Appendix B

Babergh District Council

Statement of Accounts

2016/17

BABERGH DISTRICT COUNCIL
SOUTH SUFFOLK

Contents

Contents

1. Introduction/Background

This narrative report is not a formal part of the Statement of Accounts for 2016/17 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 2016/17 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 2016/17 (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 Council at the 31 March 2017. It also prescribes the accounting treatment and minimum requirements for disclosures.

2. Audit Opinion

These accounts have been published by the 30 September 2017.

These accounts are published prior to the completion of the audit by the Council's external auditor, Ernst & Young 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, shown on page 100, is given on whether the financial statements present a true and fair view, in accordance with the National Audit Office's Code of Audit Practice (the "Code").

3. Accounting Policies and Disclosure Changes

There are no changes to accounting policies to note in 2016/17.

4. Expenditure and Funding Analysis (EFA)

This is the first year that the Expenditure and Funding Analysis has been included within the Statement of Accounts. It is not one of the Core Statements but replaces the Notes for Segmental Reporting. The Expenditure and Funding Analysis and additional notes to the Core Statements (Notes 5a, 5b and 6) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non domestic rates) by Councils in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.

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. 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 both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

7. 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.

8. 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 or 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.

9. Housing Revenue Account (HRA)

The HRA Income and Expenditure Account 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. The Council charges 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.

10. Collection Fund

This reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic (business) rates.

11. Net Revenue Expenditure

The CIES includes all expenditure on services including council dwellings, interest payable and other operating costs, income from grants, local taxpayers, non domestic 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

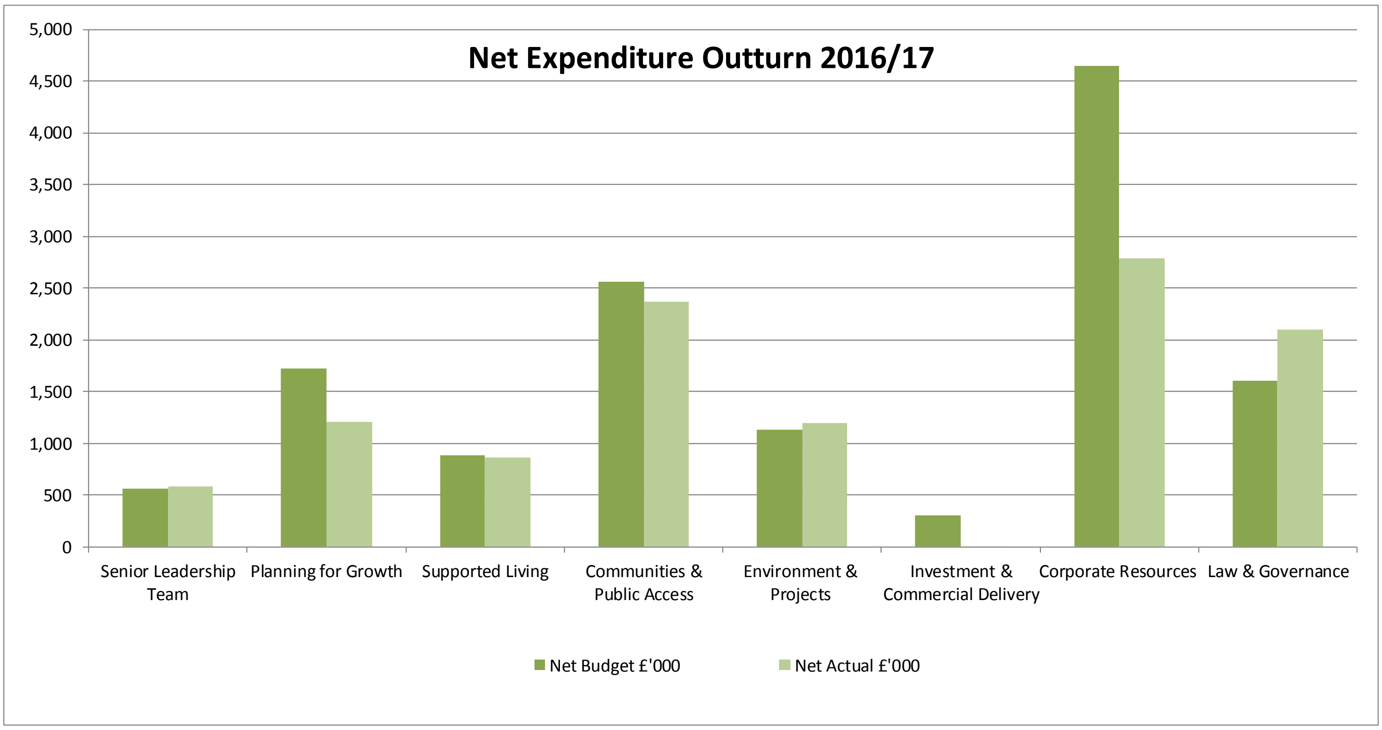
The CIES also includes changes resulting from the revaluation of assets, which impacts both on the HRA in relation to council dwellings and also affects the reported net cost of General Fund services (i.e. those services paid for by council tax, non domestic rates and the Government funding).

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 after transfer to / (from) reserves *	10,555	10,709	(154)
Less: Government Grants, Council Tax and Non Domestic Rates	(10,555)	(10,096)	(459)
Deficit (Surplus) / before final transfer to Reserve	**-**	**613**	**(613)**
Contribution from services to earmarked reserves	-	(46)	46
Contribution from reserves to fund capital expenditure	-	122	(122)
Deficit / (Surplus) before final transfer to Reserve	-	613	(613)
Net transfer from Reserves	**-**	**689**	**(689)**

*This includes budgets carried forward of £230k from 2015/16.

The overall outturn for the Council is an adverse variance resulting in the need for a contribution from the Transformation Fund of £613k. A breakdown of net expenditure by Service Area is given in the following chart:



Details of the key variations compared to the original budget forecast are provided in Table 2 as follows:

Table 2	Variation £'000
Savings / Additional Income:	
Borehamgate Shopping Centre (rental income)	191
Employee costs	141
Planning fee income (net)	125
Recharge to HRA / Capital	84
Investment Income	53
Photo Voltaic Panels (Procurement Consortium)	51
Open for Business	45
Rental income - Navigation House and Gainsborough Chambers	26
Street and Major Road Cleansing	24
Grants and contributions	22
	762
Additional Costs / Lower Income:	
Capital Financing Charges (Minimum Revenue Provision)	(297)
Public Access Transformation and ICT	(152)
Photo Voltaic Panels (Feed In Tariff Income)	(159)
Corporate and Democratic Core (CDC)	(92)
Shared Legal Services	(71)
Health and Well Being (SSL Contract)	(50)
Waste Services	(45)
Organisational Development	(27)
Building Control Income	(18)
Other items (net)	(6)
	(917)
Net Additional Costs / Lower Income:	**(155)**
Non Domestic Rates	(483)
Non Domestic Rates - S31 Grant	(75)
Non Domestic Rates - Pooling Benefit	95
New Homes Bonus	5
Net Adverse Variance	**(613)**

The net adverse variance of £613k has been withdrawn from the Transformation Reserve.

Key points to note are:

- Borehamgate Shopping Centre (Rental Income) - £191k favourable variance which is £36k less than anticipated. The initial payment profile for the receipt of rental income was unclear. This does not affect the overall annual income expected for 2017/18.

- Employee costs - the vacancy management savings of £100k has been exceeded resulting in a favourable variance of £141k, this is a reduction of £32k since the third quarter. The change can mainly be attributed to carry forwards that were submitted at year end. They are for training (£12k) and Policy and Strategy.

- Planning fee income (net) – a favourable variance of £125k. The Council's Joint Strategic Plan places a clear priority on the delivery of more of the right type of housing, of the right tenure, in the right places. It goes on to explain that the Council is seeking to significantly increase supply and expand our 'market making' role in terms of creating the right conditions for developers to work with communities to deliver more housing. Following this commitment, the Council has seen an increase in planning applications which is expected to continue in 2017/18.

- Recharge to HRA / Capital – the net increased cost of the charge to HRA and Capital (£84k) can be broken down as follows;

    - £332k increase to the cost of support services such as ICT and Legal as mentioned above has resulted in additional income coming into the General Fund from the HRA as these costs are shared proportionately.

    - A reduction in the charge (£248k) to Capital can mainly be attributed to the temporary suspension of the capital programme to carry out the stock condition survey

- Capital Financing Charges – the net adverse variance of £244k can be attributed to increased MRP costs of £297k. In the 2015/16 outturn report, it was identified that there were minimum revenue provision (MRP) cost implications associated with the early delivery of refuse freighters. This was a one-off additional cost in 2016/17. There are also a number of capital projects where MRP costs have increased by £78k. Investment income has also exceeded budget by £53k as a result of the Councils investments with the CCLA, UBS and Funding Circle

- Photo Voltaic Panels (Procurement Consortium) - the London Housing Consortium (LHC) share of consortium profits has resulted in receipt of £51k.

- Open for Business - £45k favourable variance can be attributed to a number of smaller items including surplus income of £8k for South Suffolk Business Park and £6k income for the sale of advertising space within the Shotley brochure. There has also been under spends for contributions and donations (£6k), contracted services (£5k) and advertising expenses (£8k).

- Rental income for Navigation and Gainsborough Chambers - earlier forecasts included recovery of rental income for Gainsborough Chambers, but this was for 2015/16 only and not applicable to this financial year. Rental income for Navigation House has been achieved. Both have resulted in a favourable variance of £26k

- Street and Major Road Cleansing – the net favourable variance of £24k can be attributed to the budget for cost of waste disposal being set too high. This has been reduced for 2017/18.

- Grants and Contributions - the favourable variance of £22k can be attributed to the grants review exercise that was carried out during the year. Savings of approximately 10% have been included within the budget for 2017/18.

- Public Access Transformation and ICT - 2016/17 continues to be a transition period in relation to the provision of ICT services as some functions have been migrated to SCC and others retained by Babergh. As we now move to the next phase of the Public Access Transformation considerable investment will be made in Babergh's ICT provision and this was started in 2016/17 as shown by item c) below. All ICT related budgets are now centralised which enables a clearer line of sight in terms of forecasting and monitoring. Key variances are;

    a) £54k due to the timing of invoices relating to costs associated with the joint working with Suffolk County Council.

    b) £23k expenditure for telephone costs - charges are reflective of increased call volumes and line rental.

c) £20k to upgrade and switch to a 'hosted' system for the Council's cash receipting system (CIVICA ICON). Early procurement has enabled the Council to secure a reduced consultancy rate for the implementation. This will be a one-off saving.

d) £20k expenditure for BT telephone lines that support the Sudbury CCTV infrastructure. This expenditure was previously incurred and offset by favourable variances within Safe Communities team, but as ICT costs have now been centralised, clearer line of sight has been established. This variance was not identified early enough to be included as part of the 2017/18 budget setting process, so will remain a variance for 2017/18 and be included in the 2018/19 budget.

e) The remaining £16k is made up of a number of smaller variances

- Photo Voltaic (PV) Panels (Feed In Tariff Income) – an adverse variance of £159k. Following the extensive installation programme which began in 2014/15, there are still a number of properties (118) where PV panels have been installed, but are still awaiting registration. To enable receipt of the Feed in Tariff (FiT) income all properties must be registered with Ofgem. Any income due will be backdated to when the property was registered, so this variance is a timing issue and the income will be received in 2017/18. Finance will work closely with the Corporate Manager in this area to accurately forecast what the Council is due to receive. This will be reported as part of the quarterly budget monitoring for 2017/18.

- Corporate and Democratic Core (CDC) - a decrease in the cost of the charge passed to the HRA for Corporate and Democratic Core of £92k is reported. This is the element of time that Officers & Members spend on democracy e.g. meetings, producing papers for committees / Council etc. The decrease is substantially mitigated by the recharge to the HRA and Capital.

- Shared Legal Services – the recharge from St Edmundsbury and Forest Heath District Councils for those staff employed as part of the recently established Shared Legal Services arrangement has resulted in an adverse variance of £71k. These costs were not reported as part of the quarter 3 budget monitoring as discussions were still ongoing as to the final arrangements.

- Health and Well Being (SSL contract) - following the expiration of a service level agreement between the Council and South Suffolk Leisure (SSL) a number of years ago, the Council incorrectly continued to raise invoices of £15k a year. This means that debts raised in 2014/15 and 2015/16 and the budget for 2016/17 need to be corrected, totalling £45k. The budget for 2017/18 has been corrected.

- Waste Services - the adverse variance of £25k is due to a reduction to income from recycling credits and increased cost to the garden waste contract – indexation of the contract for 2016/17 was higher than anticipated.

- Organisational Development - one off costs (£23k) associated with the change of payroll service hosting from Midland HR to Suffolk County Council.

