BABERGH DISTRICT COUNCIL

From: Head of Corporate Resources	**Report Number: P50**
To: Babergh Audit Committee	**Date of meeting: 23 September 2014**

STATEMENT OF ACCOUNTS 2013/14 AND AUDITOR'S REPORT

1. Purpose of Report

1.1 To approve the final audited Statement of Accounts for 2013/14 and approve the external auditor's report for the year.

2. Recommendations

2.1 That Members approve the external auditor's report for 2013/14 attached at Appendix A.

2.2 That Members approve the Statement of Accounts for 2013/14 as set out in Appendix B, which reflects changes made following the completion of the audit.

The Committee is able to resolve these matters.

3. Financial Implications

3.1 The General Fund outturn position showed a net favourable variance compared to the budget of £424k for the year (after carry forwards into 2014/15) and this has been transferred to the Transformation Fund to provide additional funding for Strategic Plan delivery projects.

3.2 The HRA showed a net favourable variation for the year of £545k with this being transferred to the Housing Strategic Priorities Reserve.

4. Risk Management

4.1 This area is not regarded as a significant business risk on the Integrated Significant Business Risk Register. Specific risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Material misstatements in the accounts or non-compliance with accounting requirements, resulting in a possible 'qualified' audit opinion or unfavourable audit report.	Low	Marginal	Aim to obtain an unqualified 'true and fair' opinion from the external auditors as a result of: • Clear arrangements for ensuring compliance with accounting requirements. • Analytical review of the outturn against previous year and the Budget. • Early discussion on key issues with the auditors.

Risk Description	Likelihood	Impact	Mitigation Measures
Issues or concerns raised by the public from the right to inspect the accounts	Low	Marginal	Open and transparent arrangements and publication of the public's right to inspect the accounts. No issues have arisen.

5. Consultations

5.1 None.

6. Equality and Diversity Impact

6.1 None.

7. Shared Service / Partnership Implications

7.1 None.

8. Key Information

8.1 The draft Statement of Accounts for 2013/14, subject to audit, was signed off by the Section 151 Officer on the 27 June 2014. The anticipated outturn position was reported to Strategy Committee on 11 September 2014 (Paper P46 refers). This included approval to a number of budgets that have been carried forward into this year.

8.2 The audit of the accounts has now been completed by BDO, the Council's external auditors, and their Annual Report is attached at Appendix A. This covers:

- Their opinion on the accounts
- Their views on the control environment and annual governance statement
- Their conclusion on the Council's arrangements to achieve financial resilience and deliver economy, efficiency and effectiveness.

8.3 Some adjustments have been made to the draft accounts as a result of the audit and other things that have arisen since June. None of these have changed the overall outturn position. The final audited accounts reflect these changes.

8.4 In terms of the Statement of Accounts, attached at Appendix B, officers have discussed the various changes to the accounts with BDO and matters arising from the audit as set out in their report.

8.5 In relation to the auditors recommendations on issues raised, Appendix V to the Auditor's report includes Management responses to these.

9. Appendices

Title	Location
A - External Auditor's report for 2013/14	Attached
B - Statement of Accounts 2013/14	Attached

10. Background Documents

10.1 None.

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Appendix A

BABERGH DISTRICT COUNCIL

FINAL REPORT TO THE AUDIT COMMITTEE

Audit for the year ended 31 March 2014

September 2014

BDO

CONTENTS

OVERVIEW
Significant audit findings

This summary covers the significant findings from our audit of Babergh District Council ('Council') for the year ended 31 March 2014. However, you should read the entirety of this report, as there may be other matters raised that you consider important.

AREA OF AUDIT	SUMMARY
Financial statements	No material misstatements were identified as a result of our audit work. Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014. There are 4 unadjusted audit differences (see appendix II) which would increase the draft surplus on the provision of services in the CIES by £56,000 to £12.008 million (from £12.064 million). These audit differences have arisen from a combination of projected audit differences based upon our sample testing and factual audit differences. Management do not consider these to be material and therefore have not adjusted the revised financial statements for these. We have substantially completed our work, although there are a number of outstanding items to be received and/or completed at the time of drafting this report. Further detail on the status of our work is set out on the following page. Our final audit materiality is £3.9m for property, plant and equipment and £845,000 for all other balances (see appendix III) and we have reported all non-trivial unadjusted audit differences greater than £17,000.
Control environment	We are required to report to you the significant deficiencies we found in internal controls during the course of our audit. During our review of the Council's systems and processes, we identified the following significant deficiency: • There was no formal budget monitoring process to members operating during the year although officers did monitor the financial position during the year. A number of other areas for improvement were identified which we have discussed with management.
Governance reporting	We are satisfied that the annual governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with "Delivering Good Governance in Local Government" (CIPFA / SOLACE).
Whole of Government Accounts (WGA)	The Council's WGA is below the threshold for a full assurance review and our limited review of the Council's WGA Data Collection Tool (DCT) is in progress.
Use of resources	We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. We anticipate issuing an unqualified value for money conclusion.
Audit certificate	Our audit certificate will be signed once outstanding audit areas have been completed.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

OVERVIEW
Audit status and timetable to completion

We set out below the current status of the audit and our timetable to completion.

AUDIT STATUS

We have substantially completed our audit work in respect of the financial statements and use of resources for the year ended 31 March 2014. The following matters are outstanding at the date of this report.

We will update you on their current status at the Audit Committee.

- Clearance of outstanding issues raised with management
- Suffolk County Council Pension Fund assurance letter
- Receipt of the Lloyds Bank confirmation of balances letter
- Final review of our audit work at engagement partner level, and clearance of any review points arising
- Receipt and review of the final draft statement of accounts for agreed amendments
- Subsequent events review
- Management representation letter, as attached in Appendix VI, to be approved and signed
- Review of the WGA Data Collection Toolkit.

TIMETABLE TO COMPLETE

The anticipated timetable to complete is as follows:

ACTIVITY	DATE
Audit Committee meeting	23 September 2014
Signing of financial statements	26 September 2014
Submission of WGA assurance report	26 September 2014

INDEPENDENCE

Integrity, objectivity and independence and appropriate safeguards

Under Audit Commission Standing Guidance and Auditing and Ethical Standards, we are required as auditors to confirm our independence to 'those charged with governance'. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to bear on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the firm's independence and the objectivity of the audit engagement partner and the audit staff. We have considered such matters in the context of our audit for the year ended 31 March 2014.

FEES AND NON AUDIT SERVICES

A summary of fees for audit and non-audit services for the period from 1 April 2013 to date is set out below:

	£
Audit fees	64,182
Certification fees	[1] 29,755
TOTAL FEES	**93,937**

[1] work remains on going on the housing benefit subsidy return and the fees shown above is the current scale fee. The scale fee has been reduced since we issued our Audit plan to reflect the removal of council tax benefit audit testing from the certification regime.

We did not provide any non audit services.

OTHER RELATIONSHIPS

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

LONG ASSOCIATION THREATS

The Audit Commission's Standing Guidance requires that the audit engagement partner should not act for more than 5* years and the audit manager for 10 years.

Key audit staff	Years involved
Richard Bint - Audit engagement partner	6
Zoe Thompson – Senior Audit Manager	7

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INDEPENDENCE DECLARATION AND APPROPRIATE SAFEGUARDS

We have not identified any potential threats to our independence as auditors.

AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

The audit scope is determined by the Audit Commission's Code of Audit Practice for local government (2010), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. This requires that we form an opinion on whether:

1. The financial statements give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended.
2. The financial statements have been prepared properly in accordance with statutory requirements and proper practices have been observed in their compilation.
3. The financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting.
4. The information given in the statement of accounts and explanatory foreword is consistent with the financial statements.
5. The annual governance statement is not inconsistent with our knowledge and complies with relevant guidance.
6. The Whole of Government Accounts return is consistent with the audited financial statements and that it is properly prepared.
7. The audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

FINANCIAL STATEMENTS
Key audit and accounting matters

SIGNIFICANT AND OTHER RISKS OF MATERIAL MISSTATEMENT

We reported our risk assessment, which brought to your attention areas that require additional or special audit consideration and are considered a significant audit risk, in the 2013/14 Audit Plan issued in March 2014. We have since undertaken a more detailed assessment of risk following our review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks, our review of significant accounting estimates and management judgements, and any other relevant audit and accounting issues arising.

SIGNIFICANT AUDIT RISK AREAS			
RISK	**RELATED CONTROLS / RESPONSE TO RISK**	**WORK PERFORMED**	**CONCLUSION**
MANAGEMENT OVERRIDE OF CONTROLS	ISA (UK&I) 240 requires us to presume that a risk of management override of controls is present and significant in all entities. By its nature, there are no controls in place to mitigate the risk of management override.	We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements. We also reviewed accounting estimates for evidence of possible bias.	No issues have been identified in our review of the appropriateness of journal entries and other adjustments made in the preparation of the financial statements, however work is ongoing in this area. Our work on accounting estimates has not identified any evidence of bias.

FINANCIAL STATEMENTS

Key audit and accounting matters (continued)

SIGNIFICANT ACCOUNTING ESTIMATES AND MANAGEMENT JUDGEMENTS		
RISK	**WORK PERFORMED**	**CONCLUSION**
ACTUARIAL ASSUMPTIONS	The actuarial assumptions used for pension valuations are subject to a high degree of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation. Suffolk County Council Pension Fund has engaged Hymans Robertson as a management expert. We have reviewed the actuary report and the underlying assumptions used to calculate the year end pension liability. We have requested written representations from the Council to confirm that the assumptions applied by the actuary are reasonable and consistent with the Council's knowledge.	We are satisfied that the actuary is independent of the Council, objective and is experienced in undertaking this work. Our review of the assumptions applied in estimating the pension liability suggest that these are not significantly different from those being applied by the actuaries of other local authorities. We are awaiting the letter of assurance form the pension fund auditor before fully concluding on this work and an oral update will be provided to the Audit Committee if there are any matters arising.
FAIR VALUE OF LAND AND BUILDINGS	The calculation of the fair value of land and buildings is subject to a high level of estimation uncertainty that requires the exercise of judgement in determining the appropriate assumptions underlying the valuation. The Council has engaged DVS Property Services as a management expert. We have reviewed the valuation reports as at 1 April 2013 and 31 March 2014. We have tested a sample of valuations undertaken during the year to ensure the correct valuation basis has been applied and the financial statements have been updated to reflect the latest valuations. We have reviewed the valuer's assumptions against other price index information.	We are satisfied the value of assets reported are materially correct, however, some queries are outstanding at the time of drafting this report and an oral update will be provided to the Audit Committee. However, we did note that the informal sense check of the valuation was not carried out upon receipt of the valuers report to ensure that the valuations have been carried out on the correct basis and are in line with the Council's understanding of the market. A recommendation has been included within Appendix IV.

FINANCIAL STATEMENTS
Key audit and accounting matters (continued)

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
IAS 19 RESTATEMENT	The presentation and restatement of the pension note was reviewed against the requirements of the Code and the information contained within the actuary's statement.	There were amendments required to the disclosures in the draft financial statements in order to comply with the requirements of the 2013/14 Local Government Code. A restatement note is to be included in the revised financial statements to explain the reason for the changes to prior year audited figures. Other additional disclosures have also been included in relation to risks, terminology and format of the notes have been updated for the new accounting treatment and some notes have been removed as they are no longer required.
CLASSIFICATION OF EXPENDITURE	We tested a sample of expenditure and classification of expenditure within the Housing Revenue Account (HRA) formed part of the testing. We reviewed the expenditure to ensure it had been classified in line with the principles of SERCOP (Service Reporting Code of Practice).	It was identified during our testing that some cost centres had been incorrectly mapped to supervision and management as opposed to Repairs and Maintenance, the error was extrapolated (projected across the balance) and we are satisfied that there is no material impact on the classification of expenditure within the HRA. This has been recorded as an unadjusted disclosure audit difference in Appendix II.
CUT-OFF OF EXPENDITURE	We undertook sample testing of expenditure around the year end to ensure that expenditure had been included in the correct financial year.	There were some items that should have been recorded as a prepayment within the financial statements and therefore expenditure was overstated. The errors have been extrapolated, or projected across the account balance, and the value was not material. An unadjusted audit difference has been reported within Appendix II. It was further identified that expenditure from the housing repairs system (IBS) is only recorded once the job is complete and paid for. Therefore, our testing found there were a number of items where the work had been completed before the year end and therefore the Council should have accrued for this liability. An unadjusted audit difference has been reported within Appendix II. The Council historically have accounted for these types of transactions in the same way year on year and therefore a similar value of transactions would have been included in the current year expenditure.
ACCOUNTS DISCLOSURES	We have reviewed the draft financial statements and made a small number amendments and presentational updates.	The Council has amended the draft financial statements for the following matters identified: • Inclusion of additional related party transactions identified from review of the declarations of interest forms. A recommendation has been included within Appendix IV in relation to this specific

OTHER RELEVANT AUDIT AND ACCOUNTING ISSUES		
RISK	**WORK PERFORMED**	**CONCLUSION**
		matter • The separate disclosure of the Non Domestic Rate appeals provision within provisions • The adjustment of the disclosure of vacant possession value of council dwellings to the value of property at 01 April 2013, in line with the requirements of the code The disclosure of historical revaluations was updated to show gross values • The Termination benefits disclosure was updated to follow the format of the LAAP 93 and present the information more clearly • Amounts included within the Financial instruments disclosure have been revised • The Comprehensive Income and Expenditure statement has been amended to correctly account for the recycling consortium and the trade waste arrangement. There was no impact on the reported outturn position from these amendments.
INTANGIBLE ASSETS	We reviewed the intangible asset register as part of our audit work to consider the carrying value of assets held at the year end.	There continue to be a number of assets carried at nil net book value. This point was raised in our prior year report and the Council agreed to undertake a review however, the value remains unchanged. We are satisfied the value of intangible assets is not materially misstated however the gross value of intangible assets may be overstated and the Council should complete an in-depth review as planned prior to 31 March 2015. A recommendation has been included within Appendix IV.
DEPRECIATION	We reviewed the useful economic lives of a sample of assets for reasonableness and to ensure the correct charge had been applied for the year in accordance with the Council's accounting policy.	It was identified that surface Station road car park, Sudbury, had not been depreciated in the year. This resulted in the depreciation charge being understated by £20,000. We are satisfied the error is isolated to this case and did not present a risk of material misstatement. This has been recorded as an unadjusted audit difference within Appendix II.

FINANCIAL STATEMENTS OPINION

Subject to satisfactory completion of the outstanding work, we anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014.

CONTROL ENVIRONMENT
Significant deficiencies and other observations

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control. We only restate weaknesses already reported by internal audit where we consider these to be significant deficiencies.

Key: ■ **Significant deficiency in internal control** ■ **Other deficiency in internal control** ■ **Other observations**

AREA	OBSERVATION	IMPLICATION	RECOMMENDATION
IN YEAR BUDGET REPORTING TO MEMBERS	It was identified that that in year budget monitoring and reporting was undertaken on an informal basis. No budget monitoring reports were presented to Members.	The Council's income and expenditure during the year does not come under regular scrutiny by democratically elected members and members are not aware of the Council's financial position.	Formal, regular budget monitoring reports should be prepared and presented to Members.
JOURNALS	It was identified that there was no journal authorisation process in place in the 2013/14 year however, the posting of journals is limited to a small number of staff within the finance team.	Inappropriate journal entries could be posted without prior authorisation.	The Council include a risk based journal authorisation process into the new financial ledger processes such as authorisation is required for journals over £250,000.
DISCLOSURE CHECKLIST	It was noted that the council had not completed a CIPFA code disclosure checklist for the year to ensure compliance of the financial statements with the requirements of the Code.	The draft financial statements approved by the section 151 officer may not be compliant with the requirements of the Code.	The Council should complete the disclosure checklist as part of their production of financial statements work programme.

We made the observations reported to you above during the course of our normal audit work. Management responses to our recommendations are included in appendix IV.

GOVERNANCE REPORTING

Governance matters and quality of reporting

FINANCIAL STATEMENTS PREPARATION	CONCLUSIONS AND AUDIT ISSUES
The draft financial statements, within the statement of accounts, was prepared and provided to us for audit on 30 June 2014. As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit. As in previous years, a file of audit working papers was provided to us on the first day of the audit.	We have no significant matters to report.

ANNUAL GOVERNANCE STATEMENT	CONCLUSIONS AND AUDIT ISSUES
We are required to review the draft annual governance statement and to be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Councils review of effectiveness and our knowledge of the Council.	We are satisfied that the annual governance statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with “Delivering Good Governance in Local Government” (CIPFA / SOLACE). However, in future the Statement could be enhanced by identifying key actions the Council plans to take in relation to integration and the significant challenges the Council faces.

