	**(1,614)**	**-**	**(139)**	**(151)**	**(5,289)**	**(73,438)**	**(78,727)**

BALANCE SHEET

31st March 2011		Note	31st March 2012
£'000			£'000
179,183	Property, Plant and Equipment	21	**181,975**
1,431	Intangible Assets	20	**992**
-	Assets held for sale	24	**-**
368	Long Term Debtors	32	**357**
180,982	**Long Term Assets**		**183,324**
3,505	Short Term Investments	32	**2,003**
49	Inventories	25	**44**
2,736	Short Term Debtors	26	**3,624**
364	Cash and Cash Equivalents	11	**2,609**
105	Assets held for sale	24	**-**
6,759	**Current Assets**		**8,280**
(211)	Short Term Borrowing	32	**(558)**
(6,405)	Short Term Creditors	27	**(6,366)**
(76)	Provisions	28	**(226)**
(6,692)	**Current Liabilities**		**(7,150)**
(2,800)	Long Term Borrowing	32	**(88,797)**
-	Other Long Term Liabilities	32	**-**
(218)	Deferred Liabilities	19 & 32	**(109)**
(12,557)	Defined Benefit Pension Scheme Liability	16	**(16,821)**
(15,575)	**Long Term Liabilities**		**(105,727)**
165,474	**Net Assets**		**78,727**
5,248	Usable reserves		**5,289**
160,226	Unusable reserves	7	**73,438**
165,474			**78,727**

CASH FLOW STATEMENT

2010/11 £'000		Note	2011/12 £'000
23,362	Net (surplus) or deficit on the provision of services		**83,179**
(26,401)	Adjust net surplus or deficit on the provision of services for non cash movements		**(2,963)**
(579)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,402
(3,618)			81,618
40	Net cash flows from Operating Activities	8	106
4,738	Investing Activities	9	2,178
(725)	Financing Activities	10	**(86,147)**
435	Net (increase) or decrease in cash and cash equivalents		(2,245)
(799)	Cash and cash equivalents at the beginning of the reporting period		**(364)**
(364)	**Cash and cash equivalents at the end of the reporting period**	11	(2,609)

STATEMENT OF ACCOUNTS POLICIES

Note1 Accounting Policies

A Changes in Accounting Policy, Prior Period Adjustments 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, unless alternative transitional arrangements are specified in the Code, by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Details of the change in accounting policy regarding the adoption of IFRS30 'Heritage Assets' can be found at Section V.

The 2011/12 Code requires a number of additional disclosures to be included in the Statement of Accounts. 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.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

B Accounting Standards that Have Been Issued but Have Not Yet Been Adopted

The Council is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code.

IFRS7 – Financial Instruments: Disclosures is required to be fully adopted by the Council for the 2012/13 accounts, i.e. from 1 April 2012. This relates to disclosures required on the transfers of financial assets. It is intended to assist the users of financial statements to evaluate the risk exposure of the transfer of financial assets and the effect of those risks on the Council's financial position. The CIPFA/LASAAC view is that such transfers do not occur frequently in Local Authorities. No material transfers of this nature have occurred.

C General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year ended 31 March 2012. 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 practices. These practices primarily comprise the Code of Practice on Local Council Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, 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

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence relating to conditions existing at the balance sheet date – the

Statement of Accounts is adjusted to reflect these events, or

- Those that indicate conditions that arose after the balance sheet date - the Statement of Accounts is not adjusted to reflect these events, but where the impact would have a material effect, a disclosure note is included explaining the nature of the event and an estimate of the financial effect or a statement explaining why an estimate cannot be made.
- Changes to the Local Government Pension Scheme - The Local Government Association and trade unions have recently announced changes to the Local Government Pension Scheme that will take effect from 1 April 2014. The cost and governance implications of this for council's are being examined and reviewed at a national level.

The Statement of Accounts was authorised for issue by the Director of Finance on 29 June 2012. Events taking place after this date are not reflected in the Statement of Accounts.

E Housing Revenue Account Self Financing

The HRA Self Financing Reform which commences on 1 April 2012 has resulted in the Council paying £83.6m to the Department for Communities and Local Government, funded through borrowing from the Public Works Loan Board (PWLB). The transaction took place on 28 March 2012. The accounting entries are shown in the Comprehensive Income and Expenditure account, but are reversed out through the Movement in Reserves Statement. This self financing transaction has been capitalised in line with Section 170 (6) of the Localism Act 2011.

F Babergh and Mid Suffolk Integration

Costs and savings that arise through joint working during 2011/12 are shared equally between the two Councils on a 50:50 basis. This is to reflect the senior management reorganisation and other associated costs. The cost sharing arrangement will be reviewed in 2012/13 to determine the most appropriate means of sharing costs and savings.

G 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 and 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 (e.g. 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.

H 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.

I 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.

Assets Under Construction

Contracts related to assets under construction are 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 – International Accounting Standard 19 (IAS 19)

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 (e.g. cars) for current employees, which 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 within Unusable Reserves in the Movement in Reserves Statement. Further details can be found at Note 7g.

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 standard. Within Unusable Reserves 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 i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of projected earnings for current employees.
- 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. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the pensions reserve within Unusable Reserves in the movement in reserves statement. 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.

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 the amount is disclosed separately. In 2011/12 these are disclosed on the face of the Comprehensive Income and Expenditure Statement with an additional note giving further explanation. Further details can be found at Note 5.

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 writedown 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 within Unusable Reserves in the Movement in Reserves Statement.

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

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.

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.

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-ringfenced 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.

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 fulfillment 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. 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.

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 straightline basis over the life of the lease, even if this does not match the pattern of payments (e.g, there is a rent-free period at the commencement of the lease).

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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the 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 Service Reporting Code of Practice 2011/12 (SERCOP). The total absorption costing principle is used, the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, 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 SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

U Property, Plant and Equipment

These are 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. They are accounted for in the same way, irrespective of how they have been acquired or the extent to which they have been financed.

Accounting for these and other assets that bring longer-term benefits is primarily based on the value the assets have for the authority and is completely separated from statutory arrangements for financing their acquisition, providing the primary basis for presenting the financial performance of an authority.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) 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 an asset of significant value, 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.

A review was carried out to establish whether the Council owned any assets that can be described as 'Heritage Assets' as detailed in FRS30. The de minimis of £10k detailed above applies to these assets and the Council has concluded that it does not own any Heritage Assets that have to be disclosed in the Balance Sheet.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing an 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 (with the exception of the car park surface at North St Sudbury included within infrastructure – at fair value as for ‘all other assets’ below.

- Dwellings –fair value, determined using a valuation method appropriate for the asset, existing use value for social housing (EUVSH)
- 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, including Heritage Assets – fair value, using a valuation method appropriate for the asset in its existing use.

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.

Disposal

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 (i.e. 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.

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings 20 to 60 years
- Council dwellings 50 years
- Surplus Assets 15 to 35 years
- Infrastructure 30 years
- Plant and Equipment 5 to 15 years
- IT and Communications 5 years
- Intangible assets 5 to 7 years (except Stock Condition Survey, 10 years)

Depreciation is charged from the month following addition, a change from previous years where depreciation was not charged in the year of 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. Since 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 Council dwellings is £25k per property (to capture 80% of the total value) 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, which would result if componentisation was applied, is not considered to be material. The componentisation policy applies retrospectively. Componentisation for HRA assets will remain under review.

The next full valuation of General Fund assets will be carried out in 2013/14 and for the HRA in 2014/15

V Heritage Assets

For 2011/12 the Council is required to change its accounting policy for Heritage Assets and recognise them at valuation. A review of assets has been carried out and Officers have concluded that there are no material assets that meet this classification that should be included in the Balance Sheet.

The Council's accounting policies for recognition and measurement of these assets are set out at section U.

W 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 be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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.

X Reserves

The Council sets aside specific amounts as earmarked 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 noncurrent 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 7.

Y 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 noncurrent 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.

Z VAT

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

2a 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.
- Costs and savings arising from the introduction of a shared management team during 2011/12 have been shared on a 50/50 basis with Mid Suffolk District Council.

2b Assumption Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, judgements based on the latest available, reliable information 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 2012 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 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 16.

Provisions

- Uncertainty around the amount to be provided and the amount to be disclosed as a contingent liability. Any potential legal claims by or against the Council are not adjusted in the Statement of Accounts but are disclosed as part of Contingent Liabilities or Assets as required by the CIPFA Code.
- The Council has made a provision in relation to redundancy due to the Babergh and Mid Suffolk Integration programme. The provision represents the probable liability which may be more or less than estimated. Further information can be found in Note 28.
- The Council makes provision for doubtful debts based on the age of its debtors outstanding at the year end.

3 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.