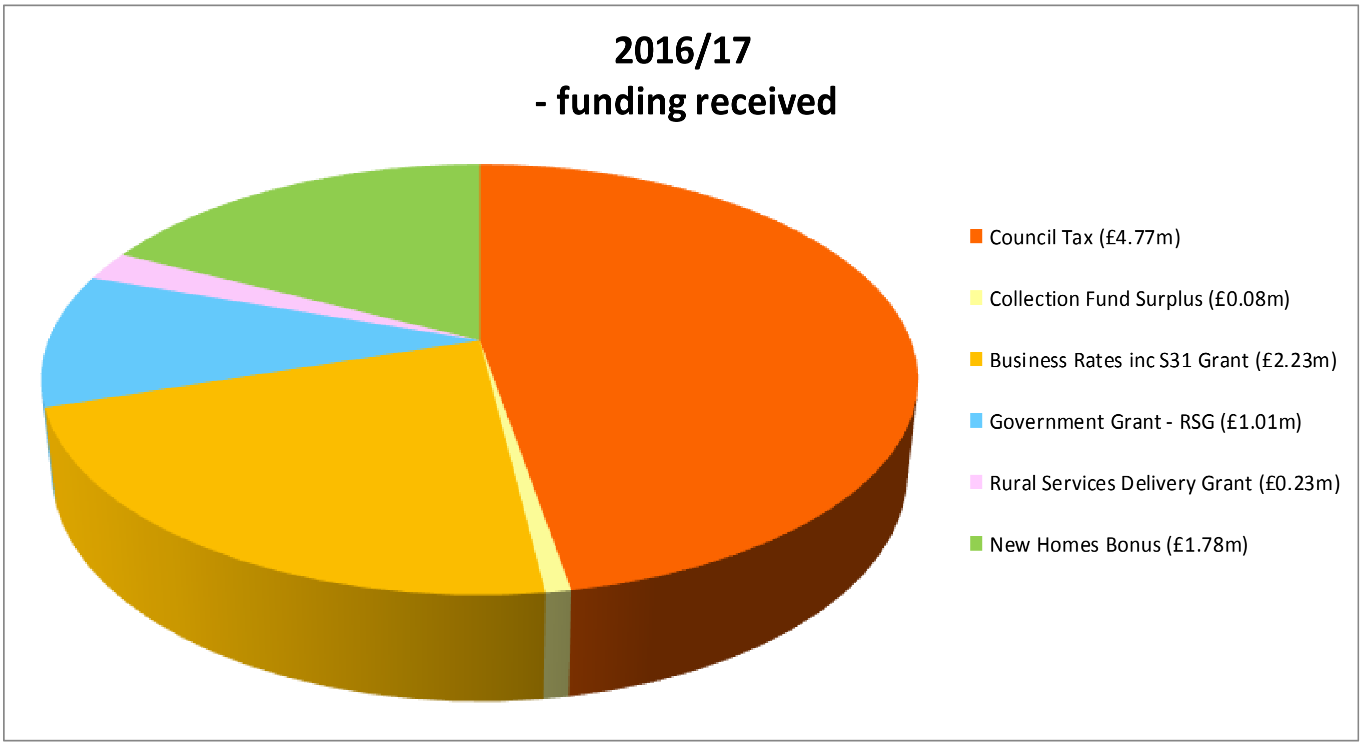
- Building Control - the service has seen a decrease in the volume of applications since 2015/16 by approximately 2.4% resulting in an income shortfall of £18k. This can largely be attributed to increased competition from other Building Control service providers.

- Non Domestic Rates - the net adverse variance of £464k is made up as follows:
    - Timing difference 2015/16 distribution of the deficit on the Collection Fund £337k. Current estimates for 2017/18 indicate that this will be a surplus of £338k which has not been budgeted for.
    - S31 Grant received (£76k) less than budgeted.
    - 2016/17 Non Domestic Rates less Government tariff has resulted in an adverse

variance of £146k.

- Non Domestic Rates Pooling Benefit. £95k favourable variance at the year end, an increase of £41k from the £54k reported at quarter 3. The Finance Team to calculate the surplus / deficit position.

A summary of the Council's funding received in 2016/17 can be seen in the following table:



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 8 of the Core Statements.

A reconciliation of the overall position of the General Fund to the Comprehensive Income and Expenditure Statement in 2016/17 is no longer necessary as this has been superseded by the Expenditure and Funding Analysis shown on page 18.

The Housing Revenue Account (Housing Services)

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 3	Budget £'000	Actual £'000	Variance £'000
Income	(16,865)	(16,919)	54
Expenditure (net of appropriations)	14,037	13,949	88
Decrease/ (Increase) in Housing Revenue Account	**(2,828)**	**(2,970)**	**142**
Deficit/(Surplus) before additional transfers	**(2,828)**	**(2,970)**	**142**
Surplus Transferred to Strategic Priorities Reserve	2,828	2,970	(142)
Deficit/(Surplus)	-	-	-

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

Table 4	Budget £'000	Actual £'000	Variance £'000
Income:			
Rent, income & other charges	(16,865)	(16,919)	54
Expenditure:			
Net transfers (to)/from reserves inc revenue contributions to Capital	2,540	1,643	897
Reduction to bad debt provision	75	-	75
Repairs & Maintenance	1,875	2,405	(530)
Sheltered Housing	948	1,094	(146)
Management, staffing and other costs	2,540	2,485	55
Capital Charges (depreciation etc)	5,559	5,822	(263)
Debt repayment	500	500	-
	14,037	**13,949**	**88**
Deficit/ (Surplus) for Year	**(2,828)**	**(2,970)**	**142**
Total Reserves			
Balance at 1 April 2016	(10,084)	(10,084)	-
Deficit /(Surplus) for year (as above)	(2,828)	(2,970)	142
Balance at 31 March 2017	(12,912)	(13,054)	142
Working Balance 31st March 2017	(1,000)	(1,000)	-
Strategic Priorities Reserve 31 March 2017	(11,912)	(12,054)	142

Key points to note are:

The financial position of the HRA for 2016/17 should be viewed in the context of the updated 30 year business plan which will be presented to Cabinet in July. The business plan, made possible by the change in funding for HRAs in April 2012, sets out the aspiration of the Council to increase the social housing stock by either buying existing dwellings or building new ones.

The Welfare Reform and Work Act 2016 stipulated that Council rents for 2016/17 and the following three years would need to be reduced by 1% per annum. The previously agreed rent strategy was based on applying the maximum level of rent increase to support the business plan, but keeping our average rent level within the limit rent. The overall impact of the change is substantial and requires even more focus on driving through efficiencies in the way that we deliver our services.

The surplus variance of £142k can be broken down as follows:

- Income – the favourable variance of £54k can be mostly attributed to the receipt of an easement which was not budgeted for.
- Net transfers (to)/from reserves/revenue contributions to Capital - lower than expected contribution to capital due to the suspension of works whilst stock condition data was reviewed.

- Bad Debt Provision – a favourable variance of £75k, due to considerably lower level of write-offs than expected due to the delayed implementation of Universal Credit.

- Repairs and Maintenance – the net adverse variance of £530k can mainly be attributed to the following;

  a) planned maintenance costs of £268k mostly due to heating costs (£218k). The external service provider passed on costs relating to 2015/16 which were unexpected as well as additional servicing requirements identified in the final quarter of 2016/17.

  b) the temporary suspension of the capital programme to carry out the stock condition survey has resulted in the Council being able to 'catch up' with other areas of repairs and maintenance. This has resulted in an adverse variance of £228k for responsive maintenance and £50k for external painting.

- Sheltered Housing - an adverse variance of £28k for salary costs of which £16k relate to staff redundancies and £12k due to a review of the allocation of staff across the two Councils. Increased costs for the recharge of expenditure from the General Fund due to higher than expected support service costs i.e. ICT, Legal etc has resulted in an adverse variance of £70k. A further adverse variance of £38k can be attributed to the out of hours contract where the budget for 2016/17 was not set at the correct level. This has been corrected for 2017/18.

- Management, Staffing and Other Costs – the net favourable variance of £55k is due to an overall saving on salaries of £42k following the CDC recharge from the General Fund being £92k less than anticipated. These savings were offset by an overspend of £50k on agency fees attributed to the setting up of the Babergh Mid Suffolk Building Services (BMBS). The remaining £13k is made up of a number of smaller variances.

- Capital Charges - an adverse variance of £225k for higher than anticipated depreciation costs due to acquisitions and new builds in line with the Councils strategic priorities. Borrowing costs were also £38k higher than expected which is linked to the Councils recently acquired properties and new builds.

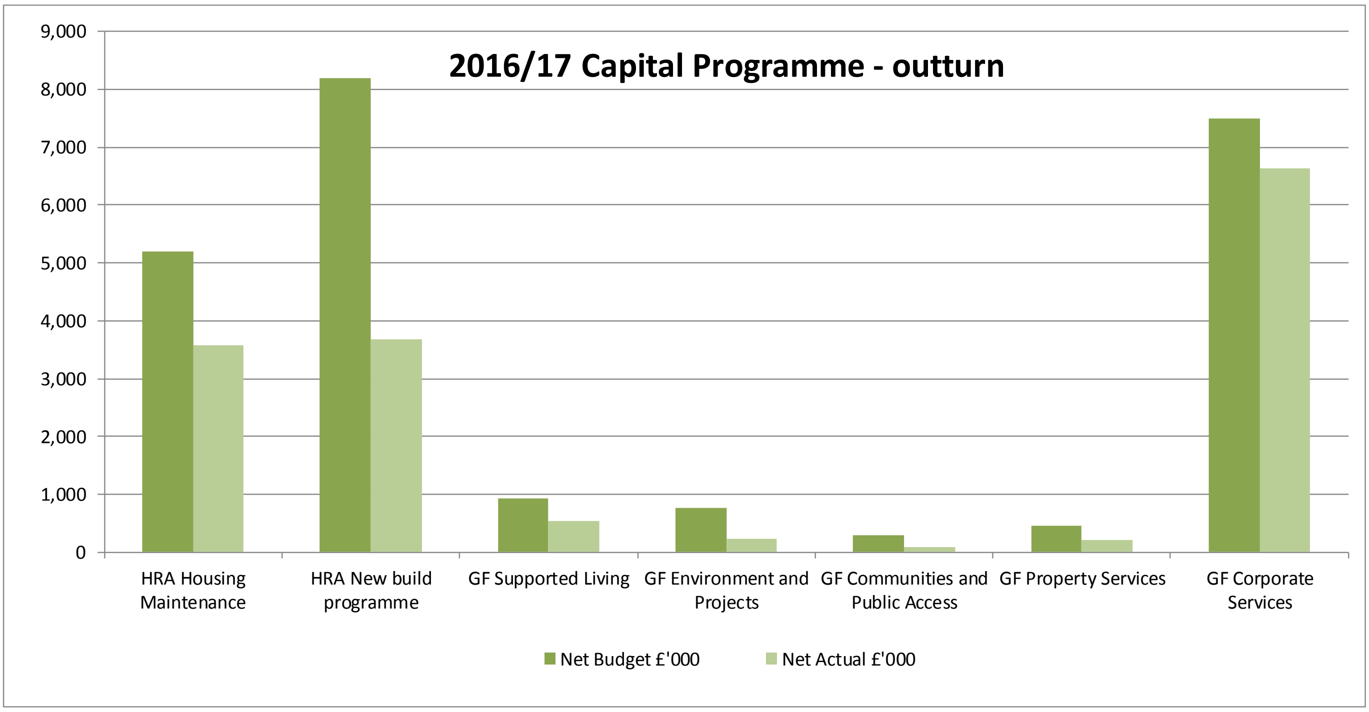
Capital Programme

Capital investment for the year and how it has been financed is summarised in Table 5 below, comparing it with the original and revised approved capital programme.

The Revised Budget takes into account timing differences in delivering capital schemes.

Table 5	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure				
Supported Living	600	930	529	401
Environment and Projects	2,052	759	468	291
Communities and Public Access	210	289	123	166
Property Services	92	461	218	243
Corporate Services	335	7,507	6,627	881
Delivery Programme Investment Opportunities	-	25,000	-	25,000
Total General Fund	**3,289**	**34,946**	**7,964**	**26,982**
HRA	8,420	13,389	7,258	6,131
Total Capital Programme expenditure	**11,709**	**48,335**	**15,223**	**33,113**
Financed from:				
Non-supported borrowing	(2,881)	(39,507)	(6,906)	(32,601)
Capital receipts	(1,466)	(1,466)	(1,082)	(384)
Grants/external contributions	(749)	(749)	(925)	176
Major Repairs Reserve	-	-	(4,547)	4,547
Revenue	(6,613)	(6,613)	(1,765)	(4,848)
Total	**(11,709)**	**(48,335)**	**(15,223)**	**(33,112)**

A breakdown of expenditure by service area is given in the following chart:



The graph above does not include the £25m for Delivery Programme Investment Opportunities as referred to in Table 5.

Contractual commitments and schemes where no contractual commitment yet exists, but they represent either plans or aspirations for investment, for which carry forward to the 2017/18 capital programme is requested are listed in Table 6 as follows:

Table 6	**Variance £'000**
HRA	
Contractual Commitments;	
New Build Programme including acquisitions	2,114
Planned Maintenance	41
	2,155
Carry forward requests;	
New Build Programme including acquisitions	2,411
Planned Maintenance	183
ICT including Total Mobile	97
	2,691
Total HRA	**4,846**
General Fund	
Contractual Commitments;	
Grants to Community Development Projects	185
Empty Homes Grant	130
Planned Maintenance / Enhancements - Car Parks	39
	354
Carry forward requests;	
Delivery Programme – investment opportunities	25,000
Land Assembly, property acquisition and regeneration opportunities	836
Grants - Affordable Housing	300
ICT	100
Play equipment	50
Recycling Bins	24
	26,310
Total General Fund	**26,664**
TOTAL	**31,510**

12. Treasury Management

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

The level of long term borrowing wholly relates to the HRA and is within the approved limits established for overall borrowing and the operational boundary, which were set at £107 million and £104 million 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 2017, the amount of surplus funds invested was £14.3 million (2015/16 £11.8m), consisting of £9.6 million in Pooled funds, £2.7million money market funds and £2 million in fixed deposits. The £6.5million short term borrowing consists of £6million short term loans and £0.5 million PWLB loans maturing within 1 year.