STATEMENT OF ACCOUNTS	CONCLUSIONS AND AUDIT ISSUES
We are required to read all the financial and non-financial information in the explanatory foreword to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	We are satisfied that the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

WHOLE OF GOVERNMENT ACCOUNTS
Consistency of the Data Collection Tool

SCOPE OF THE REVIEW OF THE DATA COLLECTION TOOL

We are required to perform tests with regard to the WGA return prepared by the Council for use by the Department of Communities and Local Government for the consolidation of the local government accounts, and by HM Treasury at Whole of Government Accounts level.

This work requires checking the consistency of the WGA return with the audited financial statements, and reviewing the consistency of income and expenditure transactions and receivables and payable balances with other government bodies where the body is above the threshold of £350 million.

For bodies below the threshold, we are only required to confirm Property, Plant and Equipment values and reported Pension values are consistent with the reported financial statements and report any differences.

CONCLUSION AND AUDIT ISSUES

The Council's WGA is below the threshold for full assurance review and our review of the Council's WGA Data Collection Tool (DCT) is in progress.

ASSURANCE STATEMENT

We are not required to submit an assurance statement as the Council is below the threshold for full review.

USE OF RESOURCES
Scope of the review

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money).

AUDIT COMMISSION SPECIFIED CRITERIA	FOCUS OF REVIEW
Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance to auditors. This is based on the following two reporting criteria: • The organisation has proper arrangements in place for securing financial resilience. The focus of the criteria is that the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. • The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The focus of the criteria is that the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. We draw sources of assurance relating to their value for money responsibilities from: • the Council's system of internal control as reported on in its annual governance statement • the results of the work of the Commission, other inspectorates and review agencies • any work mandated by the Commission • any other locally determined risk-based value for money work that auditors consider necessary to discharge their responsibilities.	We have reviewed the Council's arrangements against risk indicators and key issues facing the sector including the Government's spending review, funding over the medium term, risks arising from welfare reform, and risks from the localisation of business rates. We have not identified any significant risks from our audit planning. We also review the Council's relative performance against the VfM Profile Tool and Financial Ratios Analysis Tool produced by the Audit Commission, issues arising from VfM Briefings provided by the Audit Commission, and the key assumptions in the Medium Term Financial Strategy.

USE OF RESOURCES
Financial resilience

FINANCIAL GOVERNANCE AND FINANCIAL PLANNING

The Council prepared a financial outlook report in February 2014 which explained how it prioritises resources in line with its strategic priorities. In terms of integration with Mid Suffolk District Council, the process is considered to be largely complete in terms of staffing arrangements and members are working jointly with common aims and plans in the main.

The Council acknowledges that in terms of the financial detail, cost sharing proportions will be subject to continual review as arrangements evolve so that each Council bears its proportionate share and is not unfairly disadvantaged. Following integration, capacity has reduced and therefore needs to be focussed on priority areas with the management team having been reduced by 40% and a 10% reduction in workforce over the last 3 years.

The 2014/15 budget includes a Transformation Fund to invest in the transformation programme, strategic priorities and specific projects that are required to deliver the medium term savings, generate income and deliver improved outcomes required across both Councils. Minimum reserve levels for the General Fund Balance have been set at £1.15 million for 2014/15, which is a slight reduction compared to the 2013/14 minimum level of £1.2 million.

With further reductions in government grants expected in the budget, focus is on maximising income and new homes growth in order to mitigate the reduction. Central funding is expected to decrease by 12.3% in 2014/15 and a further 15.4% in 2015/16. The budget gap over the next 4 years is estimated to be £5.4 million and the Council is reviewing arrangements and its ways of working to ensure it is fit for purpose and can deliver the level of savings needed to ensure financial stability in the longer term.

The Transformational Enquiry Groups (TEGs) have helped to shape the way forward in formulating the plans that are currently being developed. In addition, a Priority Based Resourcing approach is being established and is to be embedded over the medium term to reduce reliance on government funding and thereby reduce the financial risks facing the Council to ensure that resources and spending is aligned to priorities and to help support future decisions on resource allocation.

The Housing Revenue Account (HRA) is in a relatively healthy position compared with the General Fund. Whilst there is a significant level of debt outstanding following the buy-out from the old subsidy system, this is fully covered by income within the HRA Business Plan and £4.9 million of funding has been set aside for new build or acquisitions to add to the current housing stock and the reserve balance is forecast to be £12.9 million. In total, Investment funds totalling £29.3 million will be available to deliver strategic priorities.

The capital programme for the medium term includes the need for additional borrowing for the General Fund of £11.6 million. The Council should ensure that they are linked to priorities and feed into the Priority Based Resourcing process so on-going revenue costs are factored into plans and decisions.

AUDIT ISSUES AND IMPACT ON CONCLUSION

The Council faces significant financial challenges in the medium term however, does have a track record of delivering the level of savings it requires to keep reserves at the minimum required level.

We will continue to monitor the financial position closely over the forthcoming financial year, and the plans and proposals arising from the priority based resourcing work and spending of the Transformation Fund to address the medium term shortfall.

The Joint Strategic Plan 2014-2019, which covers both Babergh District Council and Mid Suffolk District Council has been drafted and the strategic priorities for Babergh District are as follows:

- Economy and environment
- Housing
- Communities (Wellbeing)

These are broadly similar to those for Mid Suffolk District Council. The Plan is balanced in that it recognises that during a period of significant change in terms of integration, there is now more to do in terms of getting services right first time and ensuring there is a positive experience for residents and businesses. The focus of the Plan is to become a lean, efficient, thriving organisation and this is encompassed within the fourth priority of being "smaller, smarter, swifter".

The Strategic Plan is underpinned by the more detailed delivery plan that will identify the specific projects and measures of success. The measures of success need to translated to SMART targets that should be aligned to the quarterly scorecard monitoring report so that people in the district, as well as members, can challenge and scrutinise performance against priorities.

FINANCIAL CONTROL	AUDIT ISSUES AND IMPACT ON CONCLUSION
From our interim audit and review of key financial controls we identified that there was no formal budget monitoring reporting to Members in place during 2013/14. However, the finance team and section 151 Officer maintained an oversight of the financial position and the SRP Joint Committee monitored business rates and council tax income. The matter has already been reported as a significant deficiency previously within this report and the formal, robust process should be reinstated. This is of increased importance given the savings and period of transformation so that reporting is clear and transparent and Members are able to monitor delivery against expected outcomes. The Council has implemented a new integrated finance system (for both councils) in 2014/15 and an integrated finance team have also been put in place following the cessation of the arrangement with Customer Service Direct (CSD) hosted by Suffolk County Council. Whilst there have been some initial teething problems with the new system, as a whole, the implementation is considered to have gone well and we have not identified any significant issues or concerns for our post year end audit work.	The Council operated an informal budget monitoring process in 2013/14 and should implement a formal reporting mechanism, including member reporting on the financial position in 2014/15 and beyond. Officers have advised that the suspension of formal reporting was of a temporary nature and formal reporting will be reinstated in 2014/15, with a mid- year review as a minimum.

USE OF RESOURCES
Challenging economy, efficiency and effectiveness

PRIORITISING RESOURCES AND IMPROVING EFFICIENCY AND PRODUCTIVITY	AUDIT ISSUES AND IMPACT ON CONCLUSION
The outturn position for 2014 shows the Council over achieved against its forecast budget on the General fund, with a favourable variance as a result of additional income and savings of £424,000. The Housing revenue Account also exceeded the forecast outturn position, moving from a £74,000 budgeted deficit position to a £545,000 surplus. At the year end, the General Fund had a balance of £1.2million which was the minimum level required in the annual budget General Fund Earmarked reserves at the year end were £3.1m. Key achievements for the year include: • Target collection percentage of non-domestic rates was met • Target for the percentage of household waste recycled and composted was met Areas where performance in key strategic priority areas that did not meet the target level were as follows: • Private dwellings returned to occupation (outcome of 1 compared to the target of 12) • Average time to re-let council houses increased to 52 days compared to the target of 26 days and prior year performance of 26 days	No areas of concern.

USE OF RESOURCES CONCLUSION

We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014. We anticipate issuing an unqualified value for money conclusion.

APPENDICES

APPENDIX I: DEFINITIONS

TERM	MEANING
The Council	Babergh District Council
Management	The person(s) responsible for achieving the objectives of the Council and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for: • the financial statements (including designing, implementing, and maintaining effective internal control over financial reporting) • putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them.
Those charged with governance	The person(s) with responsibility for assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. This includes overseeing the financial reporting process. Those charged with governance for the Council are the Audit Committee.
ISAs (UK & Ireland)	International Standards on Auditing (UK & Ireland)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards as adopted by the European Union
Materiality	The size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement.
Code	Code of Practice on Local Authority Accounting in the United Kingdom issued by CIPFA / LASAAC
SeRCOP	Service Reporting Code of Practice for Local Authorities issued by CIPFA / LASAAC
CIES	Comprehensive Income and Expenditure Statement

APPENDIX II: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, or in aggregate, on the opinion in the auditor's report.

CORRECTED AUDIT DIFFERENCES

There were no differences that have been corrected in the revised draft financial statements that affect the reported surplus for the year. However, a number of amendments to disclosures and presentation of notes to the financial statements have been made, as detailed in the 'Key Audit and Accounting Matters' section of this report.

UNADJUSTED AUDIT DIFFERENCES

There are four unadjusted audit differences identified by our audit work which would increase the draft surplus on the provision of services in the CIES by £56,000 to £12.008 million (from £12.064 million).

A schedule of uncorrected audit differences is included on the following pages, with misstatements recorded as factual misstatements, judgemental / estimation misstatements, or projected misstatements. We request that you correct these misstatements. Deliberate misstatement of known issues is not acceptable and identified misstatements should, where practicable, be corrected even if not material.

Management has stated that it considers these identified misstatements to be immaterial in the context of the financial statements taken as a whole.

APPENDIX II: AUDIT DIFFERENCES

Unadjusted audit differences

UNADJUSTED AUDIT DIFFERENCES	£'000	INCOME AND EXPENDITURE Dr £'000	INCOME AND EXPENDITURE (Cr) £'000	BALANCE SHEET Dr £'000	BALANCE SHEET (Cr) £'000
CIES (surplus) or deficit on the provision of services before adjustments	**(12,064)**				
Dr Expenditure	**20**	20			
Cr Revaluation Reserve					(20)
Bring the non-depreciation of Station Road Car Park, Sudbury (estimation misstatement).					
Dr Prepayments				135	
Cr Expenditure	**(135)**		(135)		
Being the projected cut-off error identified from our expenditure testing that found a prepayment had not been recognised (projected misstatement).					
Dr Expenditure		171			
Cr Creditors	**171**				(171)
Being the projected cut-off error identified over IBS expenditure whereby amounts should have been accrued within the 2013/14 financial statements for work completed(projected misstatement).					
DR Expenditure			415		
Cr Expenditure			(415		
Being the projected classification error between supervision and management and repairs and maintenance (projected misstatement)					
TOTAL UNADJUSTED AUDIT DIFFERENCES	**56**	191	(135)	135	(191)
CIES (surplus) or deficit on the provision of services after adjustments	**(12,008)**				

UNADJUSTED DISCLOSURE MATTERS
We have none to report.

APPENDIX III: MATERIALITY

In carrying out our work we determine and apply a level of materiality. Materiality is the expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole, or individual elements of the financial statements as appropriate. Consequently, the audit cannot be relied upon to identify all risks or potential or actual misstatements. Materiality may relate to both quantitative and qualitative matters, and for quantitative considerations the numerical level materiality is assessed at may be different for different information in the financial statements. Nevertheless, within this context, we provide an indication of the quantitative levels used for planning purposes. Materiality is re-assessed every year in the context of authoritative audit practice.

MATERIALITY	
Planning materiality for all non property, plant and equipment balances	£845,000
Planning materiality for property, plant and equipment balances	£3,955,000
Final materiality for all non property, plant and equipment balances	£845,000
Final materiality for property, plant and equipment balances	£3,955,000
Clearly trivial threshold	**£17,000**

Planning materiality of £845,000 was based on 2% of gross expenditure, using the first draft Financial Statements, adjusted for one off valuation movements.

We have no reason to revise our final materiality level.

APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
Review of valuers report We noted that the informal sense check of the valuation was not carried out upon receipt of the valuers report to ensure that the valuations have been carried out on the correct basis and are in line with the Council's understanding of the market.	Valuations should be reviewed at a high level analytically in order to challenge the valuer over the integrity of large valuation movements, and to support such movements with explanations.	Agreed. Checks will be undertaken as part of the work with the valuers as preparation for the 2014/15 statement of accounts	Senior Financial Services Officer	To be included in the 2014/15 accounts closure process
Classification of expenditure Our testing identified expenditure which had been incorrectly classified within the Housing Revenue Account.	The finance team should review the new financial system mapping of income and expenditure prior to the production of the 2014/15 financial statements to ensure that the codes are mapped in accordance with the principles of SERCOP.	Agreed. Coding in the new Integra system will be checked to ensure future mapping is correct.	Senior Financial Services Officer	Immediate
Cut-off Our testing identified transactions that had been accounted for in the incorrect financial year, or a prepayment had not been recognised.	The council should formalise cut-off processes around year end issuing timetables and instructions such that expenditure is recorded in the correct year. A review of IBS transactions post year end should also been completed to ensure expenditure is complete.	Agreed. A review will be undertaken as part of the year end closedown process for 2014/15 accounts	Senior Financial Services Officer	To be included in the 2014/15 accounts closure process
Related party transactions Our testing of related party transactions identified a number of declarations of interests where transactions with the Council had taken place but were not disclosed.	The council should review all member's interest returns and where declarations have been made, the ledger should be interrogated to ensure the completeness of the related party disclosure, as part of the procedures for producing the financial statements.	Agreed. A Financial Services Officer has been allocated to this task for the year end closedown process for 2014/15 accounts.	Senior Financial Services Officer	Immediate

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				
Intangible assets There are a number of assets carried at nil net book value.	The council should review the assets carried as intangible assets and ensure that assets no longer in use or where It cannot be confirmed they are in use are written off.	**Agreed.**	Senior Financial Services Officer	Immediate
CONTROL ENVIRONMENT				
In year budget reporting to Members It was identified that that in year budget monitoring and reporting was undertaken on an informal basis. No budget monitoring reports were presented to Members.	Formal, regular budget monitoring reports should be prepared and presented to Members.	It was always intended to reintroduce more formal reporting to members on a regular basis for 2014/15, as 2013/14 was just a temporary suspension.	Corporate Manager - Financial Services	**Immediate**
Journals It was identified that there was no journal authorisation process in place in the 2013/14 year however, the posting of journals is limited to a small number of staff within the finance team.	The Council include a risk based journal authorisation process into the new financial ledger processes such as authorisation is required for journals over £250,000.	Agreed. Journal authorisation processes are being updated for the new Integra system. Levels to be agreed.	Senior Financial Services Officer	Immediate
Disclosure checklist It was noted that the council had not completed a CIPFA code disclosure checklist for the year to ensure compliance of the financial statements with the requirements of the Code.	The Council should complete the disclosure checklist as part of their production of financial statements work programme.	Agreed for 2014/15 accounts	Senior Financial Services Officer	To be included in the 2014/15 accounts closure process
Annual Governance statement We noted that the Annual Governance Statement was not inconsistent with our understanding of the Council, however, the statement could be enhanced by identifying key actions the Council plans to take in the forthcoming year given the challenges it faces.	Consider including key actions the Council plans to take in the 2014/15 Annual Governance Statement.	Agreed.	Corporate Manager - Internal Audit	2014/14 Annual Governance Statement

APPENDIX V: STATUTORY AND PROFESSIONALLY REQUIRED COMMUNICATIONS

COMMUNICATION REQUIRED	DATE COMMUNICATED	TO WHOM	METHOD
Accounting practices, accounting policies, estimates and judgements and financial statement disclosures (ISA 260)	**Financial statements section of this report**		
Significant difficulties encountered during the audit (ISA 260)	**N/A - No issues**		
Significant matters discussed or subject to correspondence with management (ISA 260)	**N/A - No issues**		
The final draft of the representation letter (ISA 260)	**Appendix VI**		
Independence (ISA 260)	**Independence section of this report**		
Fraud and illegal acts (ISA 240)	**N/A - No issues**		
Non compliance with laws and regulations (ISA 250)	**N/A - No issues**		
Significant deficiencies in internal control (ISA 265)	**Control environment section of this report**		
Misstatements, whether or not corrected by the entity (ISA 450)	**Appendix II**		
Significant matters in connection with related parties (ISA 550)	**N/A - No issues**		
Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 570)	**N/A - No issues**		
Matters relating to the audit of the group (ISA 600)	**N/A - No issues**		
Expected modifications to our audit report or inclusions of emphasis of matter / other matter (ISA 705 / 706)	**No issues**		
Material inconsistencies with other information in documents containing audited financial information (ISA 720)	**N/A - None**		
Objections from the public or exercise of statutory powers under the Audit Commission Act 1998	**N/A - No issues**		

APPENDIX VI: DRAFT REPRESENTATION LETTER

TO TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

26 September 2014

Dear Sirs

Financial statements of Babergh District Council for the year ended 31 March 2014

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2014 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Corporate Manager – Financial Services (including Babergh s151 Officer) has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2011 and Statement of responsibilities of auditors and of audited bodies local government (March 2010) issued by the Audit Commission, and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2014 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2011, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the annual governance statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with generally accepted accounting principles and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We attach a schedule showing accounting adjustments that you have proposed, which we acknowledge that you request we correct, together with the reasons why we have not recorded these proposed adjustments in the financial statements. In our opinion, the effects of not recording such identified financial statement misstatements are, both individually and in the aggregate, immaterial to the financial statements.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm that the fair value measurements in relation to the following are reasonable and that there are no circumstances of which we are aware that would have a material impact on the values reported:

- fair value of property, plant and equipment
- assumptions underpinning the reported pension liability

We confirm that the exemption to pay Council tax given to the Ministry of Defence owned properties in the District is valid and appropriate during 2013/14.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

After making appropriate enquiries of other members of the Council and other officers regarding disclosure of information to you as auditors, we confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

Yours faithfully

B Hunter

Corporate Manager – Financial Services (including Babergh s151 Officer)

26 September 2014

Councillor Busby

Chair of the Audit Committee

Signed on behalf of the Audit Committee

23 September 2014

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Appendix B

Babergh District Council Statement of Accounts 2013/14

BABERGH DISTRICT COUNCIL
SOUTH SUFFOLK

CONTENTS

CONTENTS

EXPLANATORY FOREWORD

1. Introduction/Background

This foreword is not a formal part of the Statement of Accounts for 2013/14 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 2013/14 and the information reported here is consistent with the figures in the Statement of Accounts.