2010/11	Usable Reserves							
Adjustments Between Accounting Basis and Funding Basis	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	Movement in Unusable Reserves £'000
Adjustments Involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(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-note 23	916	-	43	-	-	-	959	(959)
Revenue expenditure funded from capital under statute-note 23	(1,159)	-	-	-	-	-	(1,159)	1,159
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)	-	(1,490)	-	-	-	(1,502)	1,502
Items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	205	-	-	-	-	-	205	(205)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	2,121	-	-	2,121	(2,121)
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	-	-	642	-	(642)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure-note 23	-	-	-	-	179	-	179	(179)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	(7)	-	7	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(372)	-	-	-	372	-	-	-
Loans Repaid					(5)		(5)	5

2010/11	Usable Reserves							
	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	Movement in Unusable Reserves £'000
Adjustment involving the Capital Grants Unapplied Account								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	44	-	-	-	-	(44)	-	-
Application of grants to capital financing	-	-	-	-	-	87	87	(87)
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	(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 16)	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	13	-	-	-	-	-	13	(13)
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	5	-	(1)	-	-	-	4	(4)
Total Adjustments	**5,298**	**-**	**(28,812)**	**(100)**	**(89)**	**43**	**(23,660)**	**23,660**

2011/12 Adjustments Between Accounting Basis and Funding Basis	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	Movement in Unusable Reserves £'000
	Usable Reserves							
Adjustments Involving the Capital Adjustment Account:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(825)	-	(2,462)	-	-	-	(3,287)	3,287
Transfer HRA/MRR	-	-	2,256	(2,256)	-	-	-	-
Reversal of impairment of non-current assets	-	-	1,427		-	-	1,427	(1,427)
Movements in the market value of Investment Properties	-	-	-	-	-	-	-	-
Amortisation of intangible assets	(576)	-	(50)	-	-	-	(626)	626
Capital grants and contributions that have been applied to capital financing-note 23	964	-	6	-	-	-	970	(970)
Revenue expenditure funded from capital under statute-note 23	(1,206)	-	(80)	-	-	-	(1,286)	1,286
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	-	-	(445)	-	-	-	(445)	445
Capitalisation of the HRA self financing payment	-	-	(83,647)	-	-	-	(83,647)	83,647
Items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	221	-	-	-	-	-	221	(221)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	-	2,542	-	-	2,542	(2,542)
Capital expenditure charged against the General Fund and HRA balances	5	-	443	-	-	-	448	(448)
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	-	-	539	-	(539)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure-note 23	-	-	-	-	401	-	401	(401)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	-	(11)	-	11	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(403)	-	-	-	403	-	-	-
Loans repaid	-	-	-	-	(17)	-	(17)	17

2011/12	Usable Reserves							
	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	Movement in Unusable Reserves £'000
Adjustment involving the Capital Grants Unapplied Account								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	69	-	-	-	-	(69)	-	-
Application of grants to capital financing	-	-	-	-	-	25	25	(25)
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	(20)	-	218	-	-	-	198	(198)
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 16)	(1,677)	-	(312)	-	-	-	(1,989)	1,989
Employer's pensions contributions and direct payments to pensioners payable in the year	1,444	-	419	-	-	-	1,863	(1,863)
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	(13)	-	-	-	-	-	(13)	13
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	(7)	-	2	-	-	-	(5)	5
Total Adjustments	**(2,024)**	**-**	**(81,697)**	**286**	**259**	**(44)**	**(83,220)**	**83,220**

4 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 2011/12.

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers in 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers in 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Invest to Save (Efficiencies)	1	(1)	-	-	-	-	-
Capital Projects	(602)	90	(120)	(632)	632	-	-
Business Rate Growth	(483)	483	-	-	-	-	-
Babergh/Mid Suffolk Integration	(25)	25	-	-	202	(938)	(736)
Legal Costs	(150)	66	(66)	(150)	-	-	(150)
Government Grants	(208)	160	(159)	(207)	-	(204)	(411)
New Homes Bonus	-	-	-	-	-	(346)	(346)
Welfare Benefits Reform	-	-	-	-	-	(10)	(10)
Total	**(1,467)**	**823**	**(345)**	**(989)**	**834**	**(1,498)**	**(1,653)**
Total transfers out 2011/12							834
Total transfers in 2011/12							(1,498)
Net Movement from Earmarked Reserves in 2011/12							(664)

Capital Projects

The Council's Strategy Committee on the 7th July 2011 agreed to transfer £512k of the balance to a Mid Suffolk Integration Reserve (and Invest to Save Fund). A further £120k was also transferred to meet potential BMI costs in 2011/12 (see below).

Babergh/Mid Suffolk Integration (BMI)

A fund established to meet costs related to establish a joint Management Team and integration of services with Mid Suffolk.

Legal Costs

A fund established to meet the potential legal costs relating to a number of legal cases including ongoing Municipal Mutual Insurance (MMI) issues, Tesco, and other planning appeals. Further details related to MMI insolvency can be found in Note 29.

Government Grants

Reserve established for grants committed to future budgeted expenditure.

New Homes Bonus

Additional funding or a 'bonus' for new homes based on past increases in housing supply. As an incentive, the Government provides match funding (for the following 6 years) for the additional council tax raised for new homes and empty properties brought back into use, with an additional amount for affordable homes. One of the aims is to meet the needs of new residents and existing communities in areas that are growing.

Welfare Benefit Reform

A fund established to meet the costs of delivering the requirements of the Welfare Reform Act which received Royal Assent on 8 March 2012.

5a Comprehensive Income and Expenditure Statement - Exceptional Items

	2011/12 £000	2010/11 £000
Local Authority Housing - revaluation losses on dwellings due to the reduction in Social Housing Discount factor from 46% to 39%	**-**	28,178
Local Authority Housing - settlement payment to Government for HRA self-financing	**83,647**	-
Change in the Pension Obligation due to the change in inflation factor for retirement benefits (RPI to CPI)	**-**	(6,334)
Total	**83,647**	21,844

The Housing Revenue Account Settlement Payment was made to the Department of Communities and Local Government to release the council from the previous subsidy system. Further details are given in the accounting policies, Section E.

5b Comprehensive Income and Expenditure Statement – Babergh and Mid Suffolk Integration

Babergh and Mid Suffolk Integration costs are included within the relevant service lines in the Cost of Services in the Comprehensive Income and Expenditure Statement. The costs are, therefore, net of savings and expenditure shown below.

	2011/12 £000	2010/11 £000
Babergh and Mid Suffolk Integration costs - redundancy	**573**	-
Babergh and Mid Suffolk Integration costs - other	**251**	
REIP Funding	**(160)**	-
Mid Suffolk Share of Costs	**(99)**	-
Total	**565**	-

6a Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2011/12 £000	2010/11 £000
Parish council precepts	**2,126**	2,047
Payments to the Government Housing Capital Receipts Pool	**403**	372
(Gains)/losses on the disposal of non current assets	**(83)**	868
Total	**2,446**	3,287

6b Comprehensive Income and Expenditure Statement Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 £000
Interest payable and similar charges	**236**	117
Pensions interest cost	**3,213**	3,842
Expected return on pensions assets	**(3,088)**	(3,053)
Interest receivable and similar income	**(71)**	(54)
Total	**290**	852

7 Balance Sheet Unusable Reserves

	Note	31st March 2012 £000	31st March 2011 £000
Revaluation Reserve	7a	**2,349**	1,846
Capital Adjustment Account	7b	**88,143**	171,347
Financial Instruments Adjustment Account	7c	**(150)**	(348)
Pensions Reserve	7d	**(16,821)**	(12,557)
Deferred Capital receipts	7e	**8**	-
Collection Fund Adjustment Account	7f	**(13)**	11
Accumulating Compensated Absences Adjustment Account	7g	**(78)**	(73)
Total Unusable Reserves		**73,438**	160,226

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

7a Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

	2011/12 £000	2010/11 £000
Balance at 1 April	**1,846**	1,751
Upward revaluation of assets	**775**	800
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(205)**	(230)
Net surplus on revaluation of assets	**570**	570
Difference between fair value depreciation and historical cost depreciation	**(28)**	(26)
Accumulated gains on assets sold or scrapped	**(39)**	(436)
Amount written off to the Capital Adjustment Account	**-**	(13)
	(67)	(475)
Balance at 31 March	**2,349**	1,846

7b Capital Adjustment Account

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

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

Note 3 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12	2010/11
	£000	£000
Balance at 1 April	**171,347**	**200,851**
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	**(3,287)**	(31,522)
• Amortisation of intangible assets	**(626)**	(518)
• Revenue expenditure funded from capital under statute	**(1,286)**	(1,159)
• 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	**(445)**	(1,068)
Reversal of prior year impairments	**1,427**	-
Third Party Loans	**14**	1
HRA Settlement Payment (Self-financing Reforms)	**(83,647)**	-
De-Recognition of leased property	**-**	(18)
Adjusting amounts written out of the Revaluation Reserve	**39**	39
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	**401**	179
• Use of the Major Repairs Reserve to finance new capital expenditure	**2,542**	2,121
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**970**	960
• Application of grants to capital financing from the Capital Grants Unapplied Account	**25**	87
• Statutory provision for the financing of capital investment charged against the General Fund balance	**221**	205
• Capital expenditure charged against the General Fund balance	**448**	1,189
Balance at 31 March	**88,143**	171,347

7c Financial Instruments Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	**(348)**	(589)
Proportion of premiums incurred in previous financial years to be added to the General Fund Balance in accordance with statutory requirements	**(20)**	(23)
Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account Balance in accordance with statutory requirements	**218**	264
Balance at 31 March	**(150)**	(348)

7d 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.