The Capital Financing Requirement, which represents the Council's underlying need to borrow for capital purposes, is summarised in Table 7 as follows:

Table 7	**Variation £'000**
Underlying need to borrow at 31 March 2017 (Capital Financing Requirement)	104,862
Borrowing at 31 March 2017	
Long Term	(86,297)
Short Term	(6,539)
Net Borrowing Facility at 31 March 2017	**12,026**

Further details on treasury management activity are shown in Notes 14 and 34 to the Core Statements.

13. 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 32 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 2017 and amounts to £21.863 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 2016. The valuation report sets out the rates of employers' contributions for the three years starting 1 April 2017.This was 18.4% for 2016/17.

The next formal valuation is at 31 March 2019.

14. 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 below.

There are plans to use some of these reserves in future years, specifically to meet the expenditure in relation to budgets carried over from 2016/17, which are £219k, in relation to General Fund.

Table 8	31 March 2017 £'000	31 March 2016 £'000
General Fund		
General Reserves	(1,200)	(1,200)
Earmarked Reserves	(2,208)	(2,897)
	(3,408)	**(4,097)**
Housing Revenue Account		
General Reserves	(1,000)	(1,000)
Earmarked Reserves	(12,053)	(9,084)
	(13,053)	**(10,084)**
Total Amount held in Reserves	**(16,461)**	**(14,181)**

Further details of the earmarked reserves are shown in Note 8 to the Core Statements.

15. Shared Services and Partnerships

Shared Revenues Partnership (SRP)

From 1 April 2011 a partnership was established with Babergh District Council, 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.

Shared Legal Services

From 1 November 2016 the Shared Legal Services team was created to deliver a strong, skilled legal service that proactively seeks out new knowledge and different ways of working for Babergh, Mid Suffolk and Forest Heath District Councils and St Edmundsbury Borough Council.

Integration with Mid Suffolk District Council

Integration between Babergh and Mid Suffolk District Council commenced with the appointment of a Joint Chief Executive in May 2011. Full integration in terms of staff and services has been in place since June 2014.

Further details on Shared Services and Partnerships can be found in Note 27, Related Parties.

16. Major influences on the Council's income, expenditure and cash flow

2016/17 did not see any major change in the Council's statutory functions that had an impact on the accounts, but the continuing changes as a result of the Government's welfare and funding reforms create ongoing uncertainty.

The integration programme with Mid Suffolk District Council has achieved a fully integrated management and staffing structure resulting in annual savings across both Councils of approximately £2m. 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, cuts in Government grant and new incentivised sources of funding, the Council has refreshed its Medium Term Financial Strategy in order to respond to those challenges.

The strategic response to those challenges to ensure the long term financial sustainability of the Council is set out in six key actions:

- Aligning resources to the Councils new strategic plan and essential services
- Continuation of the shared service agenda, collaboration with others and transformation of service delivery
- Behaving more commercially and generating additional income ("profit for purpose")
- Considering new funding models (e.g. acting as an investor)
- Encouraging the use of digital interaction and transforming our approach to customer access
- Taking advantage of new forms of local government finance (e.g. new homes bonus, non domestic rates, challenge award funding).

The capital programme for 2016/17 included a sum of £25m to enable the Council to make investments that will generate a source of income that is independent from the Government and local taxpayers. This income generation will enable the Council to continue to provide the services that are important to its residents. The Council approved the establishment of a company structure in April 2017 and investment will begin in 2017/18. Another example of this is the installation of photovoltaic (PV) panels on the roofs of the Councils own dwellings. This initiative generates income to the Council, but also reduces the running costs of the property for the resident, thereby contributing to the priority of reducing fuel poverty.

The forward capital programme also includes a combination of investment to maintain existing service levels e.g. maintenance of the housing stock and elements to improve either the quality of life or the quality of the surrounding environment. Examples of these are disabled facilities grants, bringing empty homes back into use, affordable housing grants and community fund project grants.

The Council continues to be affected by the ongoing economic climate, but this has improved during 2016/17 with increasing levels of planning application fees. As non domestic rates become an increasingly important source of income for councils, greater monitoring and analysis will be required to be able to predict the impact. Another service that is impacted by economic conditions is the Revenues and Benefits function. The collection rates for both council tax and non domestic rates were maintained and the number of people claiming housing benefit has reduced slightly.

The EU referendum and election results will impact on the economic climate in 2017/18 and this will be kept under review to see how this will affect the Council's finances.

17. The financial needs and resources of the Council

The Council requires financial resources to deliver its Strategic Priorities and statutory obligations. An updated Medium Term Financial Strategy was approved by the Council in February 2017. It is currently forecast that there could be either a shortfall in funding of £1.8m or a surplus of £0.3m up to 2020/21 depending upon the level of housing growth and decisions on council tax levels. Following the change in the funding arrangements of council dwellings from April 2012, resources are available to either build or buy additional homes.

18. 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 Finance page of the Council's website: www.babergh.gov.uk

Further information about the accounts is available from the Council's Assistant Director, Corporate Resources:

Katherine Steel CPFA
Babergh District Council
Council Offices
Corks Lane
Hadleigh
IPSWICH
Suffolk
IP7 6SJ

Tel: 01473 826649 or 826672
Fax: 01473 823594;
Email: Katherine.Steel@baberghmidsuffolk.gov.uk

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The designated officer at 31 March 2017 was the Assistant Director, Corporate Resources;

- manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and

- approve the Statement of Accounts.

The Assistant Director, Corporate Resources' Responsibilities

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

In preparing this Statement of Accounts, the Assistant Director, Corporate Resources 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 Assistant Director, Corporate Resources 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 Council at the 31 March 2017 and its income and expenditure for the year then ended.

Katherine Steel CPFA

Assistant Director, Corporate Resources
Babergh District Council

Dated 29 September 2017

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 Joint Audit and Standards Committee on 29 September 2017.

Frank Lawrenson

Chairman, Joint Audit and Standards Committee
Babergh District Council

Dated 29 September 2017

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non domestic rates) by local authorities in comparison with those resources consumed or earned by Councils in accordance with generally accepted accounting practices. It is not a Core Statement to the Accounts.

It also shows how this expenditure is allocated for decision making purposes between the Council's directorates and services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (shown on page 20).

2015/16			Expenditure & Funding Analysis	2016/17		
Net Expenditure Chargeable to General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to General Fund and HRA Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in Comprehensive Income and Expenditure Statement £'000
			General Fund			
2,414	192	2,606	Communities & Public Access	2,381	123	2,504
3,500	(1,370)	2,130	Corporate Resources	3,584	(1,232)	2,352
1,040	607	1,647	Environment & Projects	1,169	752	1,921
308	67	375	Investment & Commercial Delivery	155	231	386
1,839	323	2,162	Law & Governance	2,224	355	2,579
1,219	186	1,405	Planning for Growth	1,225	107	1,332
819	62	881	Senior Leadership Team	627	32	659
1,171	393	1,564	Supported Living	882	698	1,580
(1,451)	-	(1,451)	Charge to HRA & Capital	(1,490)	-	(1,490)
					-	
(6,091)	(7,060)	(13,151)	HRA	(2,970)	(8,553)	(11,523)
4,768	(6,601)	(1,833)	Net Cost of Services	7,787	(7,487)	300
(7,327)	307	(7,020)	Other Income and Expenditure	(10,069)	1,388	(8,681)
(2,559)	(6,293)	(8,852)	(Surplus) Deficit on Provision of Services	(2,282)	(6,099)	(8,381)
(11,621)			Opening General Fund And HRA Balance at 1 April	(14,180)		
(2,559)			Plus (Surplus) / Less Deficit on General Fund And HRA Balance in Year	(2,282)		
(14,180)			Closing General Fund And HRA Balance at 31 March	(16,462)		

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'.

The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year.

The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Movement in Reserves Statement	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Opening Balance at 31 March 2015	(1,200)	(3,717)	(1,000)	(5,704)	(2,402)	(2,860)	(72)	(16,955)	(86,032)	(102,987)
Movement in reserves during 2015/16										
Total Comprehensive Income and Expenditure	2,238		(11,090)					(8,852)	(10,798)	(19,650)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(1,418)		7,711		811	(1,233)		5,871	(5,871)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	820	-	(3,379)	-	811	(1,233)	-	(2,981)	(16,669)	(19,650)
Transfer to/(from) Earmarked Reserves (Note 8)	(820)	820	3,379	(3,379)				-		-
(Increase)/Decrease in 2015/16	-	820	-	(3,379)	811	(1,233)	-	(2,981)	(16,669)	(19,650)
Balance at 31 March 2016 carried forward	(1,200)	(2,897)	(1,000)	(9,083)	(1,591)	(4,093)	(72)	(19,936)	(102,701)	(122,637)
Movement in reserves during 2016/17										
Total Comprehensive Income and Expenditure	1,405		(9,786)					(8,381)	(2,768)	(11,149)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(716)		6,816		1,591	(1,628)	-	6,063	(6,063)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	689	-	(2,970)	-	1,591	(1,628)	-	(2,318)	(8,831)	(11,149)
Transfers to / (from) reserves (Note 8)	(689)	689	2,970	(2,970)				-	-	-
(Increase)/Decrease in 2016/17	-	689	-	(2,970)	1,591	(1,628)	-	(2,318)	(8,831)	(11,149)
Balance at 31 March 2017	(1,200)	(2,208)	(1,000)	(12,053)	-	(5,721)	(72)	(22,254)	(111,532)	(133,786)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Councils raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (shown on page 18) and the Movement in Reserves Statement (shown on page 19).

2015/16 Restated			Comprehensive Income and Expenditure Statement	Note	2016/17		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000			Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
			General Fund				
2,869	(263)	2,606	Communities & Public Access		2,756	(252)	2,504
23,260	(21,130)	2,130	Corporate Resources		22,700	(20,348)	2,352
3,882	(2,235)	1,647	Environment & Projects		4,252	(2,331)	1,921
652	(277)	375	Investment & Commercial Delivery		633	(247)	386
2,818	(657)	2,161	Law & Governance		2,995	(416)	2,579
2,081	(677)	1,405	Planning for Growth		2,358	(1,026)	1,332
921	(40)	881	Senior Leadership Team		704	(45)	659
1,997	(433)	1,564	Supported Living		1,817	(237)	1,580
(1,451)	-	(1,451)	Charge to HRA & Capital		(1,490)	-	(1,490)
3,878	(17,029)	(13,151)	**HRA**		5,703	(17,226)	(11,523)
40,908	(42,741)	(1,833)	**Cost of Services**		42,428	(42,128)	300
1,927	-	1,927	Other Operating Expenditure	9	1,622	-	1,622
3,674	(224)	3,450	Financing and Investment Income and Expenditure	10	3,121	(584)	2,537
7,964	(20,360)	(12,396)	Taxation and Non-Specific Grant Income and Expenditure	11	7,329	(20,169)	(12,840)
54,473	(63,325)	(8,852)	**(Surplus) on Provision of Services - A**		54,500	(62,881)	(8,381)
		(3,722)	(Surplus) or Deficit on revaluation of property, plant and equipment assets	19a			(5,777)
		(7,270)	Remeasurement of the net defined liability/(asset)	19c			2,965
		194	(Surplus) or Deficit on revaluation of available for sale financial assets	19f			44
		(10,798)	**Other Comprehensive Income and Expenditure - B**				(2,768)
		(19,650)	**Total Comprehensive Income and Expenditure (A+B)**				(11,149)

Balance Sheet

This Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities held by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories, 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), and unusable reserves that the Council is not able to use to provide services.

This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

2015/16 £'000	Balance Sheet	Note	2016/17 £'000
220,165	Property, Plant and Equipment	12	232,143
-	Investment Property	36	4,000
876	Intangible Assets	13	1,283
-	Assets held for sale	37	439
354	Long Term Debtors		440
221,395	**Long Term Assets**		238,305
7,988	Short Term Investments		11,515
69	Inventories		60
3,425	Short Term Debtors	15	2,776
4,754	Cash and Cash Equivalents	16	4,194
16,236	**Current Assets**		18,545
(534)	Short Term Borrowing	14	(6,539)
(5,452)	Short Term Creditors	17	(5,425)
(1,047)	Provisions	18	(712)
(7,033)	**Current Liabilities**		(12,676)
(86,797)	Long Term Borrowing	14	(86,297)
(2,211)	Capital Grants & Contributions Received in Advance		(2,228)
(18,952)	Defined Benefit Pension Scheme Liability	32	(21,863)
(107,960)	**Long Term Liabilities**		(110,388)
122,638	**Net Assets**		133,786
(19,936)	Usable reserves		(22,254)
(102,702)	Unusable reserves	19	(111,532)
(122,638)	**Total Reserves**		(133,786)

The audited accounts were issued on 29 September 2017.