The Statement of Accounts has to be produced in accordance with the Code of Practice on Local Authority Accounting 2013/14 (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 2014. It also prescribes the accounting treatment and minimum requirements for disclosures.

2. Audit Opinion

These accounts have been published by the 30 September 2014.

These accounts are published prior to the completion of the audit by Council's external auditor, BDO LLP, who has responsibility to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing. The auditor's opinion is given on whether the financial statements present a 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 91.

3. Accounting Policies and Disclosure Changes

Key changes to accounting policies and disclosures include the following and a full explanation of these is shown within the Accounting Policies section:

- Employee Benefits – International Accounting Standard 19 (IAS 19): This reflects the change in International Accounting Standard (IAS19) and is applicable for financial years on or after the 1 January 2013 (the 2012/13 Comprehensive Income & Expenditure Statement has been restated to reflect this change). Further information is available in Note 16 (Pensions) to the Core Statements.

- Accounting for Council Tax and Non Domestic Rates (NDR): This has been updated to reflect the new Business Rates retention scheme which commenced on 1 April 2013.

4. Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement (CIES) shows the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. It includes the cost of council housing services (Housing Revenue Account). It should be noted that councils raise taxation to cover expenditure in accordance with various regulations, which may differ from the way it has to be shown in accounting terms in the CIES. The taxation position is shown in the Movement in Reserves Statement.

5. Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by reserves held by the Council.

There are two types of reserves. There are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve – these can largely only be used to fund capital expenditure or repay debt).

In addition, there are significant unusable reserves, which cannot be used to provide services. This includes reserves relating to capital financing adjustments and unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold.

5. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed between usable and unusable reserves). The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and council house rent setting purposes.

The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves.

6. Cash flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as either operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future capital cash flows (i.e. borrowing) by the Council.

7. Housing Revenue Account (HRA)

The HRA Income and Expenditure Account shows the economic cost in the year of providing social 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, which may be different from the accounting cost. The surplus or deficit for the year is shown in the Movement on the HRA Balance.

8. Collection Fund

This reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic (business) rates. For 2013/14, changes relating to councils being able to retain business rates and a new Local Council Tax Reduction Scheme (replacing the previous national council tax benefits) are reflected.

9. Net Revenue Expenditure

The CIES includes all expenditure on services including Council Housing, interest payable and other operating costs, income from grants, local taxpayers, business rates 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 statement.

The General Fund

The CIES 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, business rates and the Government's general formula funding).

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:

Table 1	Budget £000	Actual £000	Variance £000
Net Expenditure	8,816 *	8,026	(790)
Transfer to (from) Earmarked Reserves	(26)	547	573
Net Revenue Expenditure	8,790	8,573	(217)
Less: Government Formula Grant and Council Tax	(8,680)	(8,920)	(240)
Deficit/Use of Reserves or (surplus) before additional transfers	**110**	**(347)**	**(457)**
Transfer from General Fund General Reserve	(110)	(77)	33
Deficit (Surplus) / before final transfer to Reserve	**-**	**(424)**	**(424)**

*this includes budgets carried forward of £192k from 2012/13.

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

Table 2	Variation £000
Savings/Additional Income:	
Waste collection costs & fees	286
Additional Government Grant / Business rates income	269
Housing Benefits, Council Tax & NDR Collection	208
Salaries & other staff-related savings	184
Consultancy & Professional Fees	156
Transformational Challenge Award grant (to be spent in future years)	72
Land charges income	46
Other savings & additional income	11
	1,232
Additional Costs/Lower Income:	
Planning & Building Control Fees	(102)
Recycling Credits	(60)
Other additional costs & reduced income	(40)
	(202)
Net Savings	**1,030**
Increased net transfers to Earmarked/General Reserves	(606)
Final Savings before additional transfers	**424**

The £424k has been transferred to the Transformation Reserve (established to resource the council's transformation programme and provide an ongoing investment fund to meet the costs of developing programmes and projects)

Key points to note are:

- Additional government grant relating to business rates resulted in additional overall income of £216k. Also other grants not budgeted for, totaling £53k, were received.
- There was a net saving on Housing Benefits expenditure of £74k and, combined with savings and additional income on revenues and benefits activities, a total of £208k was saved.
- Integration with Mid Suffolk District Council (MSDC) continued during the year and an overall saving of £350k was allowed for in the budget on salaries and other costs. The Council exceeded this by £184k as a result of vacancy management and other staffing budget savings.
- An under spend of £156k arose on consultancy and other professional services, mainly on planning matters.
- The waste service achieved a saving of £286k, the majority of which was due to reduced net costs of gate fees for recyclable waste, increased income from charges and a rebate on recycling costs.
- Planning and Building Control fee income was £102k less than budgeted as a result of lower activity than anticipated.
- Other reduced income included recycling credit payments received via Suffolk County Council, down by £60k.

- There were a number of other unfavourable and favourable variances, some of which are subject to budget carry forward (slippage) totaling £199k and this money will now be spent in 2014/15.

After allowing for budget carry forwards, the General Fund balance stands at £1.2m, 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 held in earmarked reserves – details of these are shown in Note 4 of the Core Statements.

A reconciliation of the overall position of the General Fund to the Comprehensive Income and Expenditure Statement in 2013/14 is shown below:

Table 3	£000
General Fund Net Expenditure (as per Table 1 above)	**8,026**
Corporate and Democratic Core HRA Share	537
Net Interest Received	27
Grants paid	1,061
Net Pension Adjustments	(480)
Appropriations	(4)
Fixed Asset Adjustments including Depreciation	1,337
Revenue Expenditure Funded from Capital Under Statute	306
Minimum Revenue Provision	(400)
De-recognition of Debt Premia	13
Cost of Services per CIES (excluding HRA line)	**10,423**

The Housing Revenue Account (Council Housing)

The summary below shows the Housing Revenue Account and compares the actual position on income and expenditure with the original budget forecast for the year. This covers all revenue expenditure on housing management and maintenance, interest payable and other operating costs and income from rents, sheltered accommodation and other sources:

Table 4	Original Budget £000	Actual £000	Variance £000
Income	(15,477)	(15,874)	(397)
Expenditure (net of appropriations)	15,551	12,927	(2,624)
Decrease/(Increase) in Housing Revenue Account Balance	**74**	**(2,947)**	**(3,021)**
Transfer to Capital Slippage Reserve	-	2,402	2,402
Deficit/(surplus) before additional transfers	74	(545)	(619)
Surplus Transferred to Strategic Priorities Reserve	-	545	545
Deficit/(surplus)	**74**	**-**	**(74)**

Details of the key HRA variations compared to the budget forecast are provided in the following table:

Table 5	£000
Higher Income:	
Rent, income & other charges	398
	398
Savings:	
Repairs & Maintenance	162
Management, staffing and other costs	199
Reduction to bad debt provision	201
Capital charges (depreciation etc)	2,061
	2,623
Total savings & additional income	**3,021**
Transfer to Capital Slippage Reserve	(2,402)
Final Savings before additional transfers	619
Additional transfer to Strategic Priorities Reserve	(545)
Total net transfer to reserves compared to budget	**74**

Key points to note are:

- This was the second year of the HRA self financing regime which commenced on the 1 April 2012 and replaced the former subsidy arrangements with the government.
- The surplus of £545k above has resulted mainly from:
  - additional rent income and lower losses on voids and additional grant income which was transferred to capital.
  - less demand for painting and related repairs than anticipated, lower utility costs due to the warmer winter and savings on staffing as a result of integration.
  - management and staffing savings were mainly due to vacancy management and redundancy costs not incurred.
  - a lower requirement in relation to the bad debt provision due to less impact from the welfare reforms in 2013/14 than expected.
  - lower revenue contributions to capital and depreciation resulting in an overall reduction in capital charges.
  - other minor variances on capital including using the additional grant income for the mortgage rescue scheme, totaling £237k.

The surplus of £545k has been transferred to the housing strategic priorities reserve along with an additional £614k, which was the excess of previous years HRA balances, leaving an HRA Working Balance of £1m as at 31 March 2014.

10. Capital Programme

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

In addition to the funding for the approved capital programme there have been receipts from S106 agreements to enable capital spending on play areas and open spaces.

Table 6 below shows the variations in the capital programme. The Revised Budget takes into account timing differences in delivering capital schemes.

Table 6	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Expenditure				
Private Sector Housing	504	615	457	(158)
Waste and Environmental Services	152	287	293	6
Cultural & Community Services	458	606	399	(207)
Contracts and Property	655	282	73	(209)
Corporate Services	957	882	882	-
Total General Fund	2,726	2,672	2,104	(568)
Council Housing	6,565	7,196	4,795	(2,401)
Total Capital Programme Expenditure	**9,291**	**9,868**	**6,899**	**(2,969)**
Open Spaces and Play Areas (funded from S106 contributions)	-	-	53	53
Total	**9,291**	**9,868**	**6,952**	**(2,916)**
Financed from:				
Non-supported borrowing	624	1,852	1,590	(262)
Capital Receipts	2,086	685	415	(270)
Grants/external contributions	232	249	326	77
S106 Contributions - Open Spaces	114	216	53	(163)
Major Repairs Reserve	3,444	3,444	2,572	(872)
Capital Slippage Reserve	-	631	631	-
Revenue	2,791	2,791	1,365	(1,426)
Total	**9,291**	**9,868**	**6,952**	**(2,916)**

The main areas of variance of actual spend compared to the revised capital programme budget is listed below:

Table 7	Variance £000
Council Housing	(2,402)
Affordable Housing	(279)
ICT Projects re Joint Working	(183)
Community Grants	(164)
Other minor variations - net overspend	(71)
Regeneration Fund	(50)
Purchase of Property	233
	(2,916)

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11. Treasury Management

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

The level of long term borrowing wholly relates to HRA and is within the approved limits established for overall borrowing and the operational boundary, which were set at £98m and £96m respectively.

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

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 2014, the amount of surplus funds invested was £7.9m (2012/13 £3.5m), consisting of £4.5m in fixed term deposits and £3.4m in instant access investment bank accounts and money market funds.

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 2014 (Capital Financing Requirement)	95,265
Borrowing at 31 March 2014 (Public Works Loan Board)	
Long Term	(87,797)
Short Term	(500)
Net Borrowing Facility at 31 March 2014	**6,968**

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

12. Pensions

International Accounting Standard 19 'Employee Benefits' (IAS 19) requires the Council to disclose certain information within its Statement of Accounts and this appears in Note 16 to the Core Statements.

Included within that information is the net deficit on the proportion of the Suffolk County Council Pension Fund that is attributable to Babergh District Council. This is the difference between future liabilities and assets as valued at 31 March 2014 and amounts to £21.86 million. No current provision exists to meet this deficit, which will be addressed by future contributions to the Pension Fund.

The last formal three-yearly actuarial valuation was carried out as at 31 March 2013. The valuation report sets out the rates of employers' contributions for the three years starting 1 April 2014.This increased from 17.4% in 2012/13 to 18.4% in 2013/14.

The next formal valuation is at 31 March 2016.

13. Usable Reserves

A summary of the Council's revenue reserve funds available to meet its future expenditure plans and other financial commitments is shown in Table 8 on the following page:

Table 8	31 March 2014 £000	31 March 2013 £000
General Fund		
General Reserves	1,200	1,277
Earmarked Reserves	3,206	2,233
Collection Fund	119	(14)
	4,525	3,496
Housing Revenue Account		
General Reserves	1,000	1,614
Earmarked Reserves	4,715	1,794
	5,715	3,408
Total amount held in Reserves	**10,240**	6,904

There are plans to use some of these reserves in future years, specifically to meet the expenditure in relation to budgets carried over from 2013/14, which are estimated at £199k, in relation to General Fund revenue expenditure plus the £2,402k relating to HRA capital projects.

Further details of these reserves are shown in Note 4 and Note 7 to the Core Statements.

14. Shared Services and Partnerships

Shared Revenues Partnership (SRP)

From 1 April 2011 a new partnership was established with Ipswich Borough Council and Mid Suffolk District Council to provide the Revenues and Benefits service for the three councils. Each council has delegated its control for this function to a Joint Committee, which comprises of Members from each council and oversees the running of the SRP. Only the Babergh proportion of the costs relating to the shared service is accounted for in the Comprehensive Income and Expenditure Statement.

The Shared Revenues Partnership (SRP) continues to operate well within its budget and has delivered savings for the three partner councils.

Integration with Mid Suffolk District Council

In March 2011 the Council took the decision to make the existing Chief Executive redundant and to appoint a new Joint Chief Executive with Mid Suffolk District Council. The new Joint Chief Executive started in May 2011.

Both councils have created a fully integrated management and staff structure to support shared services and provide a platform for a transformation programme. The integrated senior management team including Strategic Directors, Heads of Service and Corporate Managers has been established to work across the two authorities. Integrated Operational Delivery teams are also in place.

Mid Suffolk District Council and Serco (Refuse Collection Services)

The Council merged its refuse collection service with 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.

15. Major influences on the Council's income, expenditure and cashflow

2013/14 did not see any major change in the Council's statutory functions that had an impact on the accounts but there were significant changes as a result of the Government's welfare and funding reforms which create ongoing uncertainty.

Developments in future service provision and delivery will largely focus around the development and delivery of the transformation programme with Mid Suffolk District Council. Due to the financial and other challenges that face all local authorities over the next few 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 in ICT to enable joint working. The General Fund Budget allows for transition and transformation costs and the Transformation Reserve will help to fund these.

The forward capital programme also includes a combination of investment to maintain existing service levels and an element to expand existing services. Examples of these include replacement vehicles and equipment to maintain existing services and a range of grants that the Council bestows on 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 decent homes standard for its housing stock.

The Council continues to be affected by the ongoing economic climate with reduced levels of planning and building control income during 2013/14. Another service that is impacted by economic conditions is the Revenues and Benefits function. The collection rates for both council tax and business rates improved slightly during 2013/14 despite the difficult economic conditions which was a very satisfactory outcome.

Looking ahead, the Government's funding and welfare reforms which commenced from April 2013 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.

16. The financial needs and resources of the Council

The Council requires financial resources to deliver its Strategic Priorities and statutory obligations. Savings forecasts have been updated during 2013/14 and a new Medium Term Financial Strategy will be developed later this year, based on a Priority Based Resourcing exercise. The Council's plans include projects to achieve income generation and savings to deliver financial sustainability in the medium term. It is currently forecast that up to £5.4 million of further savings will be needed over the period 2014/15 to 2017/18.

17. 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 the annual Budget) 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 Corporate Manager – Financial Services:

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

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration (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 2013/14, that officer is the Corporate Manager - Financial Services;
- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Corporate Manager - Financial Services' Responsibilities

The Corporate Manager - Financial Services 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 Corporate Manager - Financial Services 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 Corporate Manager - Financial Services 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 2014 and its income and expenditure for the year then ended.

Barry Hunter CPFA
Corporate Manager - Financial Services
Babergh District Council

23 September 2014

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 23 September 2014.