	2011/12 £000	2010/11 £000
Balance at 1 April	(12,557)	(31,469)
Actuarial gains or losses on pensions assets and liabilities	**(4,138)**	12,865
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	**(1,989)**	4,122
Employer's pensions contributions and direct payments to pensioners payable in the year	**1,863**	1,925
Balance at 31 March	**(16,821)**	**(12,557)**

7e Collection Fund Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	**-**	(13)
The 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)**	13
Balance at 31 March	**(13)**	-

7f 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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**11**	16
Received in the year	**(3)**	(5)
Balance at 31 March	**8**	11

7g Accumulating Compensated Absence Adjustment Account

The Accumulated Absences 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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £000	2011/12 £000	2010/11 £000
Balance at 1 April		**(73)**	**(77)**
Settlement or cancellation of accrual made at the end of the preceding year	**73**		
Amount accrued at the end of the current year	**(78)**		
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		**(5)**	**4**
Balance at 31 March		**(78)**	**(73)**

8 Cash Flow Statement Operating Activities

Cash flows from operating activities inlcude the following items:	2011/12 £000	2010/11 £000
Interest received	**(83)**	(74)
Interest paid	**189**	114
Total	**106**	40

9 Cash Flow Statement Investing Activities

	2011/12 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	**4,597**	4,516
Purchase of short-term and long-term investments	**93,250**	38,500
Other payments for investing activities	**5**	1,162
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(422)**	(748)
Proceeds from short-term and long-term investments	**(94,750)**	(37,500)
Other receipts from investing activities	**(502)**	(1,192)
Net cash flows from investing activities	**2,178**	4,738

10 Cash Flow Statement - Financing Activities

	2011/12 £000	2010/11 £000
Cash receipts of short- and long-term borrowing	**(86,647)**	(2,750)
Other receipts from financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**150**	175
Repayments of short- and long-term borrowing	**350**	1,850
Net cash flows from financing activities	**(86,147)**	(725)

11 Cash Flow Statement - Cash and Cash Equivalents

	2011/12 £000	2010/11 £000
Bank current accounts	**(316)**	(44)
Bank Call Account	**1,175**	408
Short-term deposits with building societies	**1,750**	-
Total	**2,609**	364

12 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 Service Reporting 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	2011/12						
	HRA £000	Natural & Built £000	Community Development £000	Contract & Asset Management £000	Revenues & Benefits £000	Corporate Services £000	Total £000
Fees, charges & other service income	(14,120)	(966)	(197)	(2,826)	(73)	(410)	(18,592)
Government grants	(217)	-	(90)	-	(24,541)	(160)	(25,008)
Total Income	(14,337)	(966)	(287)	(2,826)	(24,614)	(570)	(43,600)
Employee expenses	1,795	2,578	828	462	9	924	6,596
Other service expenses	11,011	180	1,038	4,730	25,390	716	43,065
Support services recharges	705	270	207	247	330	1,734	3,493
Total Expenditure	13,511	3,028	2,073	5,439	25,729	3,374	53,154
Net Expenditure	(826)	2,062	1,786	2,613	1,115	2,804	9,554

Divisional Income and Expenditure	2010/11 comparative figures						
	HRA £000	Natural & Built £000	Community Development £000	Contract & Asset Management £000	Revenues & Benefits £000	Corporate Services £000	Total £000
Fees, charges & other service income	(13,730)	(941)	(240)	(2,029)	(125)	(594)	(17,659)
Government grants	(378)	(40)	(67)	-	(23,731)	(39)	(24,255)
Total Income	(14,108)	(981)	(307)	(2,029)	(23,856)	(633)	(41,914)
Employee expenses	1,621	2,536	963	460	875	390	6,845
Other service expenses	10,787	195	804	4,680	23,687	517	40,670
Support services recharges	900	252	230	187	697	1,786	4,052
Total Expenditure	13,308	2,983	1,997	5,327	25,259	2,693	51,567
Net Expenditure	(800)	2,002	1,690	3,298	1,403	2,060	9,653

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.

	2011/12 £000	2010/11 £000
Net expenditure in Divisional analysis	**9,554**	9,653
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	**83,872**	(5,535)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(579)**	28,252
Cost of Services in Comprehensive Income and Expenditure Statement	**92,847**	32,370

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.

	2011/12					
	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	(18,580)	-	-	(18,580)	-	(18,580)
Interest and investment income	(12)	-	12	-	(72)	(72)
Income from council tax	-	-	-	-	(6,772)	(6,772)
Government grants and contributions	(25,008)	-	-	(25,008)	(5,631)	(30,639)
Total Income	(43,600)	-	12	(43,588)	(12,475)	(56,063)
Employee expenses	6,409	219	-	6,628	125	6,753
Other services expenses	42,689	-	-	42,689	-	42,689
Support Service recharges	3,465	-	-	3,465	-	3,465
Depreciation, amortisation and impairment	(50)	(1,332)	50	(1,332)	-	(1,332)
Housing reform payment to CLG	-	83,647	-	83,647	-	83,647
Interest Payments	454	-	(454)	-	236	236
Precepts & Levies	-	-	-	-	2,126	2,126
IAS 19 Adjustments	-	715	-	715	-	715
Pension Backfunding	187	-	(187)	-	-	-
Revenue Expenditure Funded from Capital Under Statute	-	617	-	617	-	617
Holiday Pay Accrual	-	6	-	6	-	6
Payments to Housing Capital Receipts Pool	-	-	-	-	403	403
(Gain) Loss on Disposal of Fixed Assets	-	-	-	-	(83)	(83)
Total Expenditure	53,154	83,872	(591)	136,435	2,807	139,242
(Surplus) / deficit on the provision of services	9,554	83,872	(579)	92,847	(9,668)	83,179

2010/11 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	(17,659)	-	-	(17,659)	-	(17,659)
Capital Grant and Contributions	-	-	-	-	(213)	(213)
Interest and investment income	-	-	-	-	(54)	(54)
Income from council tax	-	-	-	-	(6,658)	(6,658)
Government grants and contributions	(24,255)	-	35	(24,220)	(6,275)	(30,495)
Total Income	(41,914)	-	35	(41,879)	(13,200)	(55,079)
Employee expenses	6,845	431	-	7,276	789	8,065
Other services expenses	40,670	-	-	40,670	-	40,670
Support Service recharges	4,052	-	-	4,052	-	4,052
Depreciation, amortisation and impairment	-	-	28,222	28,222	-	28,222
Interest Payments	-	-	(5)	(5)	117	112
Precepts & Levies	-	-	-	-	2,046	2,046
Payments to Housing Capital Receipts Pool	-	-	-	-	372	372
IAS 19 Adjustments	-	(6,334)	-	(6,334)	-	(6,334)
Revenue Expenditure Funded from Capital Under Statute	-	368	-	368	-	368
(Gain) Loss on Disposal of Fixed Assets	-	-	-	-	868	868
Total Expenditure	51,567	(5,535)	28,217	74,249	4,192	78,441
(Surplus) / deficit on the provision of services	9,653	(5,535)	28,252	32,370	(9,008)	23,362

13 Officers' Remuneration

Tables 1 and 2 apply to Babergh District Council employees only. The remuneration paid to the Council's senior employees is as follows:

Table 1		Salary, Fees and Allowances £	Expenses/ Benefits in Kind £	Pension Contribution £	Total £
Chief Executive (to 22/05/2011)	**2011/12**	**17,190**	**3**	**2,871**	**20,064**
Chief Executive	2010/11	120,507	702	19,334	140,543
Joint Chief Executive (fr 23/05/2011)	**2011/12**	**95,753**	**795**	**15,991**	**112,539**
Deputy Chief Executive (to 31/10/2011)		54,743	-	9,142	63,885
Interim Transformation Director (fr 01/11/2011)		48,470	746	8,094	57,310
Total	**2011/12**	**103,213**	**746**	**17,236**	**121,195**
Deputy Chief Executive	2010/11	93,728	982	15,444	110,154
Director of Corporate Services (to 31/10/2011)		43,988	-	7,346	51,334
Strategic Director (Corporate) (fr 01/11/2011)		31,771	-	5,295	37,066
Total	**2011/12**	**75,759**	**-**	**12,641**	**88,400**
Director of Corporate Services	2010/11	73,477	-	12,043	85,520
Director of Finance	**2011/12**	**75,408**	**-**	**12,569**	**87,977**
Director of Finance	2010/11	73,477	-	12,049	85,526
Head of Community Development (to 30/11/2011)		45,367	-	7,576	52,943
Interim Head of Programme Delivery (fr 01/12/2011)		22,683	895	3,788	27,366
Total	**2011/12**	**68,050**	**895**	**11,364**	**80,309**
Head of Community Development	2010/11	67,965	3,653	11,187	82,805
Head of Contract & Asset Management	**2011/12**	**68,050**	**647**	**11,337**	**80,034**
Head of Contract & Asset Management	2010/11	67,950	-	11,167	79,117
Head of Natural & Built Environment (to 12/02/2012)	**2011/12**	**59,055**	**2,190**	**9,862**	**71,107**
Head of Natural & Built Environment	2010/11	67,965	2,395	11,187	81,547
Head of Corporate Organisation (fr 01/12/2011)	**2011/12**	**17,667**	**-**	**2,950**	**20,617**
Head of Customer Services (Retired July 2010)	2010/11	21,390	-	3,533	24,923

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts shown in Table 2. No Performance Awards were paid to staff in 2011/12 and the lease car scheme was withdrawn during 2010/11.

Table 2 Remuneration band	2011/12 Number of employees	2010/11 Number of employees
£50,000 - £54,999	**2**	3
£55,000 - £59,999	**2**	1
£60,000 - £64,999	**1**	1
£65,000 - £69,999	**2**	1
£70,000 - £74,999	**0**	4
£75,000 - £79,999	**2**	0
£90,000 - £94,999	**0**	1
£95,000 - £99,999	**1**	0
£100,000 - £104,999	**1**	0
£120,000 - £124,999	**0**	1

The Council is continuing its work with Mid Suffolk District Council to integrate staff and services and explore opportunities to transform how services are provided in the future.

With effect from 23 May 2011 the Council, in conjunction with Mid Suffolk District Council (MSDC), appointed a new shared Chief Executive and from 1 November 2011 appointed Strategic Directors. Heads of Service were appointed from 1 December. The Council's Corporate Management team comprises 1 Chief Executive Officer, 4 Directors and a Senior Management team of 7 Heads of Service. Two of the Strategic Directors commenced their roles in 2012/13. The post holders continue to be employed by the authority that employed them prior to the introduction of the shared Senior Management team. Details of the total costs of the integrated management team, reflecting total contributions (inclusive of salary and expense payments made, as well as national Insurance and pension fund contributions) are set out in Table 3 below. Six of the Senior Management Team referred to above are employed by MSDC and their remuneration, in the format of Table 1 above, is disclosed in that Council's Statement of Accounts under the appropriate salary bandings.

Table 3 below sets out how this Council reimburses MSDC for its 50% share of the relevant employment costs and the corresponding 50% reimbursement from MSDC to this Council's employment costs for the relevant period in 2011/12. In addition other transactions are disclosed in Note 17, Related Parties.