Katherine Steel CPFA
Assistant Director, Corporate Resources
Babergh District Council

Dated 29 September 2017

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2015/16 £'000	Cash Flow Statement	Note	2016/17 £'000
(8,852)	Net (Surplus) or deficit on the provision of services		(8,381)
156	Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	(3,352)
2,596	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	4,015
(6,100)	Net cash flows from Operating Activities		(7,718)
6,192	Investing Activities	21	13,778
533	Financing Activities	22	(5,500)
625	Net increase or decrease in cash and cash equivalents		560
(5,379)	Cash and cash equivalents at the beginning of the reporting period		(4,754)
(4,754)	**Cash and cash equivalents at the end of the reporting period**	16	(4,194)

Note 1 - 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 standards or changes to be introduced in the 2017/18 Code will be implemented from 1 April 2017, therefore there is no impact on the Council's 2016/17 accounts. They are:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

The Code does not anticipate that the above amendments will have an impact on the information provided in the Council's financial statements i.e. there is unlikely to be a change to the reported information in the net cost of services or the Surplus or Deficit on the Provision of Services.

These changes will not materially affect the Council's 2016/17 accounts.

Note 2 - Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 35, the Council has had to make certain judgments about complex transactions or those involving uncertainty about future events.

The main critical judgement made in the Statement of Accounts is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 3 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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 35 at Section O.	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 2016/17 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. Appeals which arose before 31 March 2015 can be backdated to the 2010 rating list, and the provision reflects the estimated outcome of those. Any further appeals, made since 1 April 2015, will only be effective from that 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.

Uncertainties	Effect if Actual Results different from Assumptions
Fair Value Measurements	
When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (e.g. interest rates or yields for similar instruments). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in Note 14 and Note 36.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties and financial assets. The risks associated with financial instruments are documented in Note 34.
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 and 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.	During 2016/17 the Council's actuaries advised that the net pensions liability had increased by £2.91 million. Further sensitivity analysis on pension liabilities are in Note 32.

Note 4 – Events after the Reporting Period

The audited Statement of Accounts was authorised for issue by the Assistant Director, Corporate Resources (the Council's Section 151 Officer) on 29 September 2017.

Events taking place after this date are not reflected in the Statement of Accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The capital programme for 2016/17 included a sum of £25m to enable the Council to make investments that will generate a source of income that is independent from the Government and local taxpayers. The Council approved the establishment of a seoparate company structure in April 2017 and investment will begin in 2017/18.

There have been no other events occurring after the reporting date until the re-certification of the financial statements that would have a material impact on these financial statements.

Note 5a – Note to the Expenditure and Funding Analysis

Note to the Expenditure and Funding Analysis	Adjustments Between Accounting Basis and Funding Basis			
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note A)	Net Change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments
2016/17	£'000	£'000	£'000	£'000
General Fund				
Communities & Public Access	89	34	-	123
Corporate Resources	(644)	(839)	251	(1,232)
Environment & Projects	698	54	-	752
Investment & Commercial Delivery	70	18	143	231
Law & Governance	341	14	-	355
Planning for Growth	-	107	-	107
Senior Leadership Team	-	32	-	32
Supported Living	675	23	-	698
HRA	(461)	(148)	(7,944)	(8,553)
Net Cost of Services	768	(705)	(7,550)	(7,487)
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,365)	651	2,102	1,388
Difference between General Fund and HRA Surpluses / Deficits and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(597)	(54)	(5,448)	(6,099)
2015/16	£'000	£'000	£'000	£'000
General Fund				
Communities & Public Access	136	56	-	192
Corporate Resources	366	(859)	(877)	(1,370)
Environment & Projects	518	89	-	607
Investment & Commercial Delivery	37	30	-	67
Law & Governance	296	27	-	323
Planning for Growth	-	186	-	186
Senior Leadership Team	-	62	-	62
Supported Living	355	38	-	393
HRA	(2,075)	(61)	(4,924)	(7,060)
Net Cost of Services	(367)	(432)	(5,801)	(6,600)
Other Income and Expenditure from the Expenditure and Funding Analysis	(513)	820	-	307
Difference between General Fund and HRA Surpluses / Deficits and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(880)	388	(5,801)	(6,293)

Explanation of the major adjusting items

A - Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- **Financing and investment income and expenditure –** the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

B - Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

C - Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- **For Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and non domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 5b – Segmental Income

Income received on a segmental basis is analysed as follows:

Segmental Income Services	31 March 2017 Income from Services £'000	31 March 2016 Income from Services £'000
General Fund		
Communities & Public Access	(252)	(263)
Corporate Resources	(20,357)	(20,975)
Environment & Projects	(2,331)	(2,235)
Investment & Commercial Delivery	(438)	(277)
Law & Governance	(417)	(657)
Planning for Growth	(1,026)	(677)
Senior Leadership Team	(46)	(40)
Supported Living	(237)	(433)
HRA	(16,898)	(17,127)
Total income analysed on a segmental basis	(42,002)	(42,684)

Note 6 – Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

Expenditure and Income Analysed by Nature	31 March 2017 £'000	31 March 2016 £'000
Expenditure		
Employee benefits expenses	8,300	9,202
Other services expenses	40,578	41,500
Support service recharges	(189)	(277)
Depreciation, amortisation, impairment	1,768	(733)
Interest payments	2,863	2,854
Precepts and levies	2,423	2,390
Payments to Housing Capital Receipts Pool	330	340
Gain on the disposal of assets	(1,573)	(803)
Total Expenditure	54,500	54,473
Income		
Fees, charges and other service income	(22,228)	(21,785)
Interest and investment income	(392)	(224)
Income from council tax & non domestic rates	(16,576)	(16,317)
Government grants and contributions	(23,685)	(24,999)
Total Income	(62,881)	(63,325)
(Surplus) on Provision of Services	(8,381)	(8,852)

Note 7 - Adjustments between Accounting Basis and Funding Basis under Regulations

The following analysis sets out 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 arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. This balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account (HRA) Balance reflects the statutory obligation to maintain a revenue account for Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council’s landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

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

Adjustments Between Accounting Basis and Funding Basis 2016/17	General Fund Balance £'000	HRA Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'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	(1,585)	156	-	-	(1,429)	1,429
Transfer HRA/MRR	-	2,956	(2,956)	-	-	-
Reversal of impairment of non-current assets	-	-	-	-	-	-
Movements in the market value of Investment Properties	441	-	-	-	441	(441)
Amortisation of intangible assets	(288)	(46)	-	-	(334)	334
Capital grants and contributions that have been applied to capital financing (Note 19b)	586	351	-	-	937	(937)
Repayment of Debt	-	500	-	-	500	(500)
Revenue expenditure funded from capital under statute (Note 19b)	(837)	-	-	-	(837)	837
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	(182)	(1,725)	-	-	(1,907)	1,907
Items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	894	-	-	-	894	(894)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	4,547	-	4,547	(4,547)
Capital expenditure charged against the General Fund and HRA balances	122	1,642	-	-	1,764	(1,764)
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	-	2,980	-	(2,980)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 19b)	-	-	-	1,082	1,082	(1,082)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(23)	-	23	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(247)	-	-	247	-	-
Loans repaid	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-

Adjustments Between Accounting Basis and Funding Basis 2016/17	General Fund Balance £'000	HRA Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
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 (Note 19c)	(1,640)	(447)	-	-	(2,087)	2,087
Employer's pensions contributions and direct payments to pensioners payable in the year (Note 19c)	1,676	465	-	-	2,141	(2,141)
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 (Note 19d)	361	-	-	-	361	(361)
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 (Note 19e)	(17)	7	-	-	(10)	10
Total Adjustments	**(716)**	**6,816**	**1,591**	**(1,628)**	**6,063**	**(6,063)**

Adjustments Between Accounting Basis and Funding Basis 2015/16	General Fund Balance £'000	HRA Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'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	(1,129)	2,079	-	-	950	(950)
Transfer HRA/MRR	-	2,764	(2,764)	-	-	-
Reversal of impairment of non-current assets	19	-	-	-	19	(19)
Amortisation of intangible assets	(233)	(29)	-	-	(262)	262
Capital grants and contributions that have been applied to capital financing (Note 19b)	423	45	-	-	468	(468)
Repayment of Debt		500	-	-	500	(500)
Revenue expenditure funded from capital under statute (Note 19b)	(739)	(20)	-	-	(759)	759
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(12)	(1,246)	-	-	(1,258)	1,258
Items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	528	-	-	-	528	(528)
Use of Major Repairs Reserve to finance new capital expenditure	-	-	3,575		3,575	(3,575)
Capital expenditure charged against the General Fund and HRA balances	-	1,661	-	-	1,661	(1,661)
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	-	2,071	-	(2,071)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 19b)	-	-	-	503	503	(503)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(10)	-	10	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(340)	-	-	340	-	-
Loans repaid	-	-	-	(12)	(12)	12
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	(3)	(3)	3

Adjustments Between Accounting Basis and Funding Basis 2015/16	General Fund Balance £'000	HRA Balance £'000	Major Repairs Reserve £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Movement in Unusable Reserves £'000
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 (Note 19c)	(1,916)	(560)	-	-	(2,476)	2,476
Employer's pensions contributions and direct payments to pensioners payable in the year (Note 19c)	1,631	457	-	-	2,088	(2,088)
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	337	-	-	-	337	(337)
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	13	(1)	-	-	12	(12)
Total Adjustments	**(1,418)**	**7,711**	**811**	**(1,233)**	**5,871**	**(5,871)**

Note 8 - Transfers to / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts transferred from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

Transfers to / from Earmarked Reserves	Balance	Transfers 2015/16			Balance	Transfers 2016/17			Balance
	31 March 2015 £'000	Intra £'000	Out £'000	In £'000	31 March 2016 £'000	Intra £'000	Out £'000	In £'000	31 March 2017 £'000
General Fund									
Carry Forwards	(144)	-	144	(230)	(230)	-	230	(219)	(219)
Babergh/Mid Suffolk Integration	(45)	-	45	-	-	-	-	-	-
Transformation Fund	(1,737)	(451)	2,513	(2,254)	(1,929)	(65)	3,361	(2,373)	(1,006)
Non Domestic Rates Equalisation	(573)	(31)	880	(276)	-	-	-	-	-
New Homes Bonus	(497)	497	-	-	-	-	-	-	-
Government Grants	(269)	(15)	-	(87)	(371)	107	12	(13)	(265)
Welfare Benefits Reform	(64)	-	64	-	-	-	-	-	-
S.106 Agreements	(270)	-	38	-	(232)	-	-	-	(232)
Community Infrastructure Levy (CIL)	-	-	-	-	-	-	-	(67)	(67)
Growth and Sustainable Planning		-	-		-	(20)	-	-	(20)
Strategic Planning	-	-	-	-	-	(42)	26	(279)	(295)
Elections Fund	(60)	-	70	(20)	(10)	-	-	(20)	(30)
Planning Enforcement	(20)	-	-	(20)	(40)	20	-	-	(20)
Green Initiatives	(25)	-	-	-	(25)	-	25	-	-
Revocation of personal search fees	(13)	-	-	(47)	(60)	-	6	-	(54)
Total General Fund	(3,717)	-	3,754	(2,934)	(2,897)	-	3,660	(2,971)	(2,208)
Housing									
Capital Slippage	(1,661)	-	1,661	-	-	-	-	-	-
Strategic Priorities	(4,043)	-	-	(5,040)	(9,083)	-	-	(2,970)	(12,053)
Total Housing	(5,704)	-	1,661	(5,040)	(9,083)	-	-	(2,970)	(12,053)
Other									
Capital other receipts	(72)	-	-	-	(72)	-	-	-	(72)
Major Repairs	(2,402)	-	3,575	(2,764)	(1,591)	-	4,547	(2,956)	-
HRA Capital Receipts	(2,861)	-	-	(1,232)	(4,093)	-	1,435	(3,063)	(5,721)
Total Other	(5,335)	-	3,575	(3,996)	(5,756)	-	5,982	(6,019)	(5,793)
Total Earmarked Reserves	(14,756)	-	8,990	(11,970)	(17,736)	-	9,642	(11,960)	(20,054)

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

General Fund

Carry Forwards
Agreed budget under spends in the current year to be spent in the following financial year.

Transformation Fund
This fund was 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 the strategic priorities.

Non Domestic Rates Equalisation
Established in 2013/14, as a result of the huge change in the basis of funding for the new rates retention scheme as well as the impact of the Suffolk pooling arrangements. Will be used to neutralise the impact of any year on year fluctuations in growth or reduction of business rate income.

Government Grants
A reserve established for grants committed to future budgeted expenditure.

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.

Community Infrastructure Levy (CIL)
A reserve established in April 2016 following the introduction of CIL. Its aim is to fund infrastructure to support development within the area.

Growth and Sustainable Planning
This reserve has been established to support the anticipated increase in planning applications where additional resources may be required eg staffing.

Strategic Planning
A reserve established for Strategic Planning related grants that are committed to future budgeted expenditure. For example, the Community Housing Fund and Custom Build grants.

Elections Fund
To balance out expenditure on district elections held every four years. Annual contributions spread the expenditure equally year on year.

Planning Enforcement
A reserve established to fund any future legal costs.

Green Initiatives
This reserve was established to support small scale energy efficiency and green initiatives within the Council.

Revocation of Personal Search Fees
This reserve was established in 2010/11 to cover both restitutionary claims and loss of fees foregone, payable in future years.

HRA

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

Strategic Priorities
A reserve established to help meet future HRA spending priorities.