Nick Ridley
Chairman of Babergh District Council

23 September 2014

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2012/13 Restated				2013/14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,064	(6,146)	1,918	Central services to the public	**2,366**	**(539)**	**1,827**
2,363	(251)	2,112	Cultural & Related Services	**1,984**	**(101)**	**1,883**
4,846	(2,111)	2,735	Environmental & Regulatory Services	**4,427**	**(2,040)**	**2,387**
2,476	(882)	1,594	Planning Services	**2,513**	**(876)**	**1,637**
398	(223)	175	Highways and transport services	**361**	**(220)**	**141**
7,191	(15,186)	(7,995)	Local Authority Housing (Notes to HRA)	**(665)**	**(16,093)**	**(16,758)**
21,036	(20,441)	595	Other housing services	**20,624**	**(20,502)**	**122**
2,348	(34)	2,314	Corporate and democratic core (Note 5a)	**2,186**	**(124)**	**2,062**
399	-	399	Non distributed costs (Note 5b)	**50**	**-**	**50**
422	(192)	230	Integration with Mid Suffolk District Council (Note 5c)	**468**	**(154)**	**314**
49,543	(45,466)	4,077	**Cost of Services**	**34,314**	**(40,649)**	**(6,335)**
3,308	-	3,308	Other Operating Expenditure (Note 6a)	**2,872**	**-**	**2,872**
3,727	(78)	3,649	Financing and Investment Income and Expenditure (Note 6b)	**3,802**	**(62)**	**3,740**
-	(12,038)	(12,038)	Taxation and Non-Specific Grant Income and Expenditure (Note 31)	**7,139**	**(19,582)**	**(12,443)**
56,578	(57,582)	(1,004)	**(Surplus) or Deficit on Provision of Services - A (Note 12)**	**48,127**	**(60,293)**	**(12,166)**
185	(630)	(445)	(Surplus) or deficit on revaluation of property, plant & equipment (Note 7a)	**169**	**(5,665)**	**(5,496)**
2,661	-	2,661	Actuarial (gains)/losses on pension assets/liabilities (Note 16)	**1,652**	**-**	**1,652**
2,846	(630)	2,216	**Other Comprehensive Income and Expenditure - B**	**1,821**	**(5,665)**	**(3,844)**
59,424	(58,212)	1,212	**Total Comprehensive Income and Expenditure (A+B)**	**49,948**	**(65,958)**	**(16,010)**

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'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 2012 Restated	(1,731)	(1,932)	(1,614)	-	(139)	(151)	(5,567)	(73,438)	(79,005)
Movement in reserves during 2012/13 Restated									
(Surplus) / deficit on provision of services	2,645	-	(3,649)	-	-	-	(1,004)	-	(1,004)
Other Comprehensive Income and Expenditure								2,216	2,216
Total Comprehensive Income and Expenditure	2,645	-	(3,649)	-	-	-	(1,004)	2,216	1,212
Adjustments between accounting basis and funding basis under regulations (Note 3)	(2,492)	-	1,855	-	(266)	69	(834)	834	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	153	-	(1,794)	-	(266)	69	(1,838)	3,050	1,212
Transfer to/(from) Earmarked Reserves (Note 4)	301	(301)	1,794	(1,794)	-	-	-	-	-
(Increase)/Decrease in 2012/13	454	(301)	-	(1,794)	(266)	69	(1,838)	3,050	1,212
Balance at 31 March 2013 Restated	(1,277)	(2,233)	(1,614)	(1,794)	(405)	(82)	(7,405)	(70,388)	(77,793)
Movement in reserves during 2013/14									
(Surplus) / deficit on provision of services	**745**	**-**	**(12,911)**	**-**	**-**	**-**	**(12,166)**	**-**	**(12,166)**
Other Comprehensive Income and Expenditure	**-**							**(3,844)**	**(3,844)**
Total Comprehensive Income and Expenditure	**745**	**-**	**(12,911)**	**-**	**-**	**-**	**(12,166)**	**(3,844)**	**(16,010)**
Adjustments between accounting basis and funding basis under regulations (Note 3)	**(1,641)**	**-**	**10,604**	**-**	**(1,013)**	**10**	**7,960**	**(7,960)**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(896)**	**-**	**(2,307)**	**-**	**(1,013)**	**10**	**(4,206)**	**(11,804)**	**(16,010)**
Transfer to/(from) Earmarked Reserves (Note 4)	**973**	**(973)**	**2,921**	**(2,921)**	**-**	**-**	**-**	**-**	**-**
(Increase)/Decrease in Year	**77**	**(973)**	**614**	**(2,921)**	**(1,013)**	**10**	**(4,206)**	**(11,804)**	**(16,010)**
Balance at 31 March 2014 carried forward	**(1,200)**	**(3,206)**	**(1,000)**	**(4,715)**	**(1,418)**	**(72)**	**(11,611)**	**(82,192)**	**(93,803)**

BALANCE SHEET

31st March 2013 Restated £'000		Note	31st March 2014 £'000
183,575	Property, Plant and Equipment	21	**197,766**
617	Intangible Assets	20	**652**
333	Long Term Debtors	32	**325**
184,525	**Long Term Assets**		**198,743**
3,504	Short Term Investments	32	**4,505**
49	Inventories	25	**55**
4,021	Short Term Debtors	26	**3,623**
491	Cash and Cash Equivalents	11	**3,859**
8,065	**Current Assets**		**12,042**
(555)	Short Term Borrowing	32	**(553)**
(5,552)	Short Term Creditors	27	**(6,131)**
(485)	Provisions	28	**(644)**
(6,592)	**Current Liabilities**		**(7,328)**
(88,297)	Long Term Borrowing	32	**(87,797)**
(19,908)	Defined Benefit Pension Scheme Liability	16	**(21,857)**
(108,205)	**Long Term Liabilities**		**(109,654)**
77,793	**Net Assets**		**93,803**
7,405	Usable reserves		**11,611**
70,388	Unusable reserves	7	**82,192**
77,793			**93,803**

The unaudited accounts were issued on 27 June 2014 and the audited accounts were authorised for issue on 23 September 2014.

CASH FLOW STATEMENT

2012/13 £'000 Restated		Note	2013/14 £'000
(1,004)	Net (surplus) or deficit on the provision of services		**(12,166)**
(6,046)	Adjust net surplus or deficit on the provision of services for non cash movements	8	**1,036**
(1,239)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	9	**(782)**
(8,289)			**(11,912)**
2,850	Net cash flows from Operating Activities	10a	**2,852**
6,948	Investing Activities	10b	**5,192**
609	Financing Activities	10c	**500**
2,118	Net (increase) or decrease in cash and cash equivalents		**(3,368)**
(2,609)	Cash and cash equivalents at the beginning of the reporting period		**(491)**
(491)	**Cash and cash equivalents at the end of the reporting period**	11	**(3,859)**

STATEMENT OF ACCOUNTING POLICIES

Note1a 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.

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.

Changes to IAS 19:

In June 2011 the International Accounting Standards Board (IASB) issued a new version of IAS 19. This applies to financial years starting on or after 1 January 2013.

The key change is that the interest cost and expected return on asset components of profit are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. An employer can therefore no longer show higher profits where a scheme invests in assets expected to generate higher returns (or lower profits where it invests in assets expected to generate lower returns).

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 accounting changes that will be required by a new standard that has been issued but not yet adopted by the Code.

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policy which will be required from 1 April 2014. The following changes are not considered relevant or material to Babergh's Statement of Accounts:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosures of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 32 Financial Instruments: presentation – offsetting Financial Assets and Financial Liabilities

C General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year ended 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations (England) 2011, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and statutory guidance.

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

The Statement of Accounts was authorised for issue by the Corporate Manager – Financial Services (the Council's Section 151 Officer) on 23 September 2014. Events taking place after this date are not reflected in the Statement of Accounts.

E Housing Revenue Account Self Financing - borrowing

On 28 March 2012 the Council paid the Department for Communities and Local Government £83.6million in relation to the debt taken on as a result of the Housing Revenue Account (HRA) self financing reforms. The accounting entries for this were shown in the Comprehensive Income and Expenditure Statement, and were reversed out through the Movement in Reserves Statement. This self financing transaction was capitalised in line with Section 170 (6) of the Localism Act 2011.

A two pool approach has been selected in line with CIPFA recommendations for the debt split between the HRA and General Fund (GF). All long term loans will be allocated to the HRA provided this remains below the HRA Capital Financing Requirement (CFR). Any short term borrowing during the year will then be allocated between HRA and GF on a proportional basis between the remaining CFRs. Any unfunded CFR then represents the Council's use of cash from cash reserves, revenue balances and cash flow. Any interest on investments will be allocated between the HRA and GF based on reserve balances brought forward from the previous year.

F Joint working with Mid Suffolk District Council (MSDC)

Costs or savings that arose through integration with Mid Suffolk District Council during 2013/14 were shared between the two Councils using an agreed basis determined as part of the 2014/15 budget setting process. All service areas were consulted and a basis was identified for cost sharing for each individual employee.

The basis for cost sharing will be reviewed on an ongoing basis to ensure accuracy.

G Accruals of Income and Expenditure

The Council's financial statements are prepared on an accruals basis. This means that, within material levels, income and expenditure is recognised in the Accounts in the accounting period in which the effect of the relevant transaction takes place and not in the period in which cash is received or paid.

This means that:

- fees, charges and other receipts are accounted for as income at the date the Council provides the relevant good or service.
- goods and services are accounted for as expenditure in the accounting period they are received or consumed.
- where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where the Council is acting as an agent for another party (e.g. in the collection of NDR 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 service.

H Cash and Cash Equivalents

Cash and cash equivalents are 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. They include short term investments in Money Market Funds. At 31 March 2014 the balance on these funds was £1.4 million (nil in 12/13). See Note 11 (Cash Flow Statement) to the Core Statements.

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 an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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. They 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 and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made of leave, e.g. time off in lieu earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out by a credit to the Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. 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 through voluntary redundancy. Costs incurred as a result of the ongoing integration process are charged on an accruals basis to the Integration with Mid Suffolk DC line in the Comprehensive Income and Expenditure Statement 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 attributable defined benefit 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.
- Scheme liabilities are discounted to their value at current prices. The discount rate employed for the 2013/14 accounts is 4.5% which is based on the yield available on long-dated, high quality corporate bonds, as measured by the yield on iBoxx Sterling Corporate Index, AA over 15 years as at the IAS 19 valuation date, with the removal of recently re- rated bonds from the index.
- 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 three main components:

  Service Cost:

    - Current service cost: the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past service cost: the increase in liabilities arising from 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.
    - Net Interest: the changes during the period in the net defined benefit liability that arises through the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

  Re-measurement:

    - Expected return on plan assets excluding net interest: charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
    - 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. These are debited to the Pensions Reserve and shown as Other Comprehensive Income and Expenditure.

Contributions:

- Contributions paid to the Suffolk County Council Pension Fund: cash paid as employer's contributions to the pension fund.

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.

The Council 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.

For more information on Retirement Benefits and IAS19 see Note 16 of the Core Statements.

K Financial Liabilities

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

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

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

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

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 shown 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.

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).

M 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.

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

Capital Grants

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

N 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.

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.

O 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.

P 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.

Q 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 straight line 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.

R 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 2013/14 (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 and
- Non Distributed Costs and Integration with Mid Suffolk DC – 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 and integration costs.

These 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.

S 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.

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
- Housing 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 and the car park surface at North St Sudbury (included within infrastructure) – 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 (by desktop valuations) to ensure that their Balance Sheet value is not materially different from their fair value at the year end, but as a minimum a full valuation is undertaken 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 contains revaluation gains recognised since 1 April 2007. 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:

- 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 loss 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 £10k are categorised as capital receipts. A proportion of receipts relating to housing disposals are 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.

Under the capital finance regulations that came into effect on 31 March 2012, the Council will (having deducted certain permissible amounts) have to surrender Right to Buy (RTB) receipts to the Government. This sum is comprised of two elements, being HM Treasury's share (i.e. the funding HM Treasury was expecting to receive had the policy on Right to Buy not changed) and the funds available to invest in replacement stock by the Council. However, in June 2012 the Council entered into an agreement with the Secretary of State for Communities and Local Government to retain its additional RTB receipts in order to provide replacement homes. If un-spent after three years these will be returned to Central Government with interest. The balance of receipts is required to be credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the HRA 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 quarter following addition and is on a straight line basis.

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.

T Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. The provisions are reviewed annually to ensure that the amounts held on the Balance Sheet represent the best estimates of the expenditure required to settle the obligation.

Provisions for housing rent bad debts, housing benefit overpayments and sundry debtor arrears have been made. A provision has also been made in the Collection Fund for uncollectable Council Taxes and Non Domestic Rates.

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.

U Reserves

The Council sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies (but not contingent liabilities). 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 to the Core Statements.

V Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute (REFCUS) is capital spending that does not result in the creation of an asset for the Council. This has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. The Council meets the cost of this expenditure (REFCUS) 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.

W VAT

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

X Council Tax and Non Domestic Rates (NDR)

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

For billing authorities, the income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to a Collection Fund Adjustment account and is included in the Movement in Reserves Statement.

The cash collected from council tax debtors belongs proportionately to Babergh (the billing authority), Suffolk Police & Crime Commissioner and Suffolk County Council. Therefore, the Council shows in their balance sheet their proportion of council tax debtors and a corresponding creditor showing the amount then owed by the precepting authorities.

In relation to NDR (Business Rates), and the new business rates retention scheme from the 1 April 2013, the cash collected from debtors belongs proportionately to Babergh (the billing authority) 40%, Central Government 50%, and Suffolk County Council 10%. The Council has entered into a Countywide pooling arrangement and also shows in its Balance Sheet the proportion of the business rate levy due to Suffolk County Council and Central Government based upon the actual rates collected above the rates baseline as set by Central Government. The levy is proportionately due to Central Government. Therefore the Council shows a debtor on the balance sheet for the amount due to be paid.

These arrangements replaced the previous business rates arrangements that applied in 2012/13 and required all councils to hand over all business rates income to the Government's national pool. This was then redistributed to councils based on a national formula.

Y Jointly Controlled Operations

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

Note 1b Restated Accounts

There are instances when the prior year's comparative accounts have been restated. Adjustments may occur as a result of a change in accounting policy or the need to re-present figures that relate to the previous year. Other amounts may also be restated to reflect minor presentation changes.

Since the 2012/13 accounts were published, some adjustments have been made as a result of the way Pension Benefits are accounted for and presented under IAS 19. In this year's Statement of Accounts these are recognised under "Restated" headings for 2012/13 in the core accounting statements and in the notes to the accounts.

The overall impact of the restated amounts in 2012/13 comparatives are summarised in the following table and are shown in the Core Statements and Note 16 Pensions.

The maturity structure of fixed rate borrowings shown in note 33 Nature and Extent of Risks Arising from Financial Instruments includes the principal and interest payable over the life of the loans. In the 2012/13 published accounts the amounts for repayments of principal were the only element included in this note. The 2012/13 figures in note 33 have been restated to include the interest payable in addition to the principal.

There are no other prior year restatements in the accounts.

Headings in the accounts which have been restated	Previously Reported £'000	IAS19 Changes £'000	Restated Amounts £'000
Comprehensive Income & Expenditure Statement			
Financing & Investment Income & Expenditure	3,353	374	3,727
Actuarial (gains)/losses on pension assets/liabilities	3,035	(374)	2,661
Cash Flow Statement			
Surplus/Deficit on Provision of Services	(1,378)	374	(1,004)
Adjusted Surplus/Deficit for non cash movements	(5,672)	(374)	(6,046)
Adjustments between accounting basis and funding basis			
Reversal of items relating to post employment benefits (GF)	(1,517)	(300)	(1,817)
Reversal of items relating to post employment benefits (HRA)	(349)	(75)	(424)
Employer's pensions contributions (GF)	1,407	1	1,408

Note 2a Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1a, 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 shown on the following page:

- 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.

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

The financial statements contain 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results different from Assumptions
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. The Depreciation policy is shown in Note 1 at Section S.	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.
Business Rate Appeals	Since the introduction of the business rates scheme on 1 April 2013, local authorities are liable for successful appeals against business rates charged to businesses in 2013/14 and previous financial years. A provision has therefore been made for this based on the valuation office ratings list of appeals and an analysis of successful appeals to date.	This provision is difficult to estimate as the number of successful appeals is unknown, as is the number of businesses likely to appeal against their change in business rates. If underestimated there will be higher write off costs than provided for and this will therefore reduce the income within the collection fund.
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. Hymans Robertson LLP, is engaged to provide the Council with expert advice about the assumptions to be applied. Further information can be found in Note 16.	During 2013/14 the Council's actuaries advised that the net pensions liability had increased by £1.95 million. Further sensitivity analysis on pension liabilities are in Note 1.