Table 3 **Shared Senior Management Costs for 2011/12**	**From**	**2011/12 Expenditure by Babergh £**	**2011/12 Expenditure by MSDC £**
Chief Executive	23/05/11	**139,995**	**-**
Strategic Director Corporate	01/11/11	**41,194**	**-**
Acting Strategic Director People	01/11/11	**-**	**41,120**
Interim Strategic Director Transformation	01/11/11	**50,616**	**-**
Interim Head of Programme Delivery	01/12/11	**29,223**	**-**
Head of Corporate Organisation	01/12/11	**22,535**	**-**
Head of Corporate Resources	01/12/11	**-**	**26,995**
Head of Communities	01/12/11	**-**	**22,644**
Head of Economy	01/12/11	**-**	**22,846**
Head of Environment	01/12/11	**-**	**30,387**
Head of Housing	01/12/11	**-**	**22,758**
Total Expenditure		**283,563**	**166,750**
Net Adjustment between Councils for Senior Management		**(58,407)**	**58,406**
		225,156	**225,156**

Termination Benefits

Decisions to terminate the employment of 15 staff members were made by the Council in 2011/12 which did not take effect until after the year end. The expenditure was recognised immediately in 2011/12 and the expenditure to be 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. Further details are shown in Note 5.

The total cost of £1.3m in the table below includes provisions for redundancy costs for officers who have agreed redundancy packages but will leave the Council in 2012/13 and those that the Council estimates will accept a voluntary redundancy package during that year. These costs have been agreed, accrued for and charged to the Council's CIES in the current year but the costs have not been included in the value bands shown in Table 4 due to insufficient certainty.

Table 4	**Year**	**Number of employees**	**Redundancy Costs**	**Pension Contribution**	**Total**
Exit packages **Voluntary Redundancies**			**£**	**£**	**£**
£20,000 - £39,999	**2011/12**	**2**	**64,213**	**-**	**64,213**
£60,000 - £79,999	**2011/12**	**1**	**36,813**	**41,472**	**78,285**
£80,000 - £99,999	**2011/12**	**1**	**35,499**	**61,839**	**97,338**
£100,000 - £149,999	**2011/12**	**2**	**103,652**	**146,419**	**250,071**
£250,000 - £299,999	**2011/12**	**1**	**95,713**	**196,582**	**292,295**
TOTAL		**7**	**335,890**	**446,312**	**782,202**
Provisions	**2011/12**	**15**	**326,959**	**191,773**	**518,732**
TOTAL 2011/12		**22**	**662,849**	**638,085**	**1,300,934**

As part of the integration with MSDC it has been agreed that the costs for 2011/12 will be shared in the ratio 50:50. The note below sets out how the Council reimburses MSDC for its 50% share of the integration costs.

Table 5 Shared Exit Package Costs 2011/12	Number of employees Babergh	Number of employees MSDC	Total Expenditure Babergh £	Total Expenditure MSDC £
£0,001 - £20,000	-	3	-	37,827
£20,001 - £40,000	2	1	64,213	24,192
£40,001 - £60,000	-	3	-	147,527
£60,001 - £80,000	1	1	78,285	79,979
£80,001 - £100,000	1	1	97,338	82,951
£100,001 - £150,000	2	-	250,070	-
£250,001 - £300,000	1	1	277,254	255,834
TOTAL	7	10	767,160	628,310
Net adjustment between Councils			(69,425)	69,425
TOTAL EXPENDITURE			697,735	697,735

14 Members' Allowances

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

	2011/12 £000	2010/11 £000
Allowances	211	211
Expenses	27	27
Total	238	238

15 External Audit Costs

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

	2011/12 £000	2010/11 £000
Fees payable to PKF with regard to external audit services carried out by the appointed auditor for the year	**107**	105
Fees payable to the Audit Commission in respect of statutory inspections	**-**	2
Fees payable to PKF for the certification of grant claims and returns for the year	**36**	42
Total	**143**	149

16 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

Future pension increases are assumed to be linked to the Consumer Prices Index (announced in the UK budget statement on 22 June 2010). It is estimated that the CPI will be approximately 0.8% per annum lower than the RPI on average. In March 2010 this had the effect of reducing the Council's liabilities in the LGPS fund by £6,430k and was recognised as a past service gain in accordance with guidance set down in the Urgent Issue Task Force Abstract 48, since this was considered to be a change in benefit entitlement. There was 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:

	Local Government Pension Scheme 2011/12 £000	Local Government Pension Scheme 2010/11 £000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	**1,149**	1,423
Past Service cost/(gain)		(6,430)
Losses on Curtailments	**715**	96
Financing and Investment Income and Expenditure		
Interest cost	**3,213**	3,842
Expected return on scheme assets	**(3,088)**	(3,053)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,989**	(4,122)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	**(4,138)**	12,865
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance	**(1,989)**	4,122
Actual amount charged against the General Fund Balance for		
Employers' contributions payable to scheme	**(1,863)**	(1,925)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £17,149k.

Assets and Liabilities in Relation to Retirement Benefits

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

	Local Government Pension Scheme 2011/12 £000	Local Government Pension Scheme 2010/11 £000
Opening balance 1 April	**(58,476)**	(74,910)
Current service cost	**(1,149)**	(1,423)
Interest cost	**(3,213)**	(3,842)
Contributions by scheme participants	**(380)**	(441)
Actuarial gains and losses	**(1,923)**	13,694
Settlements and curtailments	**(715)**	(96)
Benefits paid	**2,345**	2,112
Past service (costs)/gains	**-**	6,430
Closing balance at 31 March - Liabilities	**(63,511)**	(58,476)

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

	Local Government Pension Scheme 2011/12 £000	Local Government Pension Scheme 2010/11 £000
Opening balance 1 April	**45,919**	43,441
Expected rate of return	**3,088**	3,053
Actuarial gains and losses	**(2,215)**	(1,002)
Settlements		-
Employer contributions	**1,863**	2,098
Contributions by scheme participants	**380**	441
Benefits paid	**(2,345)**	(2,112)
Closing balance at 31 March - Assets	**46,690**	45,919
Deficit	**(16,821)**	(12,557)

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 £429k (2011 £3,146k).

Scheme history

	Year to 31 Mar '12 £000	Year to 31 Mar '11 £000	Year to 31 Mar '10 £000	Year to 31 Mar '09 £000	Year to 31 Mar '08 £000
Present value of liabilities:					
Local Government Pension Scheme	**(63,511)**	(58,476)	(74,910)	(46,947)	(47,692)
Fair value of assets in the Local Government Pension Scheme					
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	**46,690**	45,919	43,441	32,295	41,450
Total	**(16,821)**	(12,557)	(31,469)	(14,652)	(6,242)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £63,511k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall deficit of £16,821k. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit 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 employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 are £1,865k.

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 triennial valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme 2011/12	Local Government Pension Scheme 2010/11
Long-term expected rate of return on assets in the		
Equity investments	**6.3%**	7.5%
Bonds	**3.3%**	4.9%
Other	**4.2%**	5.2%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	**21 years**	21 years
Women	**23 years**	23 years
Longevity at 65 for future pensioners:		
Men	**24 years**	24 years
Women	**26 years**	26 years
Rate of inflation	**2.5%**	2.8%
Rate of increase in salaries	**4.8%**	5.1%
Rate of increase in pensions	**5.6%**	6.7%
Rate for discounting scheme liabilities	**4.8%**	5.5%
Take-up of option to convert annual pension into retirement lump sum	**25.0%**	25.0%

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

	31 March 2012 %	31 March 2011 %
Equity investments	**72.0%**	69.0%
Bonds	**15.0%**	18.0%
Property	**10.0%**	9.0%
Cash	**3.0%**	4.0%
	100.0%	100.0%

The actuarial gains identified as movements on the Pension Reserve in 2011/12 and previous years, measured as a percentage of assets or liabilities at 31 March 2012 are shown below:

History of experience gains and losses	Year to 31 Mar '12 %	Year to 31 Mar '11 %	Year to 31 Mar '10 %	Year to 31 Mar '09 %	Year to 31 Mar '08 %
Differences between the expected and actual return on assets	**-4.7%**	-2.2%	19.7%	-39.1%	-12.2%
Experience gains/(losses) on liabilities	**-1.9%**	-23.4%	34.0%	-8.9%	-16.4%

Sensitivity Analysis

Under IAS1 the Council is required to disclose a sensitivity analysis of the results to the methods and assumptions used (IAS1). The table below shows the sensitivity of the results to changes in assumptions used to measure the scheme liabilities:

Change in assumptions at year ended	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	**9%**	**5,835**
1 year increase in member life expectancy	**3%**	**1,905**
0.5% increase in the Salary Increase Rate	**2%**	**1,587**
0.5% increase in the Pension Increase Rate	**7%**	**4,212**

17 Related Parties

The Council is required to disclose material transactions with related parties - bodies, individuals or close family members of individuals that have the potential to control or significantly 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 12 on amounts reported to decision makers. Grant receipts outstanding at 31 March 2012 are shown in Note 31.

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 2011/12 is shown in Note 14. Details of all these transactions are recorded in the Register of Members' Interest which contains details of all member interests. 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 2011/12 the Council nominees were Cllrs Mary Munson and Brian Riley. For 2012/13, the Council nominees are Cllrs Mary Munson and Simon Barrett.

Hadleigh & District Swimming Pool Trust

Hadleigh & District Swimming Pool Trust in 2011/12 (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.

Shared Revenues Partnership (SRP)

From 1 April 2011 the Shared Revenues Partnership (SRP) was set up to deliver a Shared Revenues and Benefits Service for Babergh, Mid Suffolk District Council and Ipswich Borough Council. Each council has delegated its authority for this function to a Joint Committee, comprising Members from each council, which oversees the running of the SRP. The partners share savings and costs in proportion to the budget they contribute towards the shared service which for Babergh is 29%, representing £1.52m in 2011/12.