Other Reserves

Capital Receipts – Other

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

Major Repairs

Is credited with the notional major repairs allowance pending its use to finance capital expenditure on Council dwellings.

HRA Capital Receipts

This reserve was established in 2012/13 for HRA Right to Buy Capital Receipts which can only be spent on providing new housing provision (known as 1-4-1 replacement).

Note 9 - Other Operating Expenditure

Comprehensive Income and Expenditure Statement - Other Operating Expenditure	2016/17 £'000	2015/16 £'000
Parish council precepts	2,423	2,390
Payments to the Government Housing Capital Receipts Pool	330	340
(Gains) / Losses on the disposal of non current assets	(1,131)	(803)
Total	**1,622**	**1,927**

Note 10 - Financing an Investment Income and Expenditure

Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure	2016/17 £'000	2015/16 £'000
Interest payable and similar charges	2,862	2,854
Net interest on the net defined benefit liability	651	820
Interest receivable and similar income	(392)	(224)
Changes in the fair value of investment properties	(441)	-
Other investment income	(143)	-
Total	**2,537**	**3,450**

Note 11 - Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income and Expenditure	31 March 2017 £'000	31 March 2016 £'000
Council Tax Income	(7,198)	(6,994)
Non-domestic rates income	(9,927)	(9,420)
Non-domestic rates Tariff payment to Central government	7,267	7,207
Non-ring-fenced government grants	(2,982)	(3,140)
Capital grants and contributions	-	(49)
Total Grants	(12,840)	(12,396)

Note 12 - Property, Plant and Equipment

Property, Plant & Equipment Cost or Valuation Movements on Balances in 2016/17	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
At 1 April 2016	186,795	23,579	11,693	1,415	841	1,102	169	225,594
Additions	5,816	2,510	383	-	-	-	1,271	9,980
Revaluation increases / (decreases) recognised in the Revaluation Reserve	3,452	1,229	-	-	-	(10)	-	4,671
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	847	(244)	-	-	-	(106)	-	497
Derecognition - Disposals	(1,735)	-	(1,192)	-	-	-	-	(2,927)
Assets reclassified	-	20	-	(20)	-	-	-	-
Assets reclassified (to)/from Assets Held for Sale	-	-	-	-	-	(439)	-	(439)
Other movements in Cost or Valuation	-	-	-	-	1	-	-	1
At 31 March 2017	195,175	27,094	10,884	1,395	842	547	1,440	237,377

Property, Plant & Equipment Accumulated Depreciation and Impairment Movements on Balances in 2016/17 cont'd	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
At 31 March 2016	(1)	(1)	(4,450)	(946)	-	(31)	-	(5,429)
Depreciation charge	(2,849)	(624)	(782)	(33)	-	(16)	-	(4,304)
Impairment Losses / (reversals) recognised in the Revaluation Reserve	566	523	-	-	-	16	-	1,106
Impairment Losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	2,273	101	-	-	-	-	-	2,374
Derecognition - disposals	11	-	1,010	-	-	-	-	1,020
At 31 March 2016	(0)	(1)	(4,222)	(979)	-	(31)	-	(5,234)
Net Book Value at 31 March 2017	195,175	27,093	6,662	416	842	516	1,440	232,143

Property, Plant & Equipment Cost or Valuation Movements on Balances in 2015/16	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
At 1 April 2015	177,766	22,948	6,999	1,671	836	1,130	56	211,406
Additions	5,243	135	4,747	2	-	1	117	10,245
Revaluation increases / (decreases) recognised in the Revaluation Reserve	199	326	-	(65)	-	(65)	-	395
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	4,815	3	-	-	-	41	-	4,859
Derecognition - Disposals	(1,228)	(21)	(57)	-	-	(5)	-	(1,311)
Assets reclassified (to)/from Assets Held for Sale	-	188	4	(193)	5	-	(4)	-
At 31 March 2016	186,795	23,579	11,693	1,415	841	1,102	169	225,594

Property, Plant & Equipment Accumulated Depreciation and Impairment Movements on Balances in 2015/16 cont'd	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
At 1 April 2015	(3)	(11)	(3,930)	(970)	-	(31)	-	(4,945)
Depreciation charge	(2,658)	(572)	(565)	(51)	-	(18)	-	(3,864)
Impairment Losses / (reversals) recognised in the Revaluation Reserve	2,652	582	-	75	-	18	-	3,327
Derecognition - disposals	8	-	45	-	-	-	-	53
At 31 March 2016	(1)	(1)	(4,450)	(946)	-	(31)	-	(5,429)
Net Book Value At 31 March 2016	186,794	23,578	7,243	469	841	1,071	169	220,165

Capital Commitments

At 31 March 2017, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £2.51m. Similar commitments at 31 March 2016 were £3.5m. The major commitments are:

2016/17 amounts	£'000
New Build of Council Dwellings / Social Housing	2,114
Community Fund Projects Grants	185
Empty Home Grant	130
HRA Planned Maintenance and other works	41
Car park - enhancements	39
Total	**2,509**

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 desktop valuation for both Housing Revenue Account and General Fund properties at 31 March 2017. The significant increase in the value of council dwellings in the year reflects the continued recovery in the housing market during 2016/17

The next full valuation for Housing Revenue Account properties is due on 31 March 2020 and for General Fund Properties on 1 April 2019.

Property, Plant & Equipment Carried at Historical Cost	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	1,451	80	10,884	1,395	-	80	1,440	15,330
								-
Fair Value as at:								-
31 March 2017	193,724	27,184	-	-	-	535	-	221,443
31 March 2016	-	20	-	-	-	12	-	32
31 March 2014	-	-	-	-	5	-	-	5
Prior 2014	-	-	-	-	837	-	-	837
Total Cost or Valuation	195,175	27,284	10,884	1,395	842	627	1,440	237,647

Note 13 - Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses and specialist stock condition data for Housing Revenue Account properties.

All software is assigned a finite useful life of five years, based on an assessment of the period that the software is expected to be of use to the Council. The carrying amount of intangible assets is amortised on a straight line basis.

The amortisation charged to revenue in the year was charged to the ICT Administration cost centre.

Intangible Assets - The movement on Intangible Asset balances during the year :	2016/17 £'000	2015/16 £'000
Balance at start of year:		
Gross carrying amount	1,553	1,295
Accumulated amortisation	(677)	(415)
Net carrying amount at start of year	876	880
Additions:		
Purchases	741	258
Amortisation for the period	(334)	(262)
Net carrying amount at end of year	**1,283**	**876**
Comprising		
Gross carrying amount	2,294	1,553
Accumulated amortisation	(1,011)	(677)
Balance at end of year:	**1,283**	**876**

Note 14 - 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 cash and bank deposits, trade receivables and trade payables to more complex transactions such as financial guarantees, short term loans with other local authorities and long term loans with the Public Works Loan Board (PWLB). The Council's borrowing and investment transactions are also classified as financial instruments.

Fair Values of Assets and Liabilities

Financial assets are carried in the Balance Sheet at fair value. Financial liabilities are carried in the Balance Sheet at amortised cost. The Council's loan portfolio at the year end consisted of Public Works Loan Board (PWLB) debt.

The Council's portfolio of investments consists of fixed term deposits, money market funds, Funding Circle, Pooled funds and call/notice accounts. Money market funds and Cash and Cash equivalents are readily convertible to 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 values are shown in the following tables, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	Fair Value Level	Long term 31 March 2017 £'000	Long term 31 March 2016 £'000	Current 31 March 2017 £'000	Current 31 March 2016 £'000
Investments					
Money Market Funds	1	-	-	2,700	2,700
CCLA Property Fund	1	4,778	4,854	-	-
UBS multi asset income fund	1	2,008	1,952	-	-
Schroder Income maximiser fund	1	1,975	-	-	-
Funding Circle	2	679	100	-	-
Cash and Cash equivalents			-	3,500	2,873
Total Investments		9,440	6,906	6,200	5,573
Debtors					
Loans and receivables		5	7	810	1,033
Total Debtors		5	7	810	1,033
Borrowings					
Financial liabilities at amortised cost		(86,297)	(86,797)	(6,539)	(534)
Total Borrowings		(86,297)	(86,797)	(6,539)	(534)
Creditors					
Financial Liabilities at amortised cost		-	-	(1,075)	-
Total Creditors		-	-	(1,075)	-

The fair value of short-term financial assets including trade receivables is assumed to approximate to the carrying amount. The fair value of financial assets held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

	Fair Value Level	Balance Sheet 31 March 2017 2016/17	Fair Value 31 March 2017 2016/17	Balance Sheet 31 March 2016 2015/16	Fair Value 31 March 2016 2015/16
Financial Liabilities held at Amortised cost					
Long term loans from PWLB	2	86,797	102,829	87,297	94,333
Total		86,797	102,829	87,297	94,333
Liabilities for which fair value is not disclosed		6,039			
Total Financial Liabilities		92,836			
Recorded on balance sheet as:					
Short term borrowing		6,539			
Long term borrowing		86,297			
Total Financial Liabilities		92,836			

The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Note 15 - Debtors

Debtors	31 March 2017 £'000	31 March 2016 £'000
Central government bodies	680	1,029
Other local authorities	606	485
Other entities and individuals	1,490	1,911
Total Debtors	2,776	3,425

Note 16 - Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents	2016/17 £'000	2015/16 £'000
Bank current accounts	1,389	789
Bank Call Account	-	1,000
Short-term deposits with Money Market Funds	2,700	2,700
Cash in Transit	105	265
Total Cash and Cash Equivalents	4,194	4,754

Note 17 - Creditors

Creditors	31 March 2017 £'000	31 March 2016 £'000
Central government bodies	(1,399)	(932)
Other local authorities	(1,376)	(724)
Other entities and individuals	(2,650)	(3,796)
Total Creditors	(5,425)	(5,452)

Note 18 – Provisions

Movement in Provisions	Balance at 31 March 2016 £'000	Additional Provisions made in year £'000	Amounts used in year £'000	Balance at 31 March 2017 £'000
Outstanding Legal Cases/MMI Levy	(201)	-	-	(201)
Land Charges Costs	(13)	-	13	-
Non Domestic Rate Appeals	(738)	140	192	(406)
Accumulated Absence	(95)	(105)	95	(105)
Total	(1,047)	35	300	(712)

Non Domestic Rate Appeals

The Local Government Finance Act 2012 introduced a non domestic rates retention scheme that enables local authorities to retain a portion of the rates generated in their area. These arrangements came into effect on 1 April 2013. As part of this process each Council has assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The provision relates to Babergh's share, 40% of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list for those appeals that are already lodged with the Valuation Office as at 31st March 2017. Babergh has not opted to spread the cost of these appeals (prior to 2013/14) over 5 years. This work has been supported by Wilks Head and Eve LLP, Sixth Floor, Fairgate House, 78 New Oxford Street, London WC1A 1HB. This includes amounts that were paid over in respect of 2012/13 and prior years to Central Government.

Note 19 - Unusable Reserves

Unusable Reserves - Summary	31 March 2017 £'000	31 March 2016 £'000
Revaluation Reserve	(17,351)	(11,830)
Capital Adjustment Account	(116,143)	(110,230)
Pensions Reserve	21,863	18,952
Collection Fund Adjustment Account	(244)	117
Accumulated Absences Account	105	95
Available for Sale Financial Instruments Reserve	238	194
Total Unusable Reserves	(111,532)	(102,702)

Note 19a - 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).

Revaluation Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	(11,830)	(8,262)
Upward revaluation of assets	(6,084)	(4,321)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	307	599
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(5,777)	(3,722)
Difference between fair value depreciation and historical cost depreciation	216	138
Accumulated gains on assets sold or scrapped	40	16
Amount written off to the Capital Adjustment Account	256	154
Balance at 31 March	(17,351)	(11,830)

Note 19b - Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or subsequent costs as as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 additional costs.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 to the Core Statements provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account	2016/17 £'000	2015/16 £'000
Balance at 1 April	(110,230)	(104,163)
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	1,429	(951)
Revaluation losses on Property, Plant and Equipment	(440)	-
Amortisation of intangible assets	334	262
Revenue expenditure funded from capital under statute	837	759
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	1,907	1,258
Reversal of prior year impairments	-	(19)
	4,067	1,309
Adjusting amounts written out of the Revaluation Reserve	(256)	(153)
Net written out amount of the cost of non-current assets consumed in the year	3,811	1,156
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(1,082)	(503)
Use of the Major Repairs Reserve to finance new capital expenditure	(4,547)	(3,575)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(937)	(468)
HRA Debt Repayment	(500)	(500)
Third Party Loans	-	12
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(894)	(528)
Capital expenditure charged against the General Fund and HRA balances	(1,642)	-
Capital expenditure charged against Earmarked Reserves	(122)	(1,661)
	(9,724)	(7,223)
Balance at 31 March	(116,143)	(110,230)

Note 19c - 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.

Details on the charge for the year are shown in Note 32.

Pensions Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	18,952	25,834
Remeasurement of net defined liability/(asset)	2,965	(7,270)
Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,087	2,476
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,141)	(2,088)
Balance at 31 March	21,863	18,952

Note 19d - Collection Fund Adjustment Account

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

Collection Fund Adjustment Account	2016/17 £'000	2015/16 £'000
Balance at 1 April	117	454
The amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(361)	(337)
Balance at 31 March	(244)	117

Note 19e - Accumulated Absences 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.