Note 3 Adjustments between Accounting Basis and Funding Basis

The table on the next page details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2012/13 Restated	Usable Reserves						
Adjustments Between Accounting Basis and Funding Basis	**General Fund Balance £'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	(1,501)	(2,907)	-	-	-	(4,408)	4,408
Transfer HRA/MRR	-	2,445	(2,445)	-	-	-	-
Reversal of impairment of non-current assets	-	633		-	-	633	(633)
Amortisation of intangible assets	(429)	(61)	-	-	-	(490)	490
Capital grants and contributions that have been applied to capital financing-Note 23	552	24	-	-	-	576	(576)
PWLB loans repaid in the year	-	500	-	-	-	500	(500)
Revenue expenditure funded from capital under statute-Note 23	(700)	-	-	-	-	(700)	700
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	(51)	(1,820)	-	-	-	(1,871)	1,871
Capitalisation of the HRA self financing payment	-	-	-	-	-	-	-
Items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	288	-	-	-	-	288	(288)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	2,445	-	-	2,445	(2,445)
Capital expenditure charged against the General Fund and HRA balances	-	1,843	-	-	-	1,843	(1,843)
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	-	1,039	-	(789)	-	250	(250)
Use of the Capital Receipts Reserve to finance new capital expenditure-note 23	-	-	-	322	-	322	(322)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(8)	-	8	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(231)	-	-	231	-	-	-
Loans repaid	-		-	(38)	-	(38)	38

2012/13 Restated	Usable Reserves						
	General Fund Balance £'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	11	-	-	-	(11)	-	-
Application of grants to capital financing	-	-	-	-	80	80	(80)
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	(17)	189	-	-	-	172	(172)
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)	(1,817)	(424)	-	-	-	(2,241)	2,241
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 16)	1,408	406	-	-	-	1,814	(1,814)
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	-	-	-	-	-	-	-
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)	(4)	-	-	-	(9)	9
Total Adjustments	(2,492)	1,855	-	(266)	69	(834)	834

2013/14	Usable Reserves						
Adjustments Between Accounting Basis and Funding Basis	**General Fund Balance £'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	(1,026)	(2,511)				(3,537)	3,537
Transfer HRA/MRR	-	2,572	(2,572)			-	-
Reversal of impairment of non-current assets	-	8,426				8,426	(8,426)
Amortisation of intangible assets	(311)	(61)				(372)	372
Capital grants and contributions that have been applied to capital financing-Note 23	279	89				368	(368)
PWLB loans repaid in the year	-	500				500	(500)
Revenue expenditure funded from capital under statute-Note 23	(583)	-				(583)	583
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	(140)	(1,845)				(1,985)	1,985
Items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment	400	-				400	(400)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	2,572			2,572	(2,572)
Capital expenditure charged against the General Fund and HRA balances	-	1,996				1,996	(1,996)
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	110	1,519		(1,629)		-	-
Use of the Capital Receipts Reserve to finance new capital expenditure-Note 23	-	-		415		415	(415)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(9)		9		-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(266)	-		266		-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(45)		(45)	45
Loans repaid	-	-		(29)		(29)	29

2013/14	Usable Reserves						
	General Fund Balance £'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	-	-			-	-	-
Application of grants to capital financing					10	10	(10)
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	(13)	-				(13)	13
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)	(1,648)	(478)				(2,126)	2,126
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 16)	1,423	406				1,829	(1,829)
Adjustments involving the Collection Fund Adjustment Account:							
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	132	-				132	(132)
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	2	-				2	(2)
Total Adjustments	(1,641)	10,604	-	(1,013)	10	7,960	(7,960)

Note 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 2013/14.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers in 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers in 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
Slippage Carry Forwards	-	-	(192)	(192)	**192**	**(199)**	**(199)**
Babergh/Mid Suffolk Integration	(736)	203	-	(533)	**234**	**-**	**(299)**
Transformation Fund	-	-	-	-	**-**	**(1,993)**	**(1,993)**
MMI Claims Reserve	(150)	-	-	(150)	**150**	**-**	**-**
Government Grants	(240)	142	(13)	(111)	**6**	**(103)**	**(208)**
New Homes Bonus	(346)	134	(579)	(791)	**1,662**	**(871)**	**-**
Welfare Benefits Reform	(10)	-	(54)	(64)	**-**	**-**	**(64)**
S.106 Agreements	(171)	-	(121)	(292)	**22**	**-**	**(270)**
Recycling Consortium (BDC Share)	(279)	279	(55)	(55)	**55**	**(108)**	**(108)**
Elections Fund	-	-	(20)	(20)	**-**	**(20)**	**(40)**
Green Initiatives	-	-	(25)	(25)	**-**	**-**	**(25)**
Total General Fund	(1,932)	758	(1,059)	(2,233)	**2,321**	**(3,294)**	**(3,206)**
HRA:							
Capital Slippage	-	-	(631)	(631)	**631**	**(2,402)**	**(2,402)**
Strategic Priorities	-	-	(1,163)	(1,163)	**9**	**(1,159)**	**(2,313)**
Total HRA	-	-	(1,794)	(1,794)	**640**	**(3,561)**	**(4,715)**
Total	(1,932)	758	(2,853)	(4,027)	**2,961**	**(6,855)**	**(7,921)**

The earmarked reserves detailed in the table above have been created for the following purposes:

Babergh/Mid Suffolk Integration

Originally established in 2010/11 to fund the cost of the integration and transformation of Mid Suffolk District Council and Babergh District Council. This reserve now only holds funding for the integration programme; the balance has now been transferred to the new Transformation Fund.

Transformation Fund

This fund has been created during 2013/14 to meet part of the costs of the resources that are attributable to transformation and provide ongoing investment. This is to meet costs for developing programmes and projects and detailed business cases for investment. It will be allocated to projects and programmes of activity that demonstrate viable business cases and returns on investment in terms of savings, generating income or improved outcomes in line with strategic priorities.

MMI Claims Reserve

Costs recovered re MMI which the Council has transferred to the Transformation Reserve in 2013/14.

Government Grants

A reserve established for grants committed to future budgeted expenditure.

New Homes Bonus

Additional funding or a 'bonus' for new homes based on 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. The balance on this reserve has been transferred to the Transformation Reserve.

Welfare Benefit Reform

A fund established to help meet the costs of delivering the requirements of the Welfare Reform Act which started to come into effect in April 2013.

Section 106 Agreements

A fund to help meet revenue expenditure requirements for the maintenance of bridges, open spaces and other amenities that comply with the provisions of a S106 agreement with a developer. It should be noted that additional S106 monies are held within capital receipts in advance for use on capital schemes such as play areas and affordable housing (See Note 31 of the Core Statements).

Recycling Consortium

A reserve established to reflect Babergh's share of profits as a result of recycling material processed through the Mason's Recycling Facility.

Elections Fund

A fund established to smooth out election costs incurred every four years.

Green Initiatives

A reserve established to help meet future expenditure on spending priorities relating to small-scale green initiatives.

Section 31 Grant

A reserve created as a result of government funding for small business rate relief to be used for future spending requirements.

HRA Strategic Priorities

A reserve established to help meet future HRA spending priorities.

HRA Capital Slippage

A reserve established to help meet future spending on the HRA Capital programme.

Note 5a Comprehensive Income and Expenditure Statement – Corporate and Democratic Core

Income and Expenditure incurred for the corporate and democratic core relate to Babergh District Council's status as a multifunctional, democratic organisation. They are made up of two parts:

- democratic representation - this includes all aspects of the activities which the elected members are involved in e.g. corporate, service and policy making, governance and representing local interests and
- corporate management – this includes activities that provide the infrastructure for services to be provided and information required for public accountability

Note 5b Comprehensive Income and Expenditure Statement – Non distributed costs

Non distributed costs relate to two main parts:

- retirement benefits - past service costs, and gains and losses on settlements and
- costs of unused shares of assets - this is where there has been reduced activity caused by voluntary competition or the loss of a function or work. These costs cannot be charged to services because they relate to unused capacity such as IT mainframes and integrated systems.

Note 5c Comprehensive Income and Expenditure Statement – Integration with Mid Suffolk District Council

Babergh and Mid Suffolk Integration costs are included as a separate line within the Cost of Services in the Comprehensive Income and Expenditure Statement. The table below shows the full costs incurred which are borne in the proportion 75% to the General Fund and 25% to HRA and are fully funded from earmarked reserves.

	2013/14	2012/13
	£000	£000
Babergh and Mid Suffolk Integration costs - redundancy	**238**	234
Babergh and Mid Suffolk Integration costs - other	**230**	188
REIP Funding	**-**	(22)
Mid Suffolk Share of Costs	**(154)**	(170)
Total	**314**	230

Note 6a Comprehensive Income and Expenditure Statement - Other Operating Expenditure

	2013/14 £000	2012/13 £000
Parish council precepts	**2,240**	2,236
Payments to the Government Housing Capital Receipts Pool	**266**	231
(Gains)/losses on the disposal of non current assets	**366**	841
Total	**2,872**	3,308

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

	2013/14 £000	2012/13 £000 Restated
Interest payable and similar charges	**2,921**	2,934
Net interest on pension liability	**881**	793
Interest receivable and similar income	**(62)**	(78)
Total	**3,740**	3,649

Note 7 Balance Sheet - Unusable Reserves

	Note	31st March 2014 £000	31st March 2013 £000
Revaluation Reserve	7a	**7,836**	2,407
Capital Adjustment Account	7b	**95,960**	87,712
Financial Instruments Adjustment Account	7c	**9**	22
Pensions Reserve	7d	**(21,858)**	(19,909)
Deferred Capital receipts	7f	**211**	256
Collection Fund Adjustment Account	7e	**119**	(13)
Accumulating Compensated Absences Adjustment Account	7g	**(85)**	(87)
Total Unusable Reserves		**82,192**	70,388

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

Note 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 (CAA).

	2013/14 £000	2012/13 £000
Balance at 1 April	**2,407**	2,349
Upward revaluation of assets	**5,665**	630
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**(169)**	(185)
Net surplus on revaluation of assets	**5,496**	445
Difference between fair value depreciation and historical cost depreciation	**(60)**	(55)
Accumulated gains on assets sold or scrapped	**(7)**	(332)
	(67)	(387)
Balance at 31 March	**7,836**	2,407

Note 7b Capital Adjustment Account

The Capital Adjustment Account (CAA) reflects the timing differences arising from the different arrangements for accounting for the consumption of noncurrent assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA 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 CAA contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council. The CAA 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 to the Core Statements provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2013/14 £000	2012/13 £000
Balance at 1 April	**87,712**	**88,143**
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	**(3,537)**	(4,408)
• Amortisation of intangible assets	**(372)**	(490)
• Revenue expenditure funded from capital under statute	**(583)**	(700)
• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**(1,985)**	(1,871)
Reversal of prior year impairments	**8,426**	633
Third Party Loans	**(29)**	(36)
HRA Debt Repayment	**500**	500
Adjusting amounts written out of the Revaluation Reserve	**67**	387
Capital financing applied in the year:		
• Use of Capital Receipts Reserve to finance new capital expenditure	**415**	322
• Use of the Major Repairs Reserve to finance new capital expenditure	**2,572**	2,445
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**368**	576
• Application of grants to capital financing from the Capital Grants Unapplied Account	**10**	80
• Statutory provision for the financing of capital investment charged against the General Fund balance	**400**	288
• Capital expenditure charged against the General Fund/HRA balance	**1,996**	1,843
Balance at 31 March	**95,960**	87,712

Note 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.

	2013/14 £000	2012/13 £000
Balance at 1 April	**22**	(150)
Proportion of premiums incurred in previous financial years to be added to the General Fund Balance in accordance with statutory requirements	**(13)**	(17)
Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account Balance in accordance with statutory requirements	**-**	189
Balance at 31 March	**9**	22

Note 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.

	2013/14 £000	2012/13 £000 Restated
Balance at 1 April	**(19,909)**	(16,821)
Actuarial gains or losses on pensions assets and liabilities	**(1,652)**	(2,661)
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	**(2,126)**	(2,241)
Employer's pensions contributions and direct payments to pensioners payable in the year	**1,829**	1,814
Balance at 31 March	**(21,858)**	(19,909)

Note 7e Collection Fund Adjustment Account

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

	2013/14 £000	2012/13 £000
Balance at 1 April	**(13)**	(13)
The amount by which council tax and non domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rating income calculated for the year in accordance with statutory requirements	**132**	-
Balance at 31 March	**119**	(13)

Note 7f Deferred Capital Receipts

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

	2013/14 £000	2012/13 £000
Balance at 1 April	**256**	8
Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**-**	250
Transfer to the Capital Receipts Reserve upon receipt of cash	**(45)**	(2)
Balance at 31 March	**211**	256

Note 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, e.g. 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 this Account.

	2013/14 £000	2013/14 £000	2012/13 £000
Balance at 1 April		**(87)**	(78)
Settlement or cancellation of accrual made at the end of the preceding year	**87**		
Amount accrued at the end of the current year	**(85)**		
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		**2**	(9)
Balance at 31 March		**(85)**	(87)

Note 8 Cash Flow Statement - Adjustments for non-cash movements

	2013/14 £000	2012/13 Restated £000
Cash flows from operating activities include the following items:		
Depreciation and amortisation	**(3,855)**	(3,780)
Impairment and (downward valuations)/reversals	**8,223**	(560)
(Increase)/decrease in impairment for bad debts	**(255)**	(124)
(Increase)/decrease in creditors	**(573)**	791
Increase/(decrease) in debtors	**(69)**	191
Increase/(decrease) in inventories	**6**	5
Movement on pension liability	**(297)**	(426)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**(1,985)**	(1,884)
Other non-cash items	**(159)**	(259)
Total	**1,036**	(6,046)

Note 9 Cash Flow Statement - Adjustments for investing and financing activities

Cash flows from investing and financing activities include the following items:	2013/14 £000	2012/13 £000
Proceeds from the sale of property, plant and equipment, investment and intangible Assets	**1,620**	1,031
Other items for which the cash effects are investing or financing activities	**(2,402)**	(2,270)
Total	**(782)**	(1,239)

Note 10a Cash Flow Statement - Operating Activities

Cash flows from operating activities include the following items:	2013/14 £000	2012/13 £000
Interest received	**(71)**	(87)
Interest paid	**2,923**	2,937
Total	**2,852**	2,850

Note 10b Cash Flow Statement - Investing Activities

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	**6,562**	6,721
Purchase of short-term investments	**30,800**	21,150
Other payments for investing activities	**20**	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(1,665)**	(781)
Proceeds from short-term and long-term investments	**(29,800)**	(19,650)
Other receipts from investing activities	**(725)**	(575)
Other payments for investing activities	**-**	83
Net cash flows from investing activities	**5,192**	6,948

Note 10c Cash Flow Statement - Financing Activities

	2013/14 £000	2012/13 £000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	**-**	109
Repayments of short-term and long-term borrowing	**500**	500
Net cash flows from financing activities	**500**	609

Note 11 Cash Flow Statement - Cash and Cash Equivalents

	2013/14 £000	2012/13 £000
Bank current accounts	**459**	(920)
Bank Call Account	**2,000**	1,411
Short-term deposits with Money Market Funds	**1,400**	-
Total	**3,859**	491

Note 12 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the 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 Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year.

The income and expenditure of the Council's Divisions recorded in the budget reports for the year are shown in the table below:

Divisional Income and Expenditure	2013/14								
	Housing £000	Communities £000	Economy £000	Environment £000	Corporate Organisation £000	Corporate Resources £000	General Fund Total £000	HRA £000	Total £000
Fees, charges & other service income	(52)	(27)	(799)	(3,188)	(2)	(526)	(4,594)	(15,869)	(20,463)
Government grants	(88)	-	-	-	(15)	(20,287)	(20,390)	(169)	(20,559)
Total Income	(140)	(27)	(799)	(3,188)	(17)	(20,813)	(24,984)	(16,038)	(41,022)
Employee expenses	296	345	2,035	832	171	1,233	4,912	1,670	6,582
Other service expenses	135	893	202	5,063	361	21,069	27,723	5,996	33,719
Support services recharges	45	141	252	269	848	1,106	2,661	596	3,257
Total Expenditure	476	1,379	2,489	6,164	1,380	23,408	35,296	8,262	43,558
Net Expenditure	336	1,352	1,690	2,976	1,363	2,595	10,312	(7,776)	2,536

Divisional Income and Expenditure	2012/13								
	Housing £000	Communities £000	Economy £000	Environment £000	Corporate Organisation £000	Corporate Resources £000	General Fund Total £000	HRA £000	Total £000
Fees, charges & other service income	(67)	(42)	(789)	(3,139)	(3)	(514)	(4,554)	(14,945)	(19,499)
Government grants	(59)	-	-	-	-	(25,684)	(25,743)	(105)	(25,848)
Total Income	(126)	(42)	(789)	(3,139)	(3)	(26,198)	(30,297)	(15,050)	(45,347)
Employee expenses	277	387	1,915	879	319	1,147	4,924	1,706	6,630
Other service expenses	119	1,325	242	5,163	383	27,069	34,301	5,826	40,127
Support services recharges	52	143	255	286	879	1,160	2,775	623	3,398
Total Expenditure	448	1,855	2,412	6,328	1,581	29,376	42,000	8,155	50,155
Net Expenditure	322	1,813	1,623	3,189	1,578	3,178	11,703	(6,895)	4,808

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.

	2013/14	2012/13
	£000	£000
Net expenditure in Divisional analysis	**2,536**	4,808
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	**(8,556)**	(78)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(315)**	(653)
Cost of Services in Comprehensive Income and Expenditure Statement	**(6,335)**	4,077

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.