Sudbury Citizens Advice Bureau

The Council provided a grant of £51,900 (2010/11 £52,000) to Sudbury Citizens Advice Bureau (CAB) during the year and also contracted them to provide housing debt advice for the sum of £7,220. 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.

Mid Suffolk District Council (MSDC)

Integration between Babergh and Mid Suffolk District Council commenced with the appointment of a Joint Chief Executive in May 2011. Since that time, a joint senior management team has been established and work continues to progress on integrating the remaining staff structure.

During 2011/12, it was agreed that all costs and savings would be shared in the ration 50:50 between the two Councils for 2011/12. Evidence of this can be seen within the Officers' Remuneration note, Note 13, and in the Terminations Benefits disclosure.

There continues to be two separate groups of Members as the councils are two separate legal entities. There is currently a Joint Scrutiny Committee, a Joint Standards Committee and a Joint Housing Board.

Officers

The Council's Solicitor is also the District Monitoring Officer and this role and costs are shared jointly with Mid Suffolk District Council (MSDC).

During the year transactions with related parties shown below were as follows (the previous year has been restated as this now includes both revenue and capital expenditure):

	31 March 2012 £000	31 March 2011 Restated £000
South Suffolk Leisure Trust		
Revenue and capital transactions	**868**	216
Hadleigh Swimming Pool		
Sole Trustee, revenue and capital transactions	**506**	82
Grants to Parish Councils, Community Councils and Village Halls	**261**	195
	1,635	493

The increase in expenditure is due to capital investment in the Council's leisure premises.

18 Events After the Balance Sheet Date

The draft Statement of Accounts was authorised for issue by the Director of Finance on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes 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 2012:

- The employment of 15 members of staff were terminated during 2012/13 but the cost has been recognised in the 2011/12 accounts when the decision was made. Details are shown in Note 13.
- Further transfers to and from Earmarked Reserves have been identified within the accounts and are to be presented to Strategy Committee for approval on 9 August 2012.
- Self financing for council housing commenced on 1 April 2012. Housing Subsidy will no longer be paid from this date, with the Council able to retain its full rental income to invest in its housing stock or to reduce its housing debt. The actual payment in relation to the settlement debt of £83.6 million to Communities and Local Government took place on 28 March 2012 and is included within the 2011/12 accounts.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012:

- Current Council borrowing of £5.65m will be transferred to the Housing Revenue Account with effect from 1 April 2012 as part of the Government's self financing Council House Reform. Members approved the transfer along with the Housing Revenue Account Initial Business Plan in paper L132R, Appendix B (as amended).
- Changes to Local Government Pension Scheme - the Local Government Association and trade unions have recently announced changes to the Local Government Pension Scheme that will take effect from 1 April 2014. The cost and governance implications of this for council's are being examined and reviewed at a national level.

19 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 2012 £000	31 March 2011 £000
Council Dwellings (central heating systems)	**155**	272
Vehicles, Plant, Furniture and Equipment (wheeled bins)	**102**	128
	257	400

The Council is committed to making minimum payments under these leases comprising settlement of the longterm 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 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
current	**109**	150
non current	**109**	218
Finance costs payable in future years	**55**	94
Minimum lease payments	**273**	462

The minimum lease payments will be payable over the following periods:	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	**27**	39	**109**	150
Later than one year and not later than five years	**28**	55	**109**	218
	55	94	**218**	368

Operating Leases

The Council leases property and equipment under operating leases. Some examples of property and equipment leased by the Council 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

	31 March 2012 £000	31 March 2011 £000
Not later than one year	**48**	67
Later than one year and not later than five years	**54**	91
Later than five years	**24**	36
	126	194

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

	2011/12 £000	2010/11 £000
Minimum lease payments - General Fund	**72**	98
Minimum lease payments - Housing Revenue Account	**9**	8
	81	106

Authority as Lessor

Finance Leases

The Council does not hold any finance lease arrangements as lessor.

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 con-cancellable leases in

	31 March 2012 £000	31 March 2011 £000
Not later than one year	**109**	94
Later than one year and not later than five years	**256**	248
Later than five years	**1,734**	2,084
	2,099	2,426

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.

20 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 definition of intangible assets includes both purchased licenses and internally generated software. The Council has no internally generated software but does include specialist stock condition data for Housing Revenue Account properties.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £626k charged to revenue in 2011/12 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:

	2011/12 Other Assets	2010/11 Other Assets
	£000	£000
Balance at start of year:		
• Gross carrying amount	**3,555**	3,506
• Accumulated amortisation	**(2,124)**	(1,759)
Net carrying amount at start of year	**1,431**	1,747
Additions:		
• Purchases	**187**	202
Other disposals	**-**	-
Amortisation for the period	**(626)**	(518)
Net carrying amount at end of year	**992**	1,431
Comprising		
• Gross carrying amount	**3,742**	3,555
• Accumulated amortisation	**(2,750)**	(2,124)
	992	1,431

21 Property, Plant and Equipment

Movements on Balances in 2011/12 and values at 31 March 2012 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 2011	**156,982**	**16,129**	**4,764**	**1,415**	**816**	**2,248**	**205**	**182,559**
Additions	**2,818**	**89**	**241**	**4**	**-**	**-**	**1,269**	**4,421**
Revaluation increases and (decreases) recognised in the Revaluation Reserve	**44**	**331**	**-**	**-**	**-**	**(1)**	**-**	**374**
Revaluation increases and (decreases) recognised in the Surplus/Deficit on the Provision of Services	**1,199**	**(40)**	**(5)**	**-**	**-**	**(30)**	**-**	**1,124**
Derecognition - Disposals	**(340)**	**(3)**	**(203)**	**-**	**-**	**-**	**-**	**(546)**
Derecognition - Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Assets reclassified (to)/from Assets Under Construction	**-**	**750**	**17**	**-**	**-**	**-**	**(767)**	**-**
Other movements in Cost or Valuation	**-**	**(150)**	**-**	**150**	**-**	**-**	**-**	**-**
At 31 March 2012	**160,703**	**17,106**	**4,814**	**1,569**	**816**	**2,217**	**707**	**187,932**

	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
Accumulated Depreciation and Impairment								
At 1 April 2011	293	(68)	(2,788)	(782)	-	(31)	-	(3,376)
Depreciation charge	(2,299)	(391)	(433)	(43)	-	(17)	-	(3,183)
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus/Deficit on the Provision of Services:	186	14	-	-	-	-	-	200
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	196	-	-	-	-	-	196
- Due to the reduction in social housing discount	-	-	-	-	-	-	-	-
- Due to other revaluation	-	-	-	-	-	-	-	-
Derecognition - Disposals	3	-	203	-	-	-	-	206
Derecognition - Other	-	-	-	-	-	-	-	-
Eliminated on reclassification to Assets Held for Sale	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2012	(1,817)	(249)	(3,018)	(825)	-	(48)	-	(5,957)
Net Book Value								
At 31 March 2012	158,886	16,857	1,796	744	816	2,169	707	181,975

Comparative Movements in 2010/11:

	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 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	**-**	**724**	**-**	**-**	**-**	**(154)**	**-**	**570**
Revaluation increases/								
- Revaluation (decreases) due to the reduction in social housing	**(30,729)**	**-**	**-**	**-**	**-**	**(48)**	**-**	**(30,777)**
- Other revaluation (decreases)	**-**	**(17)**	**-**	**-**	**-**	**(2)**	**-**	**(19)**
Derecognition - Disposals	**(1,169)**	**(12)**	**(53)**	**-**	**-**	**(624)**	**-**	**(1,858)**
Derecognition - Other		**(19)**	**-**	**-**	**-**	**-**	**-**	**(19)**
Assets reclassified (to)/from Held for Sale	**(109)**	**-**	**-**	**-**	**-**	**-**	**-**	**(109)**
Other movements in Cost or Valuation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2011	**156,982**	**16,129**	**4,764**	**1,415**	**816**	**2,248**	**205**	**182,559**

	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
Accumulated Depreciation and Impairment								
At 1 April 2010	**0**	**0**	**(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 Surplus/Deficit on the Provision of Services:								
Impairment losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Due to the reduction in social housing discount	**2,599**	**-**	**-**	**-**	**-**	**-**	**-**	**2,599**
- Due to other revaluation changes	**-**	**301**	**-**	**-**	**-**	**-**	**-**	**301**
Derecognition - Disposals	**438**	**-**	**41**	**-**	**-**	**-**	**-**	**479**
Derecognition - Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Eliminated on reclassification to Assets Held for Sale	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Other movements in Depreciation and Impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2011	**293**	**(68)**	**(2,788)**	**(782)**	**-**	**(31)**	**-**	**(3,376)**
Net Book Value								
At 31 March 2011	**157,275**	**16,061**	**1,976**	**633**	**816**	**2,217**	**205**	**179,183**

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £3,002k. Similar commitments at 31 March 2011 were £1,780k. The major commitments (over £100k) are:

- Hadleigh Community Facilities £1,594k
- Door & Window Replacement (HRA) £794k
- Central Heating (HRA) £295k
- Refuse Vehicle £112k
- Renovation Grants Approved £181k
- Other Commitments £26k

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 and, for 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. Under IAS 16 the Council is required to revalue its assets at 5 yearly intervals, or sooner where there is a material change in any year. An annual impairment review is also carried out. The Valuation Office carried out a desk top valuation at 01/04/2011 for Council dwellings. The next full valuation of General Fund properties is due on 31/03/2014 and for Housing Revenue Account Properties, 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	155	-	1,796	-	-	-	707	**2,658**
Value at fair value as at:								
31 March 2012	-	5,393	-	-	-	-	-	**5,393**
1 April 2011	158,732	3,263	-	-	180	1,251	-	**163,426**
31 March 2011	-	8,201	-	744	636	918	-	**10,499**
Total Cost or Valuation	**158,887**	**16,857**	**1,796**	**744**	**816**	**2,169**	**707**	**181,976**

22 Impairment Losses

Council house properties are valued in the Balance Sheet at 'Existing Use Value Social Housing' (EUV-SH). They are initially valued at Vacant Possession Value (equivalent to open market value) and then discounted to arrive at EUVSH to reflect continuing use for social housing. In 2010/11 the discount factor used was 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 gave rise to an impairment loss in 2010/11 of £28,178k, charged to Housing Revenue Account and shown as an exceptional item in the Comprehensive Income and Expenditure Statement. There is no equivalent impairment loss in 2011/12.