Accumulated Absences Account	2016/17 £'000	2015/16 £'000
Balance at 1 April	95	107
Settlement or cancellation of accrual made at the end of the preceding year	(95)	(107)
Amount accrued at the end of the current year	105	95
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	10	(12)
Balance at 31 March	105	95

Note 19f - Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gain/loss made by the Council arising from increases/decreases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- disposed of and the gains are realised.

Available for Sale Financial Instruments Reserve	2016/17 £'000	2015/16 £'000
Balance at 1 April	194	-
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	44	194
Balance at 31 March	238	194

Note 20- Cash Flow Statement: Operating Activities

Cash Flow Statement - Operating Activities	2016/17 £'000	2015/16 £'000
The cash flows for operating activities include the following items:		
Interest received	(349)	(48)
Interest paid	2,858	2,838
	2,509	2,790
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(4,638)	(4,126)
Impairment and (downward valuations)/reversals	2,871	4,859
(Increase)/decrease in creditors	590	1,876
Increase/(decrease) in debtors	(649)	(481)
Increase/(decrease) in inventories	(9)	(8)
Movement on pension liability	54	(388)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,906)	(1,258)
Other non-cash items	335	(318)
	(3,352)	156
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	3,039	2,053
Other items for which the cash effects are investing or financing activities	(1,533)	(2,247)
Net cash flows from operating activities	1,506	(194)

Note 21 - Cash Flow Statement: Investing Activities

Cash Flow Statement - Investing activities	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	14,147	7,197
Purchase of short-term investments	13,563	115,845
Other payments for investing activities	109	62
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,039)	(2,053)
Proceeds from short-term and long-term investments	(10,025)	(114,244)
Other receipts from investing activities	(977)	(614)
Net cash flows from investing activities	13,778	6,193

Note 22 - Cash Flow Statement: Financing Activities

Cash Flow Statement - Financing Activities	2016/17 £'000	2015/16 £'000
Cash receipts from short and long term borrowing	(6,000)	-
Repayments of short-term and long-term borrowing	500	533
Net cash flows from financing activities	(5,500)	533

Note 23 - Members' Allowances

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

Members' Allowances	2016/17 £'000	2015/16 £'000
Basic Allowances	172	173
Special Responsilbility Allowance	44	42
Expenses	15	16
Total	231	231

Further details of the Council's Scheme and schedules for Member's Allowances can be found in the Transparency pages on the Council's website at:
http://www.babergh.gov.uk/assets/Finance/Babergh/Scheme-of-Allowances.pdf

http://www.babergh.gov.uk/the-council/finance/senior-officers-remuneration/babergh-member-allowances/

Note 24 - Officers' Remuneration

Following the integration with Mid Suffolk District Council in June 2013, the two Councils share both staff and services. The Senior Leadership Team comprises a Chief Executive, a Deputy Chief Executive, two Strategic Directors and 7 Assistant Directors.

Post holders continue to be employed by the Council which employed them prior to the introduction of the Senior Leadership Team.

The following two tables apply to Babergh District Council employees only. Remuneration for the other officers is published in Mid Suffolk's District Council's Statement of Accounts. The remuneration paid to the Council's senior employees is as follows: -

Officers' Remuneration	Comparative Years	Salary, Fees and Allowances £	Expenses / Benefits in Kind £	Pension Contribution £	Exit Packages £	Total £
Joint Chief Executive (left 03.08.2016)	2016/17	79,228	642	12,692	(690)	91,872
Joint Chief Executive	2015/16	135,940	963	22,798	-	159,701
Interim Transformation Director (left 10.05.2015)	2016/17	-	-	-	-	-
Interim Transformation Director	2015/16	15,885	161	1,751	79,756	97,553
Strategic Director (Corporate)	2016/17	-	-	-	-	-
Strategic Director (Corporate) (left 30.09.2015)	2015/16	42,312	-	7,599	106,565	156,476
District Monitoring Officer	2016/17	-	-	-	-	-
District Monitoring Officer (left 12.06.2015)	2015/16	14,751	-	2,599	-	17,350
Head of Corporate Organisation (left 29.02.2016)	2016/17	-	-	-	-	-
Head of Corporate Organisation	2015/16	60,851	-	11,019	101,312	173,182

A senior employee, for the additional disclosure, is the head of 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 Leadership 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 Assistant Director Corporate Resources whose senior officer's remuneration is shown in the Mid Suffolk Statement of Accounts is also the S151 Officer for Babergh District Council.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are shown in the following table.

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.

Remuneration band	2016/17 Number of employees	2015/16 Number of employees
£50,000 - £54,999	3	6
£55,000 - £59,999	3	-
£60,000 - £64,999	-	1
£65,000 - £69,999	-	-
£75,000 - £79,999	-	1
£80,000 - £84,999	-	1
TOTAL	6	9

Details of the total costs of the Senior Leadership Team (inclusive of salary and expense payments made, as well as pension fund contributions) are set out in the following table. Eleven of the Senior Leadership Team were employed by Mid Suffolk District Council and their remuneration, in the format of the previous table, is disclosed in that Council's Statement of Accounts. The next table sets out how Babergh reimburses Mid Suffolk for its 50% share of these costs for the relevant period in 2016/17. In addition, other transactions are disclosed in Note 27, Related Parties.

The amounts shown in the following table (relating to Babergh employees) are different to those included in the senior officers' remuneration (see previous page) as they include employers National Insurance contributions.

Shared Management Costs	2016/17 Expenditure by Babergh £	2016/17 Expenditure by Mid Suffolk £	2015/16 Expenditure by Babergh £	2015/16 Expenditure by Mid Suffolk £
Senior Management				
Joint Chief Executive	100,995	-	175,377	-
Deputy Chief Executive		114,361		-
Strategic Director (Corporate)	-	-	172,327	-
Strategic Director (People)	-	115,334	-	109,535
Strategic Director (Place)	-	20,290	-	113,640
Interim Director Transformation	-	-	99,428	-
Head of Corporate Organisation	51	-	180,432	-
Assistant Director Corporate Resources	-	104,983	-	94,930
Assistant Director Communites and Public Access	-	91,489	-	85,275
Head of Economy	-	65,816	-	85,848
Assistant Director Investment and Commercial Delivery	-	85,884	-	72,768
Assistant Director Planning for Growth	-	85,563	-	72,368
Assistant Director Environment and Projects	-	92,726	-	90,692
Assistant Director Supported Living	-	91,714	-	86,118
Assistant Director Law and Governance	-	6,872	18,837	-
Total Expenditure	101,046	875,033	646,401	811,174
Net Adjustment between Councils	386,993	(386,993)	82,387	(82,387)
Total	488,039	488,039	728,788	728,788

Note 25 - External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims.

External Audit Costs	2016/17 £'000	2015/16 £'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	49	49
Fees payable to the external auditor for the certification of grant claims and returns for the year	17	13
Total	66	62

Note 26 – Grant Income

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

Grant Income	2016/17 £'000	2015/16 £'000
Credited to Taxation and Non-Specific Grant Income and Expenditure:		
Revenue Grants and Contributions:		
Council Tax Income	(7,198)	(6,995)
Non-Domestic Rates Payable to Central Government (Tariff)	7,267	7,207
Non-Domestic Rates Levy Payable	458	159
Non-Domestic Rates Income	(9,836)	(8,849)
Revenue Support Grant	(1,014)	(1,596)
Council Tax Freeze & Transition Grant	-	(50)
Rural Services Delivery Grant	(225)	-
S31 Grants & Local Council Tax Support (LCTS)	(549)	(739)
New Homes Bonus	(1,784)	(1,609)
Grant to Parishes - LCTS Support	63	125
Other Revenue Grants	(22)	-
Total Revenue Grants	(12,840)	(12,347)
Capital Grants and Contributions:		
Hadleigh Skate Park	-	(43)
Other	-	(6)
Total Capital Grants	-	(49)
Total Credited to Taxation and Non-Specific Grant Income and Expenditure	(12,840)	(12,396)
Grants and Contributions Credited to Services:		
HB Subsidy & Admin Grant	(19,370)	(20,076)
Disabled Facilities Grant	(292)	(324)
S106 Contributions	(232)	-
Transformational Challenge Award	-	(210)
Community Housing Fund	(190)	-
New Burdens	-	(126)
LCTS Admin Grant	(91)	(97)
Misc Other Grants	(214)	(193)
Total Grants and Contributions Credited to Services	(20,389)	(21,026)

Note 27 - Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides a significant proportion 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 Core Financial Statements Note 6 Expenditure and Income Analysed by Nature and Note 26 Grant Income.

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 2016/17 is shown in Note 23 to the Core Financial Statements.

Babergh / Mid Suffolk Integration (BMI)

Integration between Babergh and Mid Suffolk District Council commenced with the appointment of a Joint Chief Executive in May 2011. Full integration in terms of staff and services has been in place since June 2013.

During 2013/14, it was agreed that all costs would generally be shared 50:50 between the two Councils. Evidence of this can be seen within the Officers Remuneration note, (Note 24) and the Termination Benefits note (Note 31).

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

A total of £4,714k of employee related expenditure was recharged to the Council by Mid Suffolk, and the Council recharged £3,998k of employee related expenditure to Mid Suffolk.

A total of £2,966k of non-employee related expenditure was recharged to the Council by Mid Suffolk, and the Council recharged £861k of non-employee related expenditure to Mid Suffolk

Suffolk County Council and the 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 non domestic rates to the County Council. Details of these transactions are given in the Income and Expenditure Statement for the Collection Fund.

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 and Mid Suffolk District Councils and Ipswich Borough Council. Each Council has delegated its authority for this function to a Joint Committee, comprising Members from each Council, and oversees the running of the SRP.

The cost of delivering the partnership is reviewed annually and is based on cost drivers such as number of businesses, number of billing items (council tax) and number of housing benefit documents. Babergh's share represents net expenditure of £1.19 million in 2016/17 (£1.27 million in 2015/16).

Shared Legal Services

From 1 November 2016 the Shared Legal Services team was created to deliver a strong, skilled legal service that proactively seeks out new knowledge and different ways of working for Babergh, Mid Suffolk and Forest Heath District Councils and St Edmundsbury Borough Councils. Expenditure is shared on the following basis; Babergh and Mid Suffolk District Councils 57%, Forest Heath District Council and St Edmundsbury Borough Councils 43%.

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.

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

Related Parties	2016/17 £'000	2015/16 £'000
South Suffolk Leisure Trust: Revenue and capital transactions	225	232
Grants & Contributions to Parish Councils, Community Councils, Village Halls and Theatres	341	155
Suffolk County Council	661	688
Police & Crime Commissioner	14	13
Sudbury Citizens Advice Bureau	82	75
Total	**1,323**	**1,163**

Note 28 - Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Capital Financing	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	99,356	95,269
Capital investment		
Property, Plant and Equipment	9,980	10,246
Investment Properties	3,560	-
Intangible Assets	741	258
Revenue Expenditure Funded from Capital under Statute	837	779
Mortgages/Loans	105	-
Sources of finance		
Capital receipts	(1,082)	(503)
Government grants and other contributions	(925)	(455)
Sums set aside from revenue:		
Direct Revenue Contributions	(1,765)	(1,661)
Major Repairs Reserve	(4,547)	(3,575)
Minimum Revenue provision for the repayment of debt	(894)	(528)
Repayment of Borrowing	(500)	(500)
Capital Expenditure charged in Income and Expenditure Statement	(4)	26
Closing Capital Financing Requirement	104,862	99,356
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	6,400	4,615
Minimum Revenue provision for the repayment of debt	(894)	(528)
Increase/(decrease) in Capital Financing Requirement	5,506	4,087

Note 29 - Leases

The Council 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

Leases	31 March 2017 £'000	31 March 2016 £'000
The future minimum lease payments receivable under non-cancellable leases in future years are:		
Not later than one year	451	126
Later than one year and not later than five years	627	235
Later than five years	2,119	2,063
Total	3,197	2,424

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 30 - Impairment Losses and Reversals

The District Valuer's valuation at 1 April 2016 and 31 March 2017 resulted in the net reversal of prior and current year impairments of £2,870k year (see Note 12 to the Core Financial Statements). This was due to an increase in the value of council dwellings of £3,120k and a decrease in other non-current assets of £250k in the 2016/17 financial year. This is reflected in both the General Fund and Housing Revenue Account and in the Comprehensive Income and Expenditure Statement.

Note 31 - Termination Benefits

Termination Benefits - Exit Packages	2016/17				2015/16			
	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £
Voluntary Redundancies								
£0 - £19,999	2	33,094	-	33,094	1	3,035	-	3,035
£20,000 - £39,999	1	27,250	-	27,250	1	39,567	-	39,567
£40,000 - £59,999	2	92,955	-	92,955	0	-	-	-
£60,000 - £79,999	0	-	-	-	0	-	-	-
£80,000 - £99,999	0	-	-	-	1	46,346	50,602	96,948
Total	5	153,299	-	153,299	3	88,948	50,602	139,550

As part of the integration with Mid Suffolk District Council it has been agreed that the costs generally will be shared in the ratio 50:50. There may be exceptions to this, where staff costs are fully incurred by one Council only or the basis of apportionment is something other than 50:50. The 2016/17 accounts reflects two occasions where a member of staff left the organisation and costs were shared 50:50, one member of staff whose costs were 60% to Babergh, one member of staff whose costs were 40% to Babergh and one member of staff whose costs were 100% to Babergh.