	2013/14					
	Divisional Analysis £000	Amounts not reported to management £000	Amounts not included in I&E £000	Cost of Services £000	Other £000	Total £000
Fees, charges & other service income	(20,432)	-	343	(20,089)	-	(20,089)
Interest and investment income	(29)	-	29	-	(62)	(62)
Income from council tax	-	-	-	-	(6,609)	(6,609)
Income from business rates	-	-	-	-	(8,489)	(8,489)
Government grants and contributions (incl. £19,650k Housing Benefits)	(20,560)	-	-	(20,560)	(4,484)	(25,044)
Total Income	(41,021)	-	372	(40,649)	(19,644)	(60,293)
Employee expenses incl. Pension adjustments	6,583	(585)	-	5,998	881	6,879
Other services expenses (incl. £19,435k Housing Benefits)	33,373	-	(343)	33,030	-	33,030
Support Service recharges	3,257	-	-	3,257	-	3,257
Depreciation, amortisation and impairment	(2,572)	(8,275)	2,572	(8,275)	-	(8,275)
Interest Payments	2,916	-	(2,916)	-	2,921	2,921
Precepts & Levies	-	-	-	-	2,240	2,240
Business rates tariff payment to Central Government	-	-	-	-	6,936	6,936
Business rates levy	-	-	-	-	203	203
Revenue expenditure funded from capital under statute	-	306	-	306	-	306
Holiday Pay Accrual	-	(2)	-	(2)	-	(2)
Payments to Housing Capital Receipts Pool	-	-	-	-	266	266
(Gain) Loss on Disposal of Fixed Assets	-	-	-	-	366	366
Total Expenditure	43,557	(8,556)	(687)	34,314	13,813	48,127
(Surplus) / Deficit on the Provision of Services	2,536	(8,556)	(315)	(6,335)	(5,831)	(12,166)

	2012/13 Comparative Figures - Restated					
	Divisional Analysis £000	Amounts not reported to management £000	Amounts not included in I&E £000	Cost of Services £000	Other £000	Total £000
Fees, charges & other service income	(19,478)	-	-	(19,478)	-	(19,478)
Interest and investment income	(21)	-	21	-	(78)	(78)
Income from council tax	-	-	-	-	(7,060)	(7,060)
Government grants and contributions (incl. £25,153k Housing Benefits)	(25,848)	-	-	(25,848)	(4,978)	(30,826)
Total Income	(45,347)	-	21	(45,326)	(12,116)	(57,442)
Employee expenses incl. Pension adjustments	6,630	(366)	-	6,264	793	7,057
Other services expenses (incl. £25,048k Housing Benefits)	39,453	-	-	39,453	-	39,453
Support Service recharges	3,398	-	-	3,398	-	3,398
Depreciation, amortisation and impairment	(2,445)	(28)	2,445	(28)	-	(28)
Interest Payments	3,119	-	(3,119)	-	2,934	2,934
Precepts & Levies	-	-	-	-	2,236	2,236
Revenue expenditure funded from capital under statute	-	308	-	308	-	308
Holiday Pay Accrual	-	8	-	8	-	8
Payments to Housing Capital Receipts Pool	-	-	-	-	231	231
(Gain) Loss on Disposal of Fixed Assets	-	-	-	-	841	841
Total Expenditure	50,155	(78)	(674)	49,403	7,035	56,438
(Surplus) / Deficit on the Provision of Services	4,808	(78)	(653)	4,077	(5,081)	(1,004)

Note 13 Officers' Remuneration

The Council has now fully integrated its staff and services with Mid Suffolk District Council. The two Councils' shared senior management team comprises a Chief Executive, four Strategic Directors and six Heads of Service (one left during the year).

Post holders continue to be employed by the Council which employed them prior to the introduction of the shared senior management team. 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

Job Title		Salary, Fees and Allowances £	Expenses/ Benefits in Kind £	Sub Total £	Pension Contribution £	Exit Package £	Total £
Joint Chief Executive	**2013/14**	**112,582**	**2,188**	**114,770**	**20,715**	**-**	**135,485**
Joint Chief Executive	2012/13	110,982	2,728	113,710	19,395	-	133,105
Interim Transformation Director	**2013/14**	**86,000**	**1,010**	**87,010**	**15,824**	**-**	**102,834**
Interim Transformation Director	2012/13	87,040	-	87,040	14,964	-	102,004
Strategic Director (Corporate)	**2013/14**	**77,013**	**2,415**	**79,428**	**14,170**	**-**	**93,598**
Strategic Director (Corporate)	2012/13	78,146	-	78,146	13,306	-	91,452
Corporate Manager - Financial Services	**2013/14**	**77,437**	**485**	**77,922**	**14,248**	**-**	**92,170**
Corporate Manager - Financial Services & Director of Finance	2012/13	77,801	-	77,801	13,441	-	91,241
Interim Head of Programme Delivery	**2013/14**	**22,683**	**321**	**23,004**	**4,174**	**57,908**	**85,086**
Interim Head of Programme Delivery	2012/13	69,222	-	69,222	11,841	-	81,063
Corporate Manager Asset Management	**2013/14**	**68,160**	**2,805**	**70,965**	**12,541**	**-**	**83,506**
Corporate Manager Asset Management & Head of Contract and Asset Management	2012/13	70,037	-	70,037	11,841	-	81,877
Head of Corporate Organisation	**2013/14**	**57,251**	**463**	**57,714**	**10,534**	**-**	**68,248**
Head of Corporate Organisation	2012/13	56,826	-	56,826	9,788	-	66,614
TOTAL	**2013/14**	**501,126**	**9,687**	**510,813**	**92,206**	**57,908**	**660,927**
	2012/13	550,053	2,728	552,781	94,575	-	647,357

A senior employee, for the additional disclosure, is the head of the paid service. A statutory chief officer is anybody who has power to direct or control the major activities of the body. This has been interpreted as the senior management team. The table above shows the full costs of Babergh employees who met this definition. These costs are shared with Mid Suffolk District Council under the integration arrangements, as explained below.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts shown in Table 2 below.

These numbers relate solely to those staff directly employed by the Council and exclude any officers who received more than £50,000 from Mid Suffolk District Council and whose costs may have been shared between the two Councils.

Table 2 Remuneration band	2013/14 Number of employees	2012/13 Number of employees
£50,000 - £54,999	**2**	3
£55,000 - £59,999	**0**	1
TOTAL	**2**	4

The pay bands disclosed are not index linked, unlike individuals' pay that is subject to annual pay awards. The bands have therefore remained unchanged at this level since they were introduced in the Accounts and Audit Regulations 2003.

Details of the total costs of the shared management team (inclusive of salary and expense payments made, as well as pension fund contributions) are set out in the table below. Seven of the senior management team were employed by Mid Suffolk District Council and their remuneration, in the format of Table 2 above, is disclosed in that Council's Statement of Accounts. Table 3 below sets out how Mid Suffolk reimburses Babergh for its 50% share of these costs for the relevant period in 2013/14. In addition other transactions are disclosed in Note 17, Related Parties.

The amounts shown in Table 3 below (relating to Babergh employees) are different to those included in the senior officers' remuneration (Table 1 on the previous page) as they include employers National Insurance contributions.

The shared senior management posts were first appointed part way through 2011/12 with corporate manager appointments following in July 2012. Therefore, the totals shown for 2012/13 only reflect costs for the 9 months since their appointments. The amounts shown in 2013/14 are for the full year, so direct comparisons are not really possible.

Table 3 Shared Management Costs	2013/14 Expenditure by Babergh £	2013/14 Expenditure by MSDC £	2012/13 Expenditure by Babergh £	2012/13 Expenditure by MSDC £
Senior Management				
Chief Executive	**148,916**	**-**	146,394	-
Strategic Director Corporate	**101,996**	**-**	99,799	-
Acting Strategic Director People	**-**	**-**	-	13,734
Strategic Director People	**-**	**96,815**	-	86,820
Strategic Director Place	**-**	**102,516**	-	94,862
Interim Strategic Director Transformation	**112,507**	**-**	122,495	-
Interim Head of Programme Delivery	**29,609**	**-**	88,373	-
Head of Corporate Organisation	**73,918**	**-**	72,172	-
Head of Corporate Resources	**-**	**85,744**	-	84,255
Head of Communities	**-**	**74,573**	-	73,019
Head of Economy	**-**	**74,848**	-	74,007
Head of Environment	**-**	**92,730**	-	93,478
Head of Housing	**-**	**74,060**	-	73,424
Senior Management - Total Expenditure	**466,946**	**601,286**	529,233	593,599
Corporate Managers	**1,212,631**	**820,125**	870,615	596,631
Total Expenditure	**1,679,577**	**1,421,411**	1,399,848	1,190,230
Net Adjustment between Councils	**(129,083)**	**129,083**	(69,004)	69,004
Total	**1,550,494**	**1,550,494**	1,330,844	1,259,234

Termination Benefits

Approval was given by the Council in 2012/13 to requests by 10 members of staff for voluntary redundancy in 2013/14. £207k was provided for these in 2012/13. An additional 8 requests were approved in 2013/14 and the estimated cost for these has been recognised in 2013/14.

Table 4	2013/14				2012/13			
Exit packages Voluntary Redundancies	Number of employees	Redundancy Costs £	Pension Contribution £	Total £	Number of employees	Redundancy Costs £	Pension Contribution £	Total £
£0 - £19,999	**9**	**91,146**	**3,185**	**94,331**	6	67,533	2,565	70,098
£20,000 - £39,999	**8**	**192,812**	**43,184**	**235,996**	3	91,173	3,312	94,485
£40,000 - £59,999	**1**	**57,908**	**-**	**57,908**	-	-	-	-
£60,000 - £79,999	**0**	**-**	**-**	**-**	2	63,552	76,572	140,124
£80,000 - £99,999	**0**	**-**	**-**	**-**	1	34,694	60,285	94,979
£100,000 - £149,999	**0**	**-**	**-**	**-**	1	33,056	77,825	110,881
TOTAL	**18**	**341,866**	**46,369**	**388,235**	13	290,008	220,559	510,567
Provisions		**-**	**-**	**-**	10	164,449	42,138	206,587
TOTAL	**18**	**341,866**	**46,369**	**388,235**	23	454,457	262,697	717,154

As part of the integration with MSDC it has been agreed that the costs for 2013/14 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 2013/14	Number of employees Babergh	Number of employees MSDC	Total Expenditure Babergh £	Total Expenditure MSDC £
£0 - £19,999	9	7	94,331	74,865
£20,000 - £39,999	8	7	235,996	205,065
£60,000 - £79,999	1	1	57,908	44,401
TOTAL	18	15	388,235	324,331
Net Adjustment between Councils			(31,952)	31,952
TOTAL			356,283	356,283

Note 14 Members' Allowances

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

	2013/14	2012/13
	£000	£000
Allowances	203	205
Expenses	22	22
Total	225	227

Note 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.

	2013/14 £000	2012/13 £000 Restated
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	**64**	64
Fees payable to the Audit Commission in respect of statutory inspections	**1**	1
Fees payable to BDO for the certification of grant claims and returns for the year	**25**	47
Total	**90**	112

Note 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 pension liabilities with investment assets.

Transactions relating to post employment benefits

The Council recognises 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	
	2013/14 £000	**2012/13 £000 Restated**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	**1,234**	1,064
Past Service cost/(gain) including curtailments	**11**	384
Financing and Investment Income and Expenditure		
Net interest expense	**881**	793
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,126**	2,241
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Changes in demographic assumptions	**(1,363)**	not available
Changes in financial assumptions	**(2,024)**	not available
Other experience	**4,703**	not available
Return on assets excluding amounts included in net interest	**(2,968)**	not available
	(1,652)	(2,661)
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 with the Code	**(2,126)**	(2,241)
Actual amount charged against the General Fund Balance for		
Employers' contributions payable to scheme	**(1,829)**	(1,814)

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	2013/14 £000	2012/13 £000 Restated
Opening balance 1 April	**(73,370)**	(63,511)
Current service cost	**(1,234)**	(1,063)
Interest cost	**(3,277)**	(3,037)
Contributions by scheme participants	**(324)**	(341)
Remeasurement actuarial gains and (losses): -		
Changes in demographic assumptions	**(1,363)**	-
Changes in financial assumptions	**(2,024)**	(7,387)
Other experience	**4,703**	95
Settlements and curtailments	**(11)**	(384)
Benefits paid	**2,565**	2,258
Closing balance at 31 March - Liabilities	**(74,335)**	(73,370)

Reconciliation of the movements in fair value of the scheme assets:

	Local Government Pension Scheme	
	2013/14 £000	2012/13 £000 Restated
Opening fair value of scheme assets 1 April	**53,462**	46,690
Interest income	**2,396**	2,244
Remeasurement actuarial gains and (losses): -		
Return on plan assets (excluding net interest)	**(2,968)**	4,631
Employer contributions	**1,829**	1,814
Contributions from employees into the scheme	**324**	341
Benefits paid	**(2,565)**	(2,258)
Closing fair value of scheme assets	**52,478**	53,462
Net liability arising from defined benefit obligations (as per the Balance Sheet)	**(21,857)**	(19,908)

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 (£617k) (2012/13 £6,646k).

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The net liability of £21,857k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit will be made good by increased contributions over the remaining working life of employees (i.e., 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.

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at a constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 are £1,851k. This includes a contribution of £1m towards the Council's pension fund deficit.

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 LLP, 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 2013.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2013/14	**2012/13**
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	**22 years**	21 years
Women	**24 years**	23 years
Longevity at 65 for future pensioners:		
Men	**24 years**	24 years
Women	**27 years**	26 years
Rate of increase in salaries	**4.6%**	5.1%
Rate of increase in pensions	**2.8%**	2.8%
Rate for discounting scheme liabilities	**4.3%**	4.5%
Take-up of option to convert annual pension into retirement lump sum	**25.0%**	25.0%

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

Under IAS1 the Council is required to disclose a sensitivity analysis of the results to the methods and assumptions used. 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%**	**6,475**
1 year increase in member life expectancy	**3%**	**2,230**
0.5% increase in the Salary Increase Rate	**2%**	**1,629**
0.5% increase in the Pension Increase Rate	**6%**	**4,778**

Local Government Pension Scheme assets comprised of:

	Fair Value of Scheme Assets			
	Quoted prices in active markets 2013/14 £000	Quoted prices not in active markets 2013/14 £000	Quoted prices in active markets 2012/13 £000	Quoted prices not in active markets 2012/13 £000
Cash and Cash Equivalents	**357**	**-**	584	-
Equity Instruments (by industry)				
Consumer	**4,557**	**-**	4,448	-
Manufacturing	**2,774**	**-**	2,836	-
Energy & Utilities	**2,063**	**-**	2,263	-
Financial Institutions	**3,103**	**-**	2,959	-
Health & Care	**1,962**	**-**	1,813	-
Information Technology	**1,062**	**-**	1,060	-
Other	**1,076**	**-**	891	-
	16,597	**-**	16,270	-
Bonds (by sector)				
Corporate Bonds (investment grade)	**7,199**	**-**	7,543	-
UK Government	**1,039**	**-**	1,114	-
Other	**2,088**	**-**	2,268	-
	10,326	**-**	10,924	-
Private Equity				
All	**-**	**1,811**	-	2,206
Property				
UK Property	**-**	**5,271**	-	4,714
Other Investment Funds				
Equities	**11,164**	**-**	11,648	-
Hedge Funds	**1,913**	**-**	2,008	-
Infrastructure	**-**	**842**	-	500
Other	**3,291**	**906**	3,307	187
	16,368	**1,748**	16,963	687
Derivatives				
Foreign Exchange	**-**	**-**	1,114	-
Total Assets	**43,648**	**8,830**	45,855	7,607

Note 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 (e.g. 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 2014 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 2013/14 is shown in Note 14.

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.

Sudbury Citizens Advice Bureau

The Council provided a grant of £51,900 (2012/13 £51,900) to Sudbury Citizens Advice Bureau (CAB) during the year and also contracted them to provide housing debt advice for the sum of £7,365 (2012/13 £7,292). Councilor 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.

Shared Revenues Partnership

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 £1.36m in 2013/14 (£1.44m in 2012/13).

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. The integrated senior management team, including Strategic Directors, Heads of Service and Corporate Managers, has been established to work across the two councils. Integrated Operational Delivery teams are also in place.

Further details of the cost sharing can be seen in Note 13, Officers' Remuneration.

There continues to be two separate groups of Members as the Councils remain two separate legal entities.

Suffolk County Council and Police and Crime Commissioner

The council pays precepts for Council Tax to Suffolk County Council, the Police and Crime Commissioner and various parish councils. The council also pays a share of business rates to the county council. Details of these transactions are given in Notes 5 and 6 to the Collection Fund.

During the year transactions with the various related parties shown below were as follows:

	2013/14 £000	2012/13 Restated £000
South Suffolk Leisure Trust		
Revenue and capital transactions	**585**	2,581
Grants & Contributions to Parish Councils, Community Councils, Village Halls and Theatres	**136**	384
	721	2,965

The higher capital expenditure in 2012/13 was to extend the Hadleigh swimming facilities to an enhanced leisure centre.