The District Valuer's valuation at 1 April 2011 resulted in a reversal of £1,427k of the prior year impairment loss. This is reflected in the Housing Revenue Account and in the Comprehensive Income and Expenditure Statement.

23 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**7,907**	7,162
Capital investment		
Property, Plant and Equipment	**4,421**	4,123
Intangible Assets	**187**	202
Revenue Expenditure Funded from Capital under Statute	**1,286**	1,159
HRA Settlement Payment	**83,647**	-
Mortgages/Loans	**5**	3
Sources of finance		
Capital receipts	**(401)**	(179)
Government grants and other contributions	**(995)**	(1,048)
Sums set aside from revenue:		
Direct Revenue Contributions	**(448)**	(1,189)
Major Repairs Reserve	**(2,542)**	(2,121)
Minimum Revenue provision for the repayment of debt	**(221)**	(205)
Closing Capital Financing Requirement	**92,846**	7,907
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	**-**	550
Increase in underlying need to borrowing (unsupported by government financial assistance)	**85,160**	400
Assets acquired under finance leases	**-**	-
Minimum Revenue provision for the repayment of debt	**(221)**	(205)
Increase/(decrease) in Capital Financing Requirement	**84,939**	745

24 Assets Held for Sale

	Current		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Opening Balance	**105**	124	**-**	-
Assets newly classified as held for sale:				
Property, Plant and Equipment	**-**	105	-	-
Assets sold	**(105)**	(124)	-	-
Transfers from non current to current	**-**	-	-	-
Balance outstanding at year-end	**-**	105	**-**	**-**

25 Inventories

	Consumable Stores	
	2011/12 £000	2010/11 £000
Opening Balance	**49**	53
Purchases	**83**	80
Recognised as an expense in the year	**(88)**	(82)
Written off balances	**-**	(2)
Balance outstanding at year-end	**44**	49

26 Debtors

	31 March 2012 £000	31 March 2011 £000
Central government bodies	**1,137**	864
Other local authorities	**763**	265
Other entities and individuals	**1,724**	1,607
Total	**3,624**	2,736

27 Creditors

	31 March 2012 £000	31 March 2011 £000
Central government bodies	**169**	253
Other local authorities	**1,907**	1,173
Other entities and individuals	**4,290**	4,979
Total	**6,366**	6,405

28 Provisions

	BMI Integration £000	Outstanding Legal Cases £000	Total £000
Balance at 1 April 2011	**-**	**76**	**76**
Additional provisions made in 2011/12	**150**	**-**	**150**
Unused amounts reversed in 2011/12	**-**	**-**	**-**
Balance at 31 March 2012	**150**	**76**	**226**

29 Contingent Liabilities

Provision have been made during 2011/12 where indicated.

Municipal Mutual Insurance (MMI) Insolvency

In 1992, MMI, the Council's insurers at the time, stopped accepting new business and with its policy holders set up a Scheme of Arrangement for the orderly run down of its affairs. MMI's future liabilities under its policies could not be fully quantified until all the claims (current and yet to be made) were settled. It was therefore agreed that MMI should settle claims as they were received, and if at some future date it should become insolvent, it could reclaim from its major policy holders the value of claims settled on their behalf. If the Scheme is triggered, the amount liable to claw back is the total claims less £50k. Under this arrangement, at 31st March 2012 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 2012.

A recent judgement against Municipal Mutual in the Supreme Court regarding the Employers' Liability Trigger Litigation relating to mesothelioma claims has significant implications in relation to the Scheme of Arrangement. The MMI Board of Directors are seeking legal, financial and actuarial advice to determine the full implications of the judgement and the way forward for the company.

Local Land Charges Act 1975

High Court proceedings have been issued by a group of Personal Search Companies (PSCs) against 235 Local Authorities, including Babergh & Mid Suffolk District Councils, seeking a refund of the monies paid for personal Local Land Charge searches under the Local Land Charges Act 1975 and / or the Local Government and Housing Act 1989, from 14 February 2005 to the present. This initial claim is known as the "PSG / Tinkler claim".

At the present time the Council is unable to quantify any costs that would have to be met from the General Fund and an earmarked reserve has been established in the event that the Council is held to have liability in the proceedings.

30 Contingent Assets

No contingent assets have been identified.

31 Taxation and Non-Specific Grant Income

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

	2011/12 £000	2010/11 £000
Credited to Taxation and Non-Specific Grant Income		
Revenue Grants and Contributions		
Council Tax Income	**(6,773)**	(6,658)
Non-Domestic Rates	**(3,584)**	(5,449)
Revenue Support Grant	**(1,108)**	(791)
Council Tax Freeze & Transition Grant	**(222)**	-
New Homes Bonus	**(347)**	-
Area Based Grant		(36)
Total Revenue Grants	**(12,034)**	(12,934)
Capital Grants and Contributions		
East LSP	**-**	(5)
Free Swimming Capital Modernisation Programme	**-**	(127)
Energy Saving Trust	**(6)**	(43)
Suffolk County Council - Waste Reduction Scheme	**(28)**	-
Big Lottery Fund	**-**	(1)
Disabled Facilities Grant	**(64)**	-
Haven Gateway Partnership	**(5)**	-
S106 Contributions	**(267)**	(32)
Other	**-**	(5)
Total Capital Grants	**(370)**	(213)
Total	**(12,404)**	(13,147)

Grants and Contributions Credited to Services	2011/12 £000	2010/11 £000 Restated
Land Charges Personal Searches	-	(4)
Petitions Duty	-	(5)
Big Lottery Fund	**(15)**	(23)
Trail Blazer	**(93)**	(96)
East LSP	**(27)**	(144)
New Burdens	-	(33)
Planning Delivery Grant	-	(44)
HB Admin	**(498)**	(539)
Social Housing Fraud	-	(10)
Various DWP	**(16)**	(47)
Concessionary Travel	-	(90)
Disabled Facilities Grant	**(229)**	(314)
S106 Contributions	**(408)**	(110)
LAA Funding - Crime & Disorder Reduction Programme	**(34)**	(9)
Regional Housing Pot	-	(57)
Haven Gateway Partnership	**(32)**	(205)
Decent Homes from Empty Homes	-	(7)
RIEP funding for Integration with MSDC	**(160)**	-
Mortgage Rescue Programme	**(30)**	(29)
Homelessness Private Sector	**(10)**	-
Homelessness Initiative	**(50)**	(31)
Other	-	(5)
Total	**(1,602)**	(1,802)

The previous year has been restated as grants for the Mortgage Rescue Programme and the Homelessness Initiative were omitted from the list but accounted for within the Statement of Accounts.

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 donor. The balances shown in the Balance Sheet at the year-end are detailed below:

Capital Grants and Contributions Receipts in Advance	31 March 2012 £000	31 March 2011 £000
Disabled Facilities Grant	-	(35)
Suffolk County Council - Waste Reduction Scheme	**(109)**	(137)
S106 Contributions	**(1,273)**	(1,734)
Total	**(1,382)**	(1,906)

32 Financial Instruments

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (including finance leases) and investment transactions are also classified as financial instruments.

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

	Long-term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000 Restated
Investments				
Loans and receivables	**-**	-	**2,003**	3,505
Cash and cash equivalents	-	-	**2,609**	364
Total investments	**-**	-	**4,612**	3,869
Debtors				
Loans and receivables	**357**	368	**1,720**	1,586
Total debtors	**357**	368	**1,720**	1,586
Borrowings				
Financial liabilities at amortised cost	**(88,797)**	(2,800)	**(558)**	(211)
Total borrowings	**(88,797)**	(2,800)	**(558)**	(211)
Finance lease liabilities				
Finance lease liabilities	**(109)**	(218)	**(109)**	(150)
Finance lease liabilities	**(109)**	(218)	**(109)**	(150)
Creditors				
Financial liabilities at amortised cost	**-**	-	**(3,195)**	(2,710)
Total creditors	**-**	-	**(3,195)**	(2,710)

The table below shows the age of the debtors that are past their due date and which have not been impaired:

	Long-term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Loans and receivables				
2008 and earlier	**-**	-	**31**	36
2009	**-**	-	**4**	9
2010	**-**	-	**48**	72
2011	**-**	-	**18**	11
2012	**-**	-	**10**	-
Total Debtors	**-**	-	**111**	128

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. The Council's loan portfolio at year end consisted of Public Works Loan Board (PWLB) debt including new debt of £83.6m as a result of Housing Reform. The Council also has other deferred liability commitments in the form of finance leases.

The Council's portfolio of investments consists of fixed term deposits, money market funds and call/notice accounts. Balances in money market funds and call accounts at 31 March 2012 are shown under 'cash and cash equivalents' in the Balance Sheet as they represent highly liquid investments that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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.

Fair Value Calculated as follows:	Principal £000	Interest £000	Fair Value £000	Exposure to Credit Risk £000
Total short-term investments *	2,000	3	2,003	-
Cash and cash equivalents	2,609	-	2,609	-
Short-term borrowing (at cost)	(500)	-	(500)	-
Long-term borrowing (at cost)	(92,464)	(187)	(92,651)	-
Sundry debtors	352	-	352	(64)
Trade creditors	(3,098)	-	(3,098)	-

* Balance Sheet value and fair value of short term investments (maturing within 3 months of the balance sheet date) are considered to be the same as exposure to credit risk is insignificant.

33 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 market prices, etc.

The Council manages its treasury risk exposures in compliance with the CIPFA Code of Practice on Treasury Management in the Public Servies, 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 the 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 foreign 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 being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £2,612k 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 2012 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.