The following table sets out how the Council reimburses Mid Suffolk for its share of their costs.

Shared Exit Package Costs 2016/17	Number of Employees Babergh	Number of Employees Mid Suffolk	Total Expenditure Babergh £	Total Expenditure Mid Suffolk £
£0 - £19,999	2	1	16,377	6,195
£20,000 - £39,999	1	3	27,250	115,075
£40,000 - £59,999	2	1	92,957	56,837
£60,000 - £79,999	0	1	-	62,086
Total Cost	5	6	136,584	240,193
Net Adjustment between Councils			49,264	(49,264)
Total Cost to each Council			185,848	190,929

Note 32 - Pension Schemes Accounted for as Defined Benefit Schemes

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 (for those benefits) that need 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.

The following table shows the current bandings of employee's pensionable pay and percentage contributions required.

Local Government Pension Scheme - Salary Bandings for Employee Contributions	2016/17
Up to £13,600	5.50%
£13,601 - £21,200	5.80%
£21,201 - £34,400	6.50%
£34,401 - £43,500	6.80%
£43,501 - £60,700	8.50%
£60,701 - £86,000	9.90%
£86,001 - £101,200	10.50%
£101,201 - £151,800	11.40%
Over £151,800	12.50%

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 the Council is 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 - Transactions relating to post-employment benefits	2016/17 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services:		
Current service cost	1,326	1,653
Past Service cost/(gain) including curtailments	110	3
Financing and Investment Income and Expenditure:		
Net interest expense	651	820
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,087	2,476
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets (excluding amounts included in net interest expense)	7,523	(960)
Actuarial gains and losses arising on changes in financial assumptions	(8,142)	7,092
Other experience	(2,346)	1,138
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,965)	7,270
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(2,087)	(2,476)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(2,141)	(2,088)

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined plan is as follows:

Local Government Pension Scheme - Pensions Assets and Liabilities Recognised in the Balance Sheet	2016/17 £'000	2015/16 £'000
Present value of the defined benefit obligation	(91,857)	(79,773)
Fair value of plan assets	69,994	60,821
Net liability arising from defined benefit obligation	(21,863)	(18,952)

Reconciliation of the Movements in Fair Value of the Scheme Assets

Local Government Pension Scheme - Reconciliation of the movements in Fair Value of the Scheme (Plan) Assets	2016/17 £'000	2015/16 £'000
Opening fair value of scheme assets 1 April	60,821	60,185
Interest income	2,119	1,921
Remeasurement gains and (losses):		
Return on plan assets (excluding net interest)	7,523	(960)
Employer contributions	2,141	2,088
Contributions from employees into the scheme	341	368
Benefits paid	(2,951)	(2,781)
Closing fair value of scheme assets 31 March	69,994	60,821

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme - Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	2016/17 £'000	2015/16 £'000
Opening balance 1 April	(79,773)	(86,019)
Current service cost	(1,326)	(1,653)
Interest cost	(2,770)	(2,741)
Contributions by scheme participants	(341)	(368)
Remeasurement gains and (losses): -		
Actuarial gains/losses arising from changes in financial assumptions	(12,834)	7,092
Other	2,346	1,138
Loss/(Gains) on Curtailments	(110)	(3)
Benefits paid	2,951	2,781
Closing balance at 31 March	(91,857)	(79,773)

Local Government Pension Scheme assets comprised of:

Local Government Pension Scheme - Assets comprised:	2016/17 Fair Value of Scheme Assets £'000	2015/16 Fair Value of Scheme Assets £'000
Cash and Cash Equivalents	1,442	508
Equity Instruments (by industry)		
Consumer	6,118	4,733
Manufacturing	1,900	1,822
Energy & Utilities	1,275	668
Financial Institutions	2,384	2,526
Health & Care	1,994	2,055
Information Technology	2,499	1,633
Other	871	680
Sub-total Equity Instruments	17,041	14,117
Bonds (by sector)		
Corporate Bonds (investment grade)	10,224	9,679
UK Government	2,956	-
Other	-	2,256
Sub-total Bonds	13,180	11,935
Private Equity		
All	2,258	1,886
Sub-total Private Equity	2,258	1,886
Property		
UK Property	6,520	6,662
Sub-total Property	6,520	6,662
Other Investment Funds		
Equities	20,958	2,292
Bonds	-	1,537
Infrastructure	1,596	5,478
Hedge Funds	2,135	-
Commodities	-	16,352
Other	4,843	-
Sub-total Other Investment Funds	29,532	25,659
Derivatives		
Foreign Exchange	21	55
Sub-total Derivatives	21	55
Total Assets	69,994	60,821

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 Suffolk County Council Fund being based on the latest full triennial valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme - Basis for estimating assets and liabilities	2016/17	2015/16
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22 years	22 years
Women	24 years	24 years
Longevity at 65 for future pensioners:		
Men	24 years	24 years
Women	26 years	27 years
Rate of inflation	3.4%	2.1%
Rate of increase in salaries	2.7%	4.2%
Rate of increase in pensions	2.4%	2.2%
Rate for discounting scheme liabilities	2.5%	3.5%
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 reasonably 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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The following table shows the sensitivity of the results to changes in assumptions used to measure the scheme liabilities:

Local Government Pension Scheme - Sensitivity Analysis: Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumptions to Employer Liability %	Increase in Assumptions to Employer Liability £'000
Change in assumptions at year ended 31 March 2017 :		
0.5% decrease in Real Discount Rate	8%	7,671
1 year increase in member life expectancy	3% - 5%	2,756 - 4,593
0.5% increase in the Salary Increase Rate	1%	749
0.5% increase in the Pension Increase Rate	7%	6,840

Impact on the Council's Cash Flow

The objectives of the scheme are to keep employers' contributions at as 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 2019.

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 2017. 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 2018 are £2.038 million. This includes a contribution of £0.786 million towards the Council's pension fund deficit.

Note 33 - Contingent Liabilities and Assets

The Council has no contingent liabilities or assets.

Note 34 - Nature and Extent of Risks Arising from Financial Instruments

The Council has adopted the CIPFA's Code of Practice on Treasury Management (and subsequent amendments) and complies with The Prudential Code for Capital Finance in Local Authorities (both revised in November 2011).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the beginning of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments.

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

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments

- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and market prices, etc.

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 Assistant Director, Corporate Resources and her staff in accordance with policies approved by the Council in the annual Treasury Management Strategy Report. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

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

The risk is minimised through the Annual Treasury Management Strategy, which defines the credit criteria for where deposits may be made to financial institutions. The Annual Treasury Management Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £2million of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government and pooled funds). The Council also sets limits on investments in certain sectors.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £1.389 million 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 2017 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.

Credit Risk – Receivables (Customers)

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 following analysis summarises the Council’s potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions:

The Council's exposure to credit risk is as follows:

Aged debt analysis	31 March 2017 £'000	31 March 2016 £'000
Fewer than thirty days	250	190
Thirty one days to sixty days	18	6
Sixty one days to ninety days	4	6
Ninety one days to one hundred and twenty days	2	82
More than one hundred and twenty days	110	7
	384	291

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements occur, the Council has ready access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 60% of loans are due to mature within any rolling five-year period through a combination of careful planning of new loans taken out and (where it is economical to do so) making early repayments.

The maturity analysis of the principal sums borrowed is as follows:

Nature and Extent of Risks Arising from Financial Instruments at fair value Maturity of Fixed Rate Borrowing	31 March 2017 £'000	31 March 2016 £'000
Less than one year	6,500	500
Between one and two years	500	500
Between two and five years	1,141	921
Between five and ten years	13,454	13,509
Between ten and twenty years	85,685	77,577
More than twenty years	1,548	1,326
	108,828	94,333

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

Market Risk

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

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

- Borrowings at fixed rates - the fair value of the liabilities borrowings will fall.

- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise.

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

Investments classed as “loans and receivables” and loans borrowed are not carried in the Balance Sheet at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. 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. Movements in the fair value of fixed rate investments classed as “Available for Sale” will be reflected in the line for Other Comprehensive Income and Expenditure.

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 at fixed or variable rates.

The Treasury Management Team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:	£'000
Increase in interest receivable on variable rate investments	(173)
Impact on Surplus or Deficit on the provision of services	(173)
Decrease in fair value of fixed rate borrowings/liabilities	(11,975)

All borrowing and term investments during 2016/17 were held at fixed rates.

Market Risk - Price Risk

The Council’s investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council’s maximum exposure to property investments of £5 million. A 5% fall in commercial property prices would result in a £0.250 million charge to the line for Other Comprehensive Income and Expenditure.

The Council’s investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the maximum exposure of £5million (of which £2million has been invested) and a diversified portfolio. A 5% fall affecting all share prices would result in a £0.1million charge to Other Comprehensive Income and Expenditure.

Any movements in these investments will have no impact on the General Fund until the investment is sold.

Note 35 - Accounting Policies

A General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 and these regulations require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and SeRCOP, the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

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

B Accruals of Income and Expenditure

The Council's financial statements are prepared on an accruals basis. 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.
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- where 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.

The Council applies a £1,000 de-minimis policy on accruals at year-end. This means the Council does not record accruals for transactions under £1,000 except for the following:

- transactions relating to grant funding
- transactions going through our automated ordering system
- other minor exceptions

The application of the £1,000 de-minimis policy does not materially affect the accounts of the Council.

C 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 2017 the balance on these funds was £2.7 million (2015/16 £2.7million). See Note 16 (Cash and Cash Equivalents) to the Core Statements.

D Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

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.

E 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 non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), 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.

F Employee Benefits – International Accounting Standard 19 (IAS 19)

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly 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 for 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 Accumulated 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 19e.

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 appropriate service segments within 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 pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme (if they take up the option to be part of the scheme), which is administered by Suffolk County Council. The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees working for the Council.

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

- The 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 2016/17 accounts is 2.7% which is based on the yield available on long-dated, high quality corporate bonds, as measured by a Corporate Bond yield curve constructed as follows:
    - Use the “Hymans Robertson” corporate bond yield curve (based on the constituents of the iBoxx AA Corporate bond 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 comprising:

- 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 as a result of a scheme amendment or curtailment 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 on the net defined benefit liability (asset), i.e. net interest expense for the Council: the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- The return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset): charged to the Pensions 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 settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Pensions Reserve within Unusable Reserves in the Movement in Reserves Statement. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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 32 of the Core Statements.

G Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

H Financial Instruments

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. 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 are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and subsequently 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 carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

I Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. A condition exists if the grant stipulates a return of the funds if it is not used as directed.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Community Infrastructure Levy

The Council elected to charge a Community Infrastructure Levy (CIL) from April 2016. The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects including transport, flood defences, schools, footpaths and play areas to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

J 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 is demonstrable 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 by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Depreciation is calculated on the basis of a useful life of 5 to 7 years (except Stock Condition Survey, which is 10 years)

K 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.

L Inventories

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.

M 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

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

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.

N Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

O Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. The Council has set a minimum level of expenditure of £10,000.

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) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing 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 – depreciated historical cost
- Council Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Vehicles, plant and equipment – depreciated historical cost. These assets have short useful lives and any difference from current replacement cost would be insignificant
- Assets under construction and community assets, which are mainly parks and open spaces, are included in the Balance Sheet at historical cost
- All other assets, including Heritage Assets – current value, using a valuation method appropriate for the asset in its existing use.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly (by desktop valuations) to ensure that their Balance Sheet value is not materially different from their current 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 might be credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are 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, the date of its formal implementation. 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 an insufficient balance, the balance sheet value of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

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 charged from the quarter following addition and is calculated on the following bases:

- Council dwellings, other buildings and surplus assets – straight-line allocation over the useful life of the property as estimated by the Valuer
- Infrastructure - straight line allocation over 30 years
- Vehicles, plant and equipment - straight line over its useful life, as advised by a suitably qualified officer
- IT and Communications - 5 years

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

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.

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 £500,000 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.

Council dwellings are not componentised beyond land, buildings and PV Panels 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.

Hadleigh Council Offices, Hadleigh Leisure Centre, Kingfisher Leisure Centre and the car parks at Station Road, Sudbury and North Street, Sudbury are depreciated on a component basis as per the agreed £500,000 de-minimis policy. The properties have been split into components taking into account the nature of the individual property. The car parks are split into land and surface.

Disposals and Non-current Assets Held for Sale

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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to Council dwelling disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

P Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made, but where the timing of the transfer is uncertain.

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

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

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.

Q 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 transferring 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 transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits that do not represent usable resources for the Council. These reserves are explained in more detail in Note 19 to the Core Statements.

R Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

S 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.

T Joint working with Mid Suffolk District Council (MSDC)

Costs or savings that arose through integration with Mid Suffolk District Council during 2016/17 were shared between the two Councils using an agreed basis determined as part of the 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.