Note 18 Events after the Balance Sheet Date

The audited Statement of Accounts was authorised for issue by the Corporate Manager – Financial Services on 23 September 2014.

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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 19 Leases

The Council as Lessee

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. All of the finance leases ended on 31 March 2014. For 2012/13, 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 2014 £000	31 March 2013 £000
Council Dwellings (central heating systems)	-	77
Vehicles, Plant, Furniture and Equipment (wheeled bins)	-	77
	-	154

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

	31 March 2014 £000	31 March 2013 £000
Finance lease liabilities (net present value of minimum lease payments):		
Current	-	109
Finance costs payable in future years	-	28
Minimum lease payments	-	137

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

	Minimum Lease		Finance Lease	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Not later than one year	-	28	-	109
	-	28	-	109

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 years are:

	31 March 2014 £000	31 March 2013 £000
Not later than one year	**18**	23
Later than one year and not later than five years	**30**	39
Later than five years	**18**	21
	66	83

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

	2013/14 £000	2012/13 £000
Minimum lease payments - General Fund	**10**	42
Minimum lease payments - Housing Revenue Account	**9**	9
	19	51

The Council as Lessor

Finance Leases

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

Operating Leases

The Council leases out land and buildings 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 net book value of the assets leased at 31 March 2014 was £1,869k.

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

	31 March 2014 £000	31 March 2013 £000
Not later than one year	**126**	108
Later than one year and not later than five years	**276**	272
Later than five years	**2,044**	2,108
	2,446	2,488

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.

Note 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 £371k charged to revenue in 2013/14 was charged to the ICT 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:

	2013/14 £000	2012/13 £000
Balance at start of year:		
• Gross carrying amount	**3,608**	3,742
• Accumulated amortisation	**(2,991)**	(2,750)
Net carrying amount at start of year	**617**	992
Additions:		
• Purchases	**407**	125
Disposals	**-**	(4)
Amortisation for the period	**(371)**	(490)
Other changes	**(1)**	(6)
Net carrying amount at end of year	**652**	617
Comprising		
• Gross carrying amount	**4,015**	3,608
• Accumulated amortisation	**(3,363)**	(2,991)
	652	617

Note 21 Property, Plant and Equipment

Movements on Balances in 2013/14 and values at 31 March 2014 are shown below. Comparative figures for 2012/13 are shown on the subsequent pages.

	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 2013	160,112	19,012	5,299	1,670	835	2,195	49	189,172
Additions	4,315	1,031	590	1	1	-	4	5,942
Revaluation increases and (decreases) recognised in the Revaluation Reserve	3,465	2,268	-	-	-	(11)	-	5,722
Revaluation increases and (decreases) recognised in the Surplus/Deficit on the Provision of Services	4,440	(137)	(2)	-	-	(65)	-	4,236
Derecognition - Disposals	(2,212)	(84)	(527)	-	-	-	-	(2,823)
Derecognition - Other								-
Assets reclassified (to)/from Assets Under Construction	49	-	-	-	-	-	(49)	-
Other movements in Cost or Valuation	106	(82)	-	-	-	(24)	-	-
At 31 March 2014	170,275	22,008	5,360	1,671	836	2,095	4	202,249

	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 2013	(685)	(511)	(3,469)	(868)	-	(64)	-	(5,597)
Depreciation charge	(2,400)	(497)	(520)	(51)	-	(16)	-	(3,484)
Depreciation written out to the Surplus/Deficit on the Provision of Services:	3,987	-	-	-	-	-	-	3,987
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,282)	1,007	-	-	-	49	-	(226)
Derecognition - Disposals	375	-	463	-	-	-	-	838
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	(1)	-	-	-	-	-	-	(1)
At 31 March 2014	(6)	(1)	(3,526)	(919)	-	(31)	-	(4,483)
Net Book Value At 31 March 2014	170,269	22,007	1,834	752	836	2,064	4	197,766

Comparative Movements in 2012/13:

	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 2012	160,703	17,106	4,814	1,569	816	2,217	707	187,932
Additions	4,179	337	265	101	19	-	1,978	6,879
Revaluation increases and (decreases) recognised in the Revaluation Reserve	(1)	33	-	-	-	320	-	352
Revaluation increases and (decreases) recognised in the Surplus/Deficit on the Provision	(2,472)	(738)	(6)	-	-	(22)	-	(3,238)
Derecognition - Disposals	(2,342)	(55)	-	-	-	(320)	-	(2,717)
Derecognition - Other	-	-	(28)	-	-	-	(8)	(36)
Assets reclassified (to)/from Assets Under Construction	-	2,374	254	-	-	-	(2,628)	-
Other movements in Cost or Valuation	45	(45)	-		-	-	-	-
At 31 March 2013	160,112	19,012	5,299	1,670	835	2,195	49	189,172

	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 2012	(1,817)	(249)	(3,018)	(825)	-	(48)	-	(5,957)
Depreciation charge	(2,303)	(448)	(480)	(43)	-	(16)	-	(3,290)
Depreciation written out to the Surplus/Deficit on the Provision of Services:	2,581	97	-	-	-	-	-	2,678
Impairment losses/(reversals) recognised in the Revaluation Reserve	6	87	-	-	-	-	-	93
Derecognition - Disposals	849	1	-	-	-	-	-	850
Derecognition - Other	-	-	29	-	-	-	-	29
Other movements in Depreciation and Impairment	(1)	1	-	-	-	-	-	-
At 31 March 2013	(685)	(511)	(3,469)	(868)	-	(64)	-	(5,597)
Net Book Value								
At 31 March 2013	159,427	18,501	1,830	802	835	2,131	49	183,575

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £1,139k. Similar commitments at 31 March 2013 were £1,681k. The major commitments (over £50k) are:

• Central Heating (HRA)	£260k
• Door & Window Replacement (HRA)	£184k
• Roofing (HRA)	£94k
• Renovation Grants Approved	£150k
• Major Refurbishment - Stutton	£12k
• Hadleigh Community Facilities (GF)	£10k
• Kitchen Improvements (HRA)	£429k
	£1,139k

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 for Housing Revenue Account properties and a full valuation of General Fund properties on 1 April 2014. The significant increase in the value of council dwellings in the year reflects the general recovery in housing market during 2013/14.

The next full valuation for Housing Revenue Account properties is due on 31 March 2015 and for General Fund Properties on 1 April 2019.

	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			5,360	1,671	-	-	4	**7,035**
Value at fair value as at:								
31 March 2014	170,275	22,008	-	-	-	2,095	-	**194,378**
1 April 2012	-	-	-	-	179	-	-	**179**
31 March 2011	-	-	-	-	657	-	-	**657**
Total Cost or Valuation	**170,275**	**22,008**	**5,360**	**1,671**	**836**	**2,095**	**4**	**202,249**

Note 22 Impairment Losses

The District Valuer's valuation at 1 April 2013 and 1 April 2014 resulted in the net reversal of prior and current year impairments of £8,222k. This is reflected in both General Fund and Housing Revenue Account and in the Comprehensive Income and Expenditure Statement.

Note 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.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**94,424**	92,846
Capital investment		
Property, Plant and Equipment	**5,942**	6,879
Intangible Assets	**407**	125
Revenue Expenditure Funded from Capital under Statute	**583**	701
Mortgages/Loans	**20**	-
Sources of finance		
Capital receipts	**(415)**	(322)
Government grants and other contributions	**(378)**	(655)
Sums set aside from revenue:		
Direct Revenue Contributions	**(1,996)**	(1,843)
Major Repairs Reserve	**(2,572)**	(2,445)
Minimum Revenue provision for the repayment of debt	**(400)**	(288)
Repayment of Borrowing	**(500)**	(500)
(Impairment) / Impairment Reversal of HRA Assets	**(151)**	(74)
Closing Capital Financing Requirement	**94,964**	94,424
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	**940**	1,866
Minimum Revenue provision for the repayment of debt	**(400)**	(288)
Increase/(decrease) in Capital Financing Requirement	**540**	1,578

Note 24 Assets Held for Sale

There are no assets held for sale to be recognised in the accounts.

Note 25 Inventories

	Consumable Stores	
	2013/14 £000	2012/13 £000
Opening Balance	**49**	44
Purchases	**88**	79
Recognised as an expense in the year	**(82)**	(74)
Balance outstanding at year-end	**55**	49

Note 26 Debtors

	31 March 2014 £000	31 March 2013 Restated £000
Central government bodies	**707**	1,483
Other local authorities	**607**	659
Other entities and individuals	**2,309**	1,879
Total	**3,623**	4,021

Note 27 Creditors

	31 March 2014 £000	31 March 2013 Restated £000
Central government bodies	**1,049**	450
Other local authorities	**1,168**	928
Other entities and individuals	**3,914**	4,174
Total	**6,131**	5,552

Note 28 Provisions

Provisions during 2013/14 are shown below:

	Balance at 1 April 2013 £000	Used in 2013/14 £000	Additional provisions made in 2013/14 £000	Balance at 31 March 2014 £000
BMI Integration	**220**	(220)	-	**-**
Outstanding Legal Cases	**151**	-	-	**151**
External Audit	**34**	(34)	-	**-**
Land Charges Costs	**30**	(17)	-	**13**
MMI Levy	**50**	(50)	50	**50**
NDR Appeals	**-**	-	430	**430**
Total	**485**	**(321)**	**480**	**644**

BMI Integration - The use of this provision reflects Babergh's share of the total estimated redundancy costs, including employees leaving Mid Suffolk. See Note 13 (Officer's Remuneration).

Outstanding Legal Cases & MMI Levy - Relate to MMI case. See also Note 29 (Contingent Liabilities).

Land Charges - See also Note 29 (Contingent Liabilities).

NDR Appeals – The Local Government Finance Act 2012 introduced a business rates retention scheme that enables local authorities to retain a portion of the business rates generated in their area. These arrangements came into effect on 1 April 2013. As part of this process each local authority has assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid over in respect of 2012/13 and prior years to Central Government.

Therefore, the Council is required to make a provision for its share, which is 40%, of this liability. The Council estimates that its share of the estimated outstanding appeals as at 31 March 2013 that will be successful is £310k, as well as an estimated further £120k of appeals in relation to 2013/14, resulting in an overall provision of £430k. These appeals are chargeable to the Collection Fund, and legislation enables the cost to the Collection Fund of the £310k provision for 2012/13 and prior years to be spread over 5 financial years from 2013/14 to 2017/18.

The Council engaged Wilks, Head and Eve to undertake a review of the Council's position in order to arrive at the reported provision value which has taken account of the value of appeals and an analysis of successful appeals.

Note 29 Contingent Liabilities

The Council has recognised two contingent liabilities at 31 March 2014. These are as follows:

Municipal Mutual Insurance (MMI)

In 1992 Municipal Mutual Insurance (MMI), one of the Council's insurers at the time stopped accepting new business. MMI and its policy holders, including local authorities, organised a scheme of arrangement which provided for the company to be wound up in an orderly manner in the event that there was a shortfall in the amount of assets held by MMI. Under the scheme of arrangement MMI could claim back from its major policy holders part of any claims which it had paid them from 1 October 1993 onwards by way of a levy.

Following a meeting of the Board of Directors of MMI on 13 November 2012, MMI wrote to its policy holders to advise that the Board had decided to trigger the scheme of arrangement and control of the company then passed to the administrators, Ernst and Young. Ernst and Young have advised that they intend to make an initial levy of 15% of claims paid since October 1993. In addition, any future claims that it settles on behalf of MMI will also be subject to a 15% reduction, with the shortfall being met by the respective policyholders.

The initial levy of 15%, totaling £50k, was paid by the Council in February 2014. Ernst and Young have indicated that the amount of the levy may be subject to further revision in future and could potentially increase to 30%.

Future payments can be fully met by the Council's reserves. The timing of any further payment is unknown and there is no possibility of any reimbursement.

Local Land Charges Act 1975

Both Babergh & Mid Suffolk District Councils are defendants in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Councils to access land charges data. These are known as the "Tinkler claims". The majority of claims have now been settled, totaling £17k including interest. Further legal costs will be incurred to complete all the legal work in connection with these claims, but it is hoped that all payments will be made by July 2014. A provision to cover these expenses had been made from a contribution received from the Government.

A second group of Property Search Companies are also seeking to claim refunds against the Council although no proceedings have yet been issued. These are known as the "APPS Claimants". The likely liability in relation to these claims will be in the region of £66k plus interest and legal costs, although exact amounts are currently unknown. It is unlikely that the APPS claims will be settled for some time.

It is also possible that additional Property Search claimants may come forward to submit claims for refunds against the Council, but none have been intimated at present.

NNDR Appeals

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end on known appeals. It is not possible to produce a sufficiently reliable estimate of other appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

Note 30 Contingent Assets

No contingent assets have been identified.

Note 31 Taxation and Non-Specific Grant Income and Expenditure

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

	2013/14 £000	2012/13 £000
Credited to Taxation and Non-Specific Grant Income and Expenditure		
Revenue Grants and Contributions		
Council Tax Income	**(6,742)**	(7,059)
Non-Domestic Rates Payable to Central Government (Tariff)	**6,936**	-
Non-Domestic Rates Levy Payable	**203**	-
Non-Domestic Rates Income	**(8,489)**	(4,010)
Revenue Support Grant	**(2,307)**	(80)
Council Tax Freeze & Transition Grant	**(226)**	(116)
LCTS Support & S31 Grants	**(855)**	-
New Homes Bonus	**(871)**	(579)
Total Revenue Grants	**(12,351)**	(11,844)
Capital Grants and Contributions		
Energy Saving Trust	**-**	(24)
Suffolk County Council - Waste Reduction Scheme	**-**	(109)
Disabled Facilities Grant	**-**	(8)
Haven Gateway Partnership	**-**	(3)
S106 Contributions	**(3)**	(50)
Home & Communities Agency	**(89)**	-
Total Capital Grants	**(92)**	(194)
Total	**(12,443)**	(12,038)

Grants and Contributions Credited to Services	2013/14 £000	2012/13 £000 Restated
HB Subsidy & Admin Grant	**(20,102)**	(25,650)
Various DWP	**(39)**	(108)
New Burdens	**(63)**	(13)
Disabled Facilities Grant	**(227)**	(279)
S106 Contributions	**(63)**	(109)
Elections S 31 Grant	**(15)**	-
Haven Gateway Partnership	**-**	(4)
RIEP funding for Integration with MSDC	**-**	(22)
Transformational Challenge Award	**(83)**	-
Homelessness Private Sector	**(38)**	(9)
Homelessness Initiative	**(50)**	(50)
Other	**-**	(5)
Total	**(20,680)**	(26,249)

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:

	31 March 2014 £000	31 March 2013 £000
Capital Grants and Contributions Receipts in Advance		
S106 Contributions	**(1,857)**	(1,267)
Total	**(1,857)**	(1,267)

Note 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 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000 Restated
Investments				
Loans and receivables	**-**	-	**4,505**	3,504
Cash and cash equivalents	-	-	**3,858**	491
Total investments	**-**	-	**8,363**	3,995
Debtors				
Loans and receivables	**325**	333	**2,389**	1,852
Total debtors	**325**	333	**2,389**	1,852
Borrowings				
Financial liabilities at amortised cost	**(87,797)**	(88,297)	**(553)**	(555)
Total borrowings	**(87,797)**	(88,297)	**(553)**	(555)
Finance lease liabilities				
Finance lease liabilities	**-**	-	**-**	(109)
Finance lease liabilities	**-**	-	**-**	(109)
Creditors				
Financial liabilities at amortised cost	**-**	-	**(2,389)**	(3,684)
Total creditors	**-**	-	**(2,389)**	(3,684)

The table on the next page shows the sundry debtor amounts that are past their due date and for which the Council expects to receive payment.

	Long-term		Current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Loans and receivables				
2009/10 and earlier	-	-	**34**	33
2010/11	-	-	**3**	9
2011/12	-	-	**3**	7
2012/13	-	-	**6**	68
2013/14	-	-	**150**	-
Total Debtors	-	-	**196**	117

Fair Values of Assets and Liabilities

Financial liabilities and financial assets 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.

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 2014 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	Fair Value £000	Exposure to Credit Risk £000
Total short-term investments *	4,505	4,505	-
Cash and cash equivalents	3,859	3,859	-
Short-term borrowing (at cost)	(553)	(553)	-
Long-term borrowing (at cost)	(87,797)	(88,889)	-
Sundry debtors	787	787	(15)
Trade creditors	(2,389)	(2,389)	-

* 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.