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:

Maturity of Fixed Rate Borrowing	31 March 2012 £000	31 March 2011 £000
Less than one year	**500**	200
Between one and two years	**500**	400
Between two and five years	**1,500**	600
Between five and ten years	**2,050**	700
Between ten and twenty years	**37,000**	-
More than twenty years	**47,747**	1,100
	89,297	3,000

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

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 2011/12 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.

HOUSING REVENUE ACCOUNT CONTENTS

HOUSING REVENUE ACCOUNT

	HRA Note	2011/12 £'000	2010/11 £'000
Income			
Gross Rental Income:			
- Dwelling Rents	2	**13,389**	12,775
- Non-Dwelling Rents		**226**	219
Charges for Services and Facilities	3	**736**	954
Contributions towards expenditure		**138**	151
Other Income		**17**	10
		14,506	14,109
Expenditure			
Repairs, Maintenance and Management:			
- Repairs and Maintenance		**2,212**	2,163
- Supervision and Management		**2,831**	2,721
- Redundancy and Associated Pension Costs			
Rents, rates and other charges		**30**	26
Negative Subsidy	12	**5,395**	5,102
Sums Directed By Secretary of State that are expenditure in accordance with IFRS (the Code)			46
Increase in Bad Debt Provision		**31**	22
Depreciation of Non-current Assets:			
- Dwellings	11	**2,299**	2,747
- Other Assets	11	**118**	115
Impairment of HRA Assets (see Note 22 to main accounts)	11	**94**	28,178
Reversal of Impairments charged to Income and Expenditure in prior years	11	**(1,427)**	-
Debt Management Costs	9	**18**	20
		11,601	41,140
Net Cost/(Surplus) - HRA Services included in the Comprehensive Income and Expenditure Account		**(2,905)**	27,031
- HRA share of Corporate and Democratic Core contribution		**417**	290
- HRA share of other amounts included in Net Cost of Services but not allocated to specific services		**181**	143
Net Cost (Surplus) of HRA Services		**(2,307)**	27,464
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	**(83)**	856
- Interest payable and similar charges	9	**236**	146
- Interest receivable and similar income		**(12)**	(21)
- Pensions interest cost and expected return on pension assets	13	**25**	158
Housing Reform payment to Department of Communities	1	**83,647**	-
(Surplus) or Deficit on Provision of HRA Services		**81,506**	28,603
Adjustments between accounting basis and funding basis under regulations (Note 3 to the Core Statements)		**1,951**	(28,812)
Adjustment to Housing Reform payment (Note 5a to Core Statements)	1	**(83,647)**	-
Surplus for the Year		**(190)**	(209)
HRA Balance brought forward		**(1,424)**	(1,215)
HRA Balance carried forward (Surplus)		**(1,614)**	(1,424)

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.

As part of the Council House Reform, £83.6m has been paid to the Department of Communities and Local Government to release the Council from the previous subsidy system. The payment has been financed by four long term loans from the PWLB.

2 Dwelling Rents

	2011/12	2010/11
The account shows the rent due in the year after allowing for voids and other losses in collection.		
Average rent per week	**£74.63**	£71.06
Rent arrears at 31 March (£'000)	**£336k**	£323k
Rent arrears at 31 March as % of the gross rent collectable	**2.4%**	2.4%
Provision for bad debts at 31 March (£'000)	**£125k**	£120k

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

	2011/12	2010/11 Restated
The stock of dwellings has changed as follows:		
Opening stock of dwellings (2010/11 - 4 leased properties and 3 shared ownership included in error)	**3,488**	3,499
Add: additions/conversions	**1**	-
Less: sales - Right to Buy (RTB)	**(6)**	(5)
- Non-RTB	**-**	(1)
Less: properties lost to conversion, disposal and deletion	**(2)**	(5)
Closing stock of dwellings	**3,481**	3,488
Analysis of closing stock numbers:		
Houses and Bungalows	**2,839**	2,846
Flats	**642**	642
	3,481	3,488
In addition the Council owns a 50% share of 3 shared ownership properties		

5 Capital Receipts – Disposal of Council Dwellings

	2011/12	2010/11
Capital receipts from sales of council houses can be summarised as follows:		
- Number of disposals	**6**	5
- Value of disposals	**£ 538,514**	£ 485,000

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.

	2011/12 £'000	2010/11 £'000
Cost of selling Council Houses	**11**	7
Discount on land to housing associations	**105**	1,033
Other Housing Fixed Assets	**(199)**	(184)
(Profit) / loss on disposal of Housing Fixed Assets	**(83)**	856

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 in the Reserves Adjustments, Note 3 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 in the Reserves Adjustments, Note 3 to the Core Statements.

The following table summarises the movement on the Major Repairs Reserve:	2011/12 £'000	2010/11 £'000
Balance at 1 April	**(286)**	(186)
Contribution from HRA - Depreciation	**(2,417)**	(2,859)
Capital Financing - dwellings	**2,542**	2,121
Transfers from/(to) the HRA	**111**	594
Amortisation of Intangible Fixed Assets	**50**	44
Balance at 1 April	**-**	(286)

8 Capital Expenditure

Capital expenditure and how it has been financed is shown below:	2011/12 £'000	2010/11 £'000
Dwellings	**2,818**	3,260
Equipment (including IT Infrastructure)	**172**	70
HRA Settlement Payment	**83,647**	-
	86,637	3,330
Financed by:		
Borrowing	**83,647**	550
Useable Capital Receipts	**-**	-
Revenue Contributions	**443**	616
Major Repairs Reserve	**2,542**	2,121
Contributions	**5**	43
	86,637	3,330

9 Capital Related Charges

	2011/12 £'000	2010/11 £'000
Depreciation Charge	**2,417**	2,859
Debt Management Expenses	**18**	20
Interest Payable	**140**	94
Other Finance Costs	**96**	52
Housing Subsidy - Major Repairs Allowance	**(2,255)**	(2,221)
Transfer to Capital Financing Account via Major Repairs Reserve	**(2,542)**	(2,121)

10 Fixed Assets

	31 March 2012 £'000	31 March 2011 £'000
Operational Assets		
Dwellings - Balance Sheet Value	**158,886**	157,275
Other HRA Property	**2,700**	2,839
Non-Operational Assets		
Other HRA Property	**1,011**	1,031
Surplus Assets not Held for Sale	**1,250**	1,281
Assets Held for Sale	**-**	105
Total Balance Sheet Value of HRA Assets	**163,847**	162,531
Dwellings- Vacant Possession Value	**404,321**	403,278

The Balance Sheet Value for the dwellings is the 'Existing Use Social Housing Value' (EUVSH) 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%, 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.

At 1 April 2011 the District Valuer carried out a desk top valuation of HRA properties. The increases in value resulted in a reversal of previous years' impairment losses of £1.4m. Revaluation losses that were less than previous revaluation gains, totalling £143k, have been absorbed within the Revaluation Reserve.

Expenditure capitalised in the year which did not increase the value of council dwellings totaling £42k has been impaired.

A full valuation of Council dwellings is required every five years; the next full valuation is due on 31 March 2015.

11 Depreciation

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.

In 2010/11 the financial results include £28.2m relating to the impairment of council dwellings as a result of the change in discount factor from 54% to 61% (as instructed by the Department for Communities and Local Government). 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.

	2011/12	2010/11
	£'000	£'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's fixed asset, as follows:		
Dwellings	**2,299**	2,747
Other Land and Buildings	**48**	68
Other HRA property	**54**	30
Non-operational Assets	**16**	17
Impairment of Dwellings and Other Land and Buildings charged to the Income and Expenditure Account	**94**	28,178
Reversal of Impairments charged to Income and Expenditure in prior years	**(1,427)**	-
	1,084	31,040

12 Housing Subsidy

The table below includes £29k received through the Subsidy system to compensate the Council for 4 days interest on loans taken out on 28 March prior to the commencement of HRA reform on 1 April 2012. The interest payable is included at Note 9.

The HRA Subsidy payable to the Government is split into the following elements:	2011/12 £'000	2010/11 £'000
Management and Maintenance	**4,910**	4,788
Capital Charges	**456**	443
Rent Income	**(13,065)**	(12,508)
Interest	**-**	-
Prior Year Adjustments	**11**	(54)
Other	**38**	8
Negative Subsidy	**(7,650)**	(7,323)
Major Repairs Allowance (MRA) - Grant Received	**2,255**	2,221
HRA Subsidy Payable to the Government	**(5,395)**	(5,102)

13 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, in accordance with IAS19, so the real cost of retirement benefits is reversed out as an appropriation to the Pensions Reserve. For a fuller explanation, see Note 16, Pensions, within the Notes to the Core Financial Statements.

14 Redundancy Payments

The HRA has been charged with its share of the redundancy and associated pension costs, totaling £130k, related to the integration of the senior management team and HRA services in 2011/12. These are charged to the HRA Income and Expenditure Account.

15 Premiums and Discounts

See Core Statements Note 7c Financial Instruments Adjustment Account.

COLLECTION FUND CONTENTS

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).

2010/11 £'000		Note	2011/12 £'000
	Income		
44,119	Income from Council Tax	4	**44,532**
	Transfers from General Fund		
5,305	Council Tax Benefits	2 & 4	**5,407**
(1)	Council Tax Transitional relief		**-**
19,664	Income from Business Ratepayers	3	**20,897**
53	Contributions from the General Fund (Discretionary Rate Relief)		**-**
69,140			**70,836**
	Expenditure		
49,266	Precepts and Demands	6	**49,725**
	Business Rates		
19,593	Payments to Pool		**20,771**
125	Costs of Collection		**126**
	Council Tax - Bad and Doubtful Debts		
95	Write Offs		**77**
(14)	Provisions		**77**
	Contributions		
(20)	Towards previous year's estimated Collection Fund Surplus/(Deficit)		**155**
69,045			**70,931**
95	**Movement on Fund Balance - Surplus (Deficit)**	5	**(95)**
(93)	**Surplus/(Deficit) Brought Forward 1 April**	5	**2**
2	**Surplus/(Deficit) Carried Forward 31 March**		**(93)**

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 nondomestic 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.