U Council Tax and Non Domestic Rates (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, 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 the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

V Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.
Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Note 36 – Investment Properties

During 2016/17 the Council purchased Borehamgate shopping centre in Sudbury. This has been classified as an investment property.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Investment Properties	2016/17 £'000	2015/16 £'000
Rental Income from Investment Property	(192)	-
Direct operating expenses arising from Investment Property	49	-
Net (Gain) / Loss	(143)	-

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of the investment property over the year:

Fair Value of Investment Properties	2016/17 £'000	2015/16 £'000
Balance at start of the year	-	-
Additions:		
Purchases	3,560	-
Other changes	440	-
Balance at year end	4,000	-

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2017 are as follows:

Recurring Fair Value Measurements using:	Quoted proces in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Other significant observable inputs (Level 3)	Fair Value At 31 March 2017
2016/17	£'000	£'000	£'000	£'000
Commercial Units	-	4,000	-	4,000
2015/16				
Commercial Units	-	-	-	-

There were no transfers between Levels 1 and 2 during the year.

Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The fair value for the commercial units has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local Council's area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.
Gains or losses arising from changes in the fair value of the investment property are recognised in the Surplus or Deficit on the Provision of Services – Financing and Investment Income and Expenditure line.

Valuation Process for Investment Properties

The fair value of the Council's investment properties will be measured annually at each reporting date. The property was purchased during 2016/17 and is the first year for valuation purposes. All valuations are carried out by the District Valuer, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The District Valuer works closely with finance officers reporting directly to the Council's Assistant Director, Corporate Resources regarding all valuation matters.

Note 37 – Assets Held for Sale

At the Balance Sheet date, the Council held one asset for sale. This was East House, Hadleigh which was sold in May 2017 for £715k.

Assets Held for Sale	2016/17 £'000	2015/16 £'000
Balance at start of the year	-	-
Assets newly classified as held for sale:		
Property, Plant and Equipment	439	-
Balance at year end	439	-

Housing Revenue Income and Expenditure Statement

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. Councils 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.

2015/16 £'000	Housing Revenue Income & Expenditure Statement	HRA Note	2016/17 £'000
	Expenditure		
	Repairs, Maintenance and Management:		
2,344	- Repairs and Maintenance	1	2,417
2,913	- Supervision and Management	2	2,834
134	Rents, rates and other charges		78
(2,076)	Depreciation, Impairment and Revaluation losses of Non-current Assets:	3	(105)
15	Debt Management Costs		32
85	Increase in Bad Debt allowance	4	-
3,415			5,256
	Income		
	Gross Rental Income:		
(16,380)	- Dwelling Rents	5	(15,942)
(251)	- Non-Dwelling Rents	5	(280)
(318)	Charges for Services and Facilities	6	(598)
(35)	Contributions towards expenditure	7	(55)
(16,984)			(16,875)
(13,569)	**Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement:**		(11,619)
218	HRA share of Corporate and Democratic Core	8	207
200	HRA share of other amounts included in Net Cost of Services but not allocated to specific services	9	(111)
(13,151)	**Net Income for HRA Services**		(11,523)
	HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:		
(815)	(Gain) / Loss on the disposal of non current assets	10	(1,233)
2,854	Interest payable and similar charges	11	2,862
(142)	Interest receivable and similar income	11	(23)
164	Net interest on the net defined benefit liability / (asset)	12	130
(11,090)	**Surplus for the year on HRA services**		(9,786)

Housing Revenue Income and Expenditure Statement

The overall objectives for Movement on the HRA Statement and the general principles for its construction are the same as those generally for the Movement in Reserves Statement, into which it is consolidated. The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2015/16 £'000	Movement on the HRA Statement	HRA Note	2016/17 £'000
(1,000)	Balance on the HRA at the end of the previous reporting period		(1,000)
(11,090)	Surplus for the year on the HRA Income and Expenditure Statement		(9,786)
7,711	Adjustments between accounting basis and funding basis under statute (Note 7 to the Core Statements)		6,815
(3,379)	Net increase before transfers to reserves		(2,971)
3,379	Transfers to earmarked reserves	19	2,971
-	Increase in year on the HRA		-
(1,000)	Balance on the HRA at the end of the current reporting period		(1,000)

Note 1 – Repairs and Maintenance

This line covers the expenditure of the Council for the year in respect of the repair and maintenance of dwellings and other property within the HRA account. This includes works to property such as painting or the replacement of broken windows. It does not include work such as re-roofing or the installation of double glazing as this is capital expenditure.

Note 2 – Supervision and Management

This line represents the expenditure of the Council for the year in respect of the supervision and management of dwellings (the stock of Council dwellings), including tenancy management, rent collection, and grounds maintenance, etc.

Note 3 – Depreciation, Impairments and Revaluation Losses

The HRA includes a depreciation charge for dwellings based on their estimated useful economic lives.

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 line for HRA in 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.

Depreciation, Impairments and Revaluation Losses	2016/17 £'000	2015/16 £'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's non current assets, as follows:		
Dwellings	2,849	2,658
Other Land and Buildings	65	27
Other HRA property	96	80
Reversal of Impairments charged to Income and Expenditure in prior years	(3,115)	(4,841)
Total	**(105)**	**(2,076)**

Note 4 – Movement in the Allowance for Bad Debts

The following table shows the change in rent arrears during the year, and the allowance for bad debts remaining the same:

Movement in Arrears and for the Allowance for Bad Debts	2016/17 £'000	2015/16 £'000	Movement £'000
Total Arrears			
Rent arrears - current tenants	222	258	(36)
Rent arrears - former tenants	42	71	(29)
Total Arrears at end of year	264	329	(65)
Bad Debt Provision at start of year	201	191	10
Write offs in the year	(64)	(75)	11
Increase / (Decrease) in Provision in the year	-	85	(85)
Bad Debt Provision at end of year	137	201	(64)

Note 5 - Dwelling and Non – Dwelling Rents

Dwelling Rents

This line comprises the income of the Council receivable for the year from rents in respect of dwellings within the HRA. The Code's requirement for this item to be disclosed 'gross' means that the total includes rent remitted by way of rebate, which is financed by a compensating credit from the General Fund.

The requirement for a 'gross' disclosure means that the figure excludes any amounts in respect of rent foregone on void properties and discretionary rent-free periods.

The average rent per week in 2016/17 was £90.64 (in 2015/16 £91.74).

Non - Dwelling Rents

This line includes the income of the Council receivable for the year from rents and charges in respect of other property within the account, such as land, garages and shops etc.

Note 6 - Charges for Services and Facilities

This represents the income of the Council for the year in respect of services or facilities provided by the Council in connection with the provision of dwellings and other properties within the account.

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, but exclude payments for welfare services that are outside the scope of the HRA.

Note 7 – Contribution towards expenditure

This item covers contributions received, mainly from the General Fund and outside bodies or persons, towards expenditure which has been properly debited to the HRA, such as those in respect of benefits or amenities provided under housing powers but shared by the wider community. Where service charges are received from leaseholders, they can be applied to net down the relevant expenditure, rather than credited as part of this item, provided that the expenditure was incurred directly on the leasehold property and can be identified separately from that incurred on HRA property.

Note 8 – HRA Share of Corporate and Democratic Core

The Net Cost of Services in the HRA Income and Expenditure Statement is generally prepared in accordance with the total cost requirements of the Service Reporting Code of Practice (SeRCOP). However, the statutory requirement for the HRA to be debited with the expenditure actually incurred by the Council during the year means that an additional debit is required to charge the HRA with elements of Corporate and Democratic Core costs that can either:

- be identified directly to HRA services, or
- be fairly apportioned to HRA services in line with SeRCOP's seven general principles of overhead apportionment.

The debit is made to the HRA Income and Expenditure Statement after a sub-heading for the Net Cost of HRA Services included in the whole authority Comprehensive Income and Expenditure Statement, so that the entry for the HRA in the latter can be read across straightforwardly to the HRA Statement. However, the aggregate HRA Net Cost of Services is then presented to include this debit.

Note 9 – HRA share of other amounts included in Net Cost of Services but not allocated to specific services

In addition to a share of Corporate and Democratic Core costs that can be allocated to the HRA, there may be other items of expenditure excluded from total cost that should reasonably be debited against the HRA Net Cost of Services in order to satisfy statutory requirements. These include non-distributed costs, e.g.

past service costs and settlements relating to post employment benefits that can fairly be related to HRA activity.

Note 10 – Gain or Loss on Disposal of Non Current Assets

Non-Current Assets identified as surplus are required to be valued at Fair 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.

Gain or Loss on Disposal of Non Current Assets	2016/17 £'000	2015/16 £'000
Cost of selling Council Dwellings	23	10
Carrying value of disposed assets	1,724	1,246
Receipts	(2,980)	(2,071)
(Gain) on disposal of Housing Non Current Assets	(1,233)	(815)

Note 11 - Interest Payable and Receivable

Interest Payable and Similar Charges

This represents the real interest charges to the HRA in respect of financing capital expenditure. Throughout the year interest is charged directly to the HRA for long term borrowing and charged to the General Fund for short term borrowing. The Item 8 adjustment then distributes the relevant interest charge for short term borrowing to the HRA.

Interest and Investment Income

This represents interest receivable on balances and mortgage interest. As with short term borrowing, all investment income is credited to the General Fund in the year and then distributed to the HRA as part of the Item 8 adjustment.

Note 12 - Net Interest on the Net Defined Benefit Liability / Asset

Allocations to the HRA of a share of the Council's overall IAS 19 pensions interest cost is based on an apportionment of costs between the General Fund and HRA. For a fuller explanation of the Pension scheme, see Note 32 Pension Schemes Accounted for as Defined Benefit Schemes, within the Notes to the Core Statements.

Note 13 - Housing Stock

The following table analyses the total of the Council's housing stock by type of dwelling.

Housing Stock	2016/17	2015/16 Restated
The stock of dwellings has changed as follows:		
Opening stock of dwellings	3,412	3,430
Add: additions/conversions	14	4
Less: sales - Right to Buy (RTB)	(26)	(21)
- Non-RTB	(3)	(1)
Less: properties lost to conversion, disposal and deletion	(13)	-
Closing stock of dwellings	3,384	3,412
Analysis of closing stock numbers:		
Houses and Bungalows	2,762	2,776
Flats	622	636
Total	3,384	3,412
In addition the Council owns a 50% share of 3 shared ownership properties		

Note 14 – Non Current Assets at Balance Sheet Value

The following table shows the Balance Sheet values of all the HRA Non Current assets at 31 March 2017.

Non Current Assets at Balance Sheet Value	31 March 2017 £'000	31 March 2016 £'000
Operational Assets		
Dwellings - Balance Sheet Value	195,174	186,793
Other Land and Buildings	3,705	3,128
Community Assets	180	180
Intangible Assets	259	157
Vehicles, Plant and Equipment	261	311
Non-Operational Assets		
Other Land and Buildings	1,081	993
Surplus Assets not Held for Sale	355	345
Assets under construction	1,441	169
Total Balance Sheet Value of HRA Non Current Assets	202,456	192,076

The District Valuer carried out a desktop valuation of HRA properties as at 31 March 2017.

The net increases in value resulted in a reversal of previous years' impairment losses of £3,115k. Revaluation losses that were less than previous revaluation gains have been absorbed within the Revaluation Reserve.

A full valuation of Council dwellings is required every five years; the next full valuation is due on 31 March 2020.

Note 15 – Council Dwellings at Vacant Possession Value

The vacant possession value of Council dwellings at 31 March 2017 is based on valuations at 1 April 2016. They are £474.7 million for 2016/17 (2015/16 £452 million)

The only assets valued at vacant possession now are Council dwellings (including special units) and Sheltered Accommodation. The vacant possession value is the Council's estimate, based on information from the District Valuer, of the total sum that it would receive if all the assets were sold on the open market.

The Balance Sheet Value for the dwellings is the 'Existing Use Social Housing Value' (EUSHV) 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 62%, based on guidance issued by the CLG, and reflects the economic cost of providing Council housing at less than the open market value.

Note 16 - Capital Expenditure

The following table summarises the HRA capital programme and how it was financed.

Capital expenditure and how it has been financed:	2016/17 £'000	2015/16 £'000
Capital Expenditure:		
Dwellings	5,816	5,243
Assets under Construction	1,271	118
Other (including IT Infrastructure)	172	95
Total	7,259	5,456
Financed by:		
Useable Capital Receipts	(719)	(194)
Revenue Contributions	(1,643)	-
Major Repairs Reserve	(4,547)	(3,575)
Contributions	(350)	(26)
HRA Reserves	-	(1,661)
Total	(7,259)	(5,456)

Note 17 - Capital Receipts

The following table summarises the number and types of assets sold and the total capital receipts generated during 2016/17.

Capital receipts from sales of council houses	2016/17 No's	2015/16 No's
Number of disposals	26	21
	£'000	£'000
Value of disposals	2,561	1,851

Note 18 - 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 dwellings 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, which can be seen in Note 7 to the Core Statements.

Debits to the Major Repairs Reserve

(a) capital expenditure on land, dwellings and other property within the HRA, where this is to be funded from the MRR

(b) any repayment, made in the year, of the principal of any amount borrowed where the repayment was met by payment out of 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, which can be seen in Note 7 to the Core Statements.

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

Movements in the Major Repairs Reserve	2016/17	2015/16
	£'000	£'000
Balance at 1 April	(1,591)	(2,402)
Charged in the Comprehensive Income and Expenditure Statement	(2,956)	(2,764)
Transfer to Capital Adjustment Account	4,547	3,575
Balance at 31 March	-	(1,591)

Note 19 - HRA Reserves

The surplus on this year's HRA activity of £2.971m has been transferred to the Strategic Priorities Reserve.

The Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council (as billing authority) to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

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

Council Tax 2015/16 £'000	Non Domestic