Note 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 Services, and complies with the Prudential Code of Capital Finance for Local Authorities. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Treasury activities, including risk management, are carried out by the Corporate Manager – Financial Services 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 £3m in banks within the same group ownership, which 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 £8,363k 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 2014 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 2014 £000	31 March 2013 £000 Restated
Less than one year	**3,383**	3,396
Between one and two years	**3,370**	3,383
Between two and five years	**10,036**	10,074
Between five and ten years	**15,066**	15,603
Between ten and twenty years	**59,585**	60,744
More than twenty years	**51,833**	53,469
	143,273	146,669

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 2013/14 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

2012/13 Restated £'000		HRA Note	2013/14 £'000
	Income		
	Gross Rental Income:		
14,172	- Dwelling Rents	2	**15,114**
261	- Non-Dwelling Rents		**247**
597	Charges for Services and Facilities	3	**597**
127	Contributions towards expenditure		**130**
29	Other Income		**5**
15,186			**16,093**
	Expenditure		
	Repairs, Maintenance and Management:		
2,350	- Repairs and Maintenance		**2,558**
2,341	- Supervision and Management		**2,308**
33	Rents, rates and other charges		**54**
(28)	Negative Subsidy payable to / (refund) from the Secretary of State	12	**-**
	Sums Directed By Secretary of State that are expenditure in accordance with IFRS (the Code)		
58	Increase / (decrease) in Bad Debt Provision		**99**
	Depreciation of Non-current Assets:		
2,303	- Dwellings	11	**2,399**
142	- Other Assets	11	**173**
610	Impairment of HRA Assets (see Note 22 to main accounts)	11	**12,550**
(638)	Reversal of Impairments charged to Income and Expenditure in prior years	11	**(20,825)**
20	Debt Management Costs	9	**19**
7,191			**(665)**
(7,995)	**Net Cost/(Surplus) - HRA Services included in the Comprehensive Income and Expenditure Account**		**(16,758)**
327	- HRA share of Corporate and Democratic Core contribution		**351**
162	- HRA share of other amounts included in Net Cost of Services but not allocated to specific services		**98**
(7,506)	**Net Cost (Surplus) of HRA Services**		**(16,309)**
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
789	- (Gains)/losses on the disposal of non current assets	6	**335**
2,930	- Interest payable and similar charges	9	**2,916**
(21)	- Interest receivable and similar income		**(29)**
159	- Net interest on the net pension liability	13	**176**
(3,649)	**Net Increase before Transfers to Reserves**		**(12,911)**
1,855	Adjustments between accounting basis and funding basis under regulations (Note 3 to the Core Statements)		**10,604**
(1,794)	**Surplus for the Year**		**(2,307)**
1,794	Transfer to/(from) Earmarked Reserves	16	**2,921**
(1,614)	**HRA Balance brought forward**		**(1,614)**
(1,614)	**HRA Balance carried forward (Surplus)**		**(1,000)**

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 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 was paid to the Department of Communities and Local Government (CLG) in 2012/13 to release the Council from the previous subsidy system. The payment has been financed by four long term loans from the Public Works Loan Board (PWLB).

Note 2 Dwelling Rents

	2013/14	2012/13
The account shows the rent due in the year after allowing for voids and other losses in collection.		
Average rent per week	**£83.19**	£79.15
Rent arrears at 31 March (£'000)	**£303k**	£400k
Rent arrears at 31 March as % of the gross rent collectable	**1.9%**	2.6%
Provision for bad debts at 31 March (£'000)	**£201k**	£145k

Note 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.

Note 4 Housing Stock

	2013/14	2012/13
The stock of dwellings has changed as follows:		
Opening stock of dwellings	**3,471**	3,481
Add: additions/conversions	**1**	1
Less: sales - Right to Buy (RTB)	**(20)**	(11)
Closing stock of dwellings	**3,452**	3,471
Analysis of closing stock numbers:		
Houses and Bungalows	**2,814**	2,832
Flats	**638**	639
	3,452	3,471
In addition the Council owns a 50% share of 3 shared ownership properties		

Note 5 Capital Receipts – Disposal of Council Dwellings

	2013/14	2012/13
Capital receipts from sales of council houses are summarised as follows:		
- Number of disposals	**20**	11
	£'000	**£'000**
- Value of disposals	**£ 992**	£ 689

Note 6 Gains / 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.

	2013/14 £'000	2012/13 £'000
Cost of selling Council Houses	**9**	8
Derecognised Components	**845**	978
Other Housing Fixed Assets	**(519)**	(197)
(Profit) / loss on disposal of Housing Fixed Assets	**335**	789

Note 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:	2013/14 £'000	2012/13 £'000 Restated
Balance at 1 April	-	-
Contribution from HRA - Depreciation	(2,511)	(2,445)
Capital Financing - dwellings	2,572	2,445
Amortisation of Intangible Fixed Assets	(61)	-
Balance at 1 April	-	-

Note 8 Capital Expenditure

Capital expenditure and how it has been financed is shown below:	2013/14 £'000	2012/13 £'000
Dwellings	4,402	4,179
Other (including IT Infrastructure)	393	307
	4,795	4,486
Financed by:		
Useable Capital Receipts	138	174
Revenue Contributions	1,365	1,843
Major Repairs Reserve	2,572	2,445
Contributions	89	24
HRA Reserves	631	-
	4,795	4,486

Note 9 Capital Related Charges

	2013/14 £'000	2012/13 £'000
Depreciation Charge	2,572	2,445
Debt Management Expenses	19	20
Interest Payable	2,916	2,930
Transfer to capital financing account via Major Repairs Reserve	(2,572)	(2,445)

Note 10 Fixed Assets

	31 March 2014 £'000	31 March 2013 £'000
Operational Assets		
Dwellings - Balance Sheet Value	170,269	159,427
Other Land and Buildings	3,053	2,381
Community Assets	180	180
Intangible Assets	156	162
Vehicles, Plant and Equipment	400	156
Non-Operational Assets		
Other Land and Buildings	1,030	1,079
Surplus Assets not Held for Sale	1,172	1,228
Assets under construction	-	49
Total Balance Sheet Value of HRA Assets	176,260	164,662
Dwellings- Vacant Possession Value	412,332	405,139

The vacant possession value of dwellings at 31 March 2014 is based on valuations at 1 April 2013.

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 CLG, and reflects the economic cost of providing council housing at less than the open market value.

At 1 April 2014 the District Valuer carried out a desk top valuation of HRA properties. The net increases in value resulted in a reversal of previous years' impairment losses of £8,425k. Revaluation losses that were less than previous revaluation gains have been absorbed within the Revaluation Reserve.

Expenditure capitalised in the year which did not increase the value of council dwellings totaling £150k has been impaired.

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

Note 11 Depreciation

The HRA includes a depreciation charge for dwellings based on their estimated useful economic lives. Depreciation in excess of the notional Major Repairs Allowance (MRA), as set in the final HRA self financing determination, can be offset. This is an interim arrangement for five years, after which no adjustment for MRA can be made.

The depreciation charge in respect of 'Other HRA Property' is included in the Surplus / Deficit on the Provision of services but is reversed out of net operating expenditure as a transfer from the Major Repairs Reserve (MRR) so as not to impact on housing rents.

Impairment is charged to the Comprehensive Income and Expenditure Statement. Impairment of dwellings is reversed out in the Movement in Reserves Statement and therefore does not affect the overall working balance of the HRA.

	2013/14 £'000	2012/13 £'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's fixed assets, as follows:		
Dwellings	**2,399**	2,303
Other Land and Buildings	**56**	67
Other HRA property	**100**	58
Non-operational Assets	**17**	17
Impairment of Dwellings and Other Land and Buildings charged to the Income and Expenditure Account	**12,550**	610
Reversal of Impairments charged to Income and Expenditure in prior years	**(20,825)**	(638)
	(5,703)	2,417

Note 12 Housing Subsidy

HRA Subsidy Payable to the Government:	2013/14 £'000	2012/13 £'000
Prior Year Adjustments	**-**	28
Total	**-**	28

Note 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 Statements.

Note 14 Redundancy Payments & Other Integration Transition costs

The HRA has been charged with its share of the redundancy and associated pension costs, plus other transition costs totaling £78k, related to the integration of the senior management team and HRA services in 2013/14. These are charged to the HRA Income and Expenditure Account.

Note 15 Premiums and Discounts

See Note 7c, Financial Instruments Adjustment Account, in the Core Statements.

Note 16 HRA Reserves

The Capital Slippage Reserve within the HRA reflects the net movement of £640k brought forward and £2,402k carried forward slippage on the Capital programme. The surplus on this year's activity of £545k along with an additional £614k, which was the excess of previous years HRA working balances, has been transferred to the Strategic Priorities Reserve to help meet future spending needs.

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 non-domestic rates (NDR).

2012/13 Council Tax £'000	2012/13 Business Rates £'000		Note	2013/14 Council Tax £'000	2013/14 Business Rates £'000
		Income			
45,153	-	Income from Council Tax	4	**46,860**	
	-	Transfers from General Fund:			
5,396	-	Council Tax Benefits	2 & 4	**-**	**-**
-	21,522	Income from Business Ratepayers	3	**-**	**23,391**
50,549	21,522			**46,860**	**23,391**
		Expenditure			
		Precepts and Demands	6		
37,821	-	Suffolk County Council		**34,194**	**2,201**
5,599	-	Suffolk Police & Crime Commissioner		**5,062**	**-**
7,066	-	Babergh District Council		**6,607**	**8,805**
-	21,396	Central Government		**-**	**11,007**
50,486	21,396			**45,863**	**22,013**
		Charges to the Collection Fund			
-	126	Cost of Collection		**-**	**126**
		Bad and Doubtful Debts:			
51	-	Write Offs		**40**	**116**
64	-	Increase/(Decrease) in Bad Debt Provision		**19**	**(7)**
-	-	Increase/(Decrease) in Provisions for Appeals		**-**	**1,076**
-	-	Transitional Protection Payments		**-**	**55**
(45)	-	Contributions towards previous year's estimated Collection Fund Surplus/(Deficit)		**16**	**-**
50,556	21,522			**45,938**	**23,379**
(7)	-	**Movement on Fund Balance - Surplus (Deficit)**	5	922	12
(93)	-	**Surplus/(Deficit) Brought Forward 1 April**	5	**(100)**	**-**
(100)	-	**Surplus/(Deficit) Carried Forward 31 March**		**822**	**12**

Note 1 General

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

The new business rates retention scheme has resulted in changes to the format and accounting entries in the Collection Fund, with Council Tax and Business Rates being shown in separate columns.

The County Council and all of the Suffolk billing authorities have entered into a countywide business rates pooling arrangement, which includes provision for the risks and benefits to be shared on an agreed basis.

Note 2 Transfers from General Fund

Prior to 2013/14 the amount allowed in Council Tax Benefits was accounted for by a reimbursement to the Collection Fund from the Council's General Fund. The full cost of the Benefits, including the administration costs, less Government grants, was then accounted for in the General Fund. Following the introduction of the Local Council Tax Reduction Scheme, effective from 1 April 2013, Benefits are no longer accounted for by a transfer from the General Fund, and there is no comparative between 2012/13 and 2013/14.

Note 3 Business Rates

The Council collects the business rates (Non-Domestic Rates) in the district. From 1 April 2013 the business rates retention scheme was introduced which means that the total amounts collected from business ratepayers are no longer paid into a national pool administered by the Government. Instead, they are shared between business rates preceptors and the Government with the surplus or deficit adjusted in the following year. The Council's share of this redistribution is shown in the Comprehensive Income and Expenditure Statement.

The valuation list was revised in April 2010. The next revaluation of all business properties is due in April 2015.

	2013/14	2012/13
Total Rateable Value of Business Properties in March	**£60.161m**	£58.439m
National Rate in the £	**47.1p**	45.8p
Small Business Rate Multiplier	**46.2p**	45.0p

Note 4 Income from Council Tax

The Council estimated its tax base for 2013/14 as 30,353.35 (2012/13 was 33,573.24) as shown in the table below. The taxbase reduced in 2013/14 as a result of the Government requiring councils to introduce Local Council Tax Reduction (LCTR) Schemes. This means that the total amount of such reductions is now reflected in the taxbase and council tax income received.

Band	Chargeable Dwellings	Factor	Band D Equivalents
A	3,918.64	6/9ths	2,611.63
B	10,397.45	7/9ths	8,086.90
C	7,337.71	8/9ths	6,522.41
D	6,513.48	9/9ths	6,513.48
E	3,839.60	11/9ths	4,692.84
F	2,077.11	13/9ths	3,000.27
G	1,531.38	15/9ths	2,552.30
H	170.27	18/9ths	340.72
Total	35,785.62		34,320.54
Less Council Tax Reduction Scheme (effective from 1 April 2013)			(3,761.29)
Adjustment for Collection Rate for Year which was estimated at 99.4%			(205.90)
Taxbase (Band D Equivalent)			30,353.35
			2013/14
Average Band D Council Tax			**1503.77**
Babergh's Share			**143.86**

To meet the demands of Suffolk County Council, Suffolk Police and Crime Commissioner, Babergh District Council and Parish/Town Councils, a council tax of £45.644 million (£50.486 million for 2012/13) was levied on the taxbase, providing an average Band D Council Tax of £1503.77, unchanged from 2012/13.

Note 5 Collection Fund Balance

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

Council Tax

Preceptors	Balance 31-Mar-12 £000	Movement 2012/13 £000	Balance 31-Mar-13 £000	Movement 2013/14 £000	Balance 31-Mar-14 £000
Babergh District Council	(13)	(1)	(14)	**132**	**118**
Suffolk County Council	(70)	(5)	(75)	**688**	**613**
Police and Crime Commissioner	(10)	(1)	(11)	**102**	**91**
Surplus / (Deficit)	(93)	(7)	(100)	**922**	**822**

Business Rates

Shares to Central Government and Preceptors	Balance 31-Mar-12 £000	Movement 2012/13 £000	Balance 31-Mar-13 £000	Movement 2013/14 £000	Balance 31-Mar-14 £000
Central Government	-	-	-	**6**	**6**
Suffolk County Council	-	-	-	**1**	**1**
Babergh District Council	-	-	-	**5**	**5**
Surplus / (Deficit)	-	-	-	**12**	**12**

Note 6 Precepts and Demands

Council Tax

The Suffolk County Council and the Suffolk Police and Crime Commissioner 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.

Preceptors	2013/14 £000	2012/13 £000
Babergh District Council		
District Council Purposes	**4,367**	4,830
Town / Parish Council purposes	**2,240**	2,236
	6,607	7,066
Suffolk County Council	**34,194**	37,821
Police and Crime Commissioner	**5,062**	5,599
Total	**45,863**	50,486

Business Rates

In 2012/13 the total revenue collected from business rates was paid to the National Pool so there are no comparable amounts.

Demands on the business rates collection fund are from central government, Suffolk County Council and the district council, at the rate of 50%, 10% and 40% respectively. The amount of those precepts is shown in the table on the next page. The demand from the district is shown as income to the Council's General Fund.

Of Babergh's £8.805 million, £6.937 million was paid over to the Suffolk Pool (an element of this is then retained by Suffolk County Council and the rest paid over to Central Government) as a tariff payment, leaving a £1.868 million payment to the Council's General Fund in 2013/14.

Actual income and expenditure for the year is then reflected in the Fund Balance (see Note 5 above). It should be noted that there is a surplus shown. This is partly due to the Government providing extra rate relief for small businesses during 2013/14 and giving councils a Section 31 (new burdens) grant to cover the cost. For Babergh, this grant was £0.401m.

	2013/14	2012/13
Shares to Central Government and Preceptors	**£000**	**£000**
Central Government	**11,007**	-
Suffolk County Council	**2,201**	-
Babergh District Council	**8,805**	-
Total	**22,013**	-

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BABERGH DISTRICT COUNCIL

To be updated by BDO

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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.
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.
Earmarked Reserves	Funds set aside from the Revenue Account that can only be used for specific purposes.
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.
Financial Instruments	A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another, for example, a market loan. The term "financial Instrument" covers both financial assets and financial liabilities and includes the most straightforward of financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors.
Formula Grant	The aggregate of Revenue Support Grant (RSG) plus income from redistributed business rates - national non-domestic rates (NNDR). Formula Grant is divided into four blocks: 1. A needs assessment – Relative Needs Formulae (RNF) – is intended to reflect the relative cost of providing comparable services between different local authorities. It takes account of characteristics such as population and social structure. 2. A resources element – relative resources amount – takes account of the different capacity of different areas to raise income from council tax due to the differing mix of properties. It is a negative amount as it represents assumed income for local authorities. 3. A central allocation which is the same for all local authorities delivering the same services. 4. A floor "damping block" in order to give every local authority a minimum grant increase. Grant increases to other councils in the same class are scaled back to pay to bring all local authorities up to the appropriate floor increase.
General Fund	The main revenue fund to which the costs of services financed by the Council Taxpayers are charged.

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.
Housing Revenue Account (HRA)	The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
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.
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.
Non-Domestic Rates (NDR)	The business rate in the pound is set annually and centrally by Government. The income arising is collected and shared between central government, Suffolk County Council and Babergh District Council on the basis of a predetermined formula.
Non-Current Assets (previously 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.

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 Capital Under Statute – REFCUS	Expenditure of a capital nature, but which does not result in, or remain matched with, tangible assets 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)	This, along with redistributed business rates, is the main form of Government funding (known as Formula Grant) towards local authority expenditure.
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.