	2011/12 £'000	2010/11 £'000
Total Rateable Value of Business Properties in March	**£58,114k**	£58,450k
National Rate in the £	**43.3p**	41.4p
Small Business Rate Multiplier	**42.6p**	40.7p

4. Income from Council Tax

The Council estimates its tax base as follows:

Band	Chargeable Dwellings	Factor	Band D Equivalents	Forecast Income £'000
A	3,700.46	6/9ths	2,466.97	3,676
B	10,121.37	7/9ths	7,872.18	11,730
C	7,192.41	8/9ths	6,393.25	9,526
D	6,467.24	9/9ths	6,467.24	9,636
E	3,751.75	11/9ths	4,585.47	6,832
F	2,016.52	13/9ths	2,912.75	4,340
G	1,484.02	15/9ths	2,473.37	3,685
H	159.51	18/9ths	319.02	475
Total	34,893.28		33,490.25	49,900
Less provision for bad and doubtful debts	0.3500%		(117.22)	(175)
Taxbase (Band D Equivalent)			33,373.03	49,725
			2011/12	**2010/11**
Average Band D Council Tax			**£1,489.99**	£1,488.10
Babergh's Share			**£139.01**	£139.01

Actual income in 2011/12 was £49,939k (including £5,407k Council Tax Benefits), which was £214k higher than the forecast income, equivalent to 144 Band D properties.

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 31-Mar-10 £000	Movement 2010/11 £000	Balance 31-Mar-11 £000	Movement 2011/12 £000	Balance 31-Mar-12 £000
Babergh District Council - Council Tax	(13)	13	-	(13)	**(13)**
Suffolk County Council - Council Tax	(72)	74	2	(72)	**(70)**
Suffolk Police Authority - Council Tax	(8)	8	-	(10)	**(10)**
	(93)	95	2	(95)	**(93)**

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.

	2011/12 £000	2010/11 £000
Babergh District Council		
District Council Purposes	**4,639**	4,602
Town / Parish Council purposes	**2,126**	2,047
	6,765	6,649
Suffolk County Council	**37,596**	37,296
Suffolk Police Authority	**5,364**	5,321
Total	**49,725**	49,266

Glossary of Terms

Accruals	The recognition in the correct accounting period of income and expenditure as it is earned or incurred rather than as cash is received or paid.
Accrued Retirement Benefits (Pensions)	The retirement benefits for service up to a given point in time, whether vested rights or not.
Actuarial Gains And Losses (Pensions)	For a defined benefit scheme, the changes in deficits or surpluses that arise because events have not coincided with actuarial assumptions used in the last valuation (experience gains or losses) or because actuarial assumptions have changed.
Agency Services	The provision of services by an Authority (the agent) on behalf of another Authority, which is legally responsible for providing those services. The responsible Authority reimburses the Authority providing the service.
Amortisation	The process of decreasing or accounting for an amount over a period of time. Amortisation of capital expenditures of certain assets under accounting rules, particularly intangible assets, in a manner analogous to depreciation.
Appropriations	Amounts transferred to or from revenue or capital reserves.
Asset	An item owned by the Council which has an economic value e.g. land and buildings, debts or cash.
Audit Commission	An independent body established under the Local Government Finance Act 1982. It is the responsibility of the Audit Commission to ensure that Local Authorities make proper arrangements for ensuring economy, efficiency and effectiveness in their use of resources.
'Beacon' Valuation Principle	The beacon principle is used for large groups of properties that contain properties of similar design, age, type, or construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out.
Budget	A financial statement of the Council's plans for any given year.
Capital Expenditure	Expenditure on the acquisition of new assets or on the enhancement of existing assets.
Capital Adjustment Account	A complex balance, it is debited with the historical cost of acquiring, creating or enhancing assets over the life of those assets, and of Revenue Expenditure Financed from Capital under Statute over the period of benefit (usually one year), and is credited with resources set aside to finance capital expenditure.

Capital Grants	Grants received towards capital spending on a particular service or project.
Capital Receipts	Proceeds from the sale of capital assets such as land or buildings. They are available to finance new capital outlay and to repay existing debt.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services
Collection Fund	A Fund administered by District Councils to receive Council Tax from chargeable persons. Suffolk County Council and the Suffolk Police Authority precept on the Fund to finance part of their Net Revenue Expenditure.
Collection Fund Adjustment Account	Established in 2009/10. The entry represents the difference between the income included in the Comprehensive Income & Expenditure Statement and the amount required to be credited to the General Fund.
Community Assets	Assets the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restriction on their disposal. Examples are parks and historic buildings.
Creditors	Amounts owed by the Council for work done, goods received or services rendered, but for which payment had not been made at the date of the balance sheet.
Current Assets	Asset where the value may change because the volume held can vary through day to day activity, e.g. cash, debtors and stock.
Current Liabilities	Amounts which will become payable in the next accounting period (e.g. creditors, cash overdrawn).
Current Service Costs (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from pensionable service earned in the current period.
Curtailment (Pensions)	For a defined benefit scheme, an event that reduces the expected years of future service of current staff or reduces for a number of staff the accrual of defined benefits for some or all of their future service.
Debtors	Sums of money due to the Council, but unpaid at the balance sheet date.

Defined Benefit Scheme (Pensions)	A scheme to provide retirement benefits, the value of which are independent of the contributions payable, and that are not directly related to the underlying investments.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed asset. The measure of the cost or revalued amount of the benefits of the fixed assets that have been consumed during the period by wearing out, using up or other reduction in the useful life of a fixed asset. This can arise from use, passage of time (leases) or obsolescence through either changes in technology or demand for the goods and services produced by the asset.
Direct Revenue Financing	A charge to the revenue account to finance capital expenditure.
Discretionary Benefits (Pensions)	Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.
DIYSO	Do It Yourself Shared Ownership scheme. This is an "affordable housing" initiative whereby part of the property is owned, and the remainder is rented from the Council. There is the option for the owner/tenant to purchase the remainder (rented portion). This can be done in stages if and when required.
Earmarked Reserves	Funds set aside from the Revenue Account that can only be used for specific purposes.
Emoluments	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.
Expected Rate of Return on Pension Assets	For a funded, defined benefit scheme, the average rate of return, net of any charges, expected to be earned on assets held by the scheme over the remaining life of the related obligation to pay future retirement benefits.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease	A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Fixed Assets	Intangible and tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.
Government Grants	Payments by Central Government towards Local Authority spending. They may be specific to a particular service e.g. Housing Benefits Grant; or general (see Revenue Support Grant).
Heritage Assets	Assets preserved in trust for future generations because of their cultural, environmental or historical associations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet as a result of the consumption of economic benefits (such as physical damage due to fire or flood) or the fall in the price of a specific asset. A general reduction in asset values is accounted for as an impairment through valuation loss.
Income	Amounts that an Authority receives, or expects to receive, from any source. Income includes fees, charges, sales and specific and special grants. The term income implies that the figures concerned relate to amounts due in a financial year irrespective of whether they have been received in that period.
Infrastructure Assets	Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme's liabilities because the benefits payable are one year closer to settlement.
International Financial Reporting Standards (IFRSs)	Formerly International Accounting Standards. These are guidelines and rules set by the International Accounting Standards Board (IASB) that organisations follow for the preparation and presentation of financial statements.
Investments (Pensions)	The Council's share of pension scheme assets associated with its liability to pay future retirement benefits.
Local Authority Modernisation Programme (LAMP)	A project undertaken to make major improvements to the quality and usability of the Authority's land and property information.
Minimum Revenue Provision (MRP)	The minimum amount the Council is required by statute to set aside on an annual basis for the repayment of debt.
National Non-Domestic Rates (NNDR)	The business rate in the pound is set annually and centrally by Government. The income arising is collected in a central pool for distribution to Local Authorities on the basis of a formula.

Past Service Cost (Pensions)	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to staff service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits payable.
Post Balance Sheet Events	Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts are authorised for issue by the Chief Financial Officer.
Precept	The cash sum levied by one Authority which is collected by another (a charging Authority). Suffolk County Council, the Suffolk Police Authority and various Babergh District Local Councils are precepting authorities and the District Council is the charging Authority.
Projected Unit Method (Pensions)	An actuarial method of valuing a pension scheme's liability to pay future retirement benefits taking into account estimated increases in future earnings.
Provisions	Liabilities that are of uncertain timing or amount to be settled by the transfer of economic benefits.
Reserves	Amounts set aside by the Council that do not fall within the definition of a provision.
Retirement Benefits (Pensions)	All forms of consideration given by an employer in exchange for services rendered by staff that are payable after completion of the engagement.
Revenue Expenditure Funded from Captial Under Statute – REFCUS	Expenditure of a capital nature, but which does not result in, or remain matched with, tangible assests owned by the Council. For the Council, the most significant type of REFCUS is the payment of home improvement grants to private householders.
Revenue Expenditure	The day-to-day spending and income of the Council on such items as staff, goods, services and equipment.
Revenue Support Grant (RSG).	The general grant paid by Central Government to aid Local Authority spending generally. It is distributed with the aim that a standard service can be provided everywhere in England and Wales for the same level of Council Tax.
SeRCOP Service Reporting Code of Practice for Local Authorities	A CIPFA Code that is designed to ensure a consistent and comparable approach to allocating cost to services (formerly BVACOP)
Scheme Liabilities (Pensions)	The liabilities to pay future retirement benefits, measured using the projected unit method, of a defined benefit scheme for outgoings failing due after the valuation date.
Settlement (Pensions)	An irrevocable action that relieves the employer of the primary responsibility for a pension obligation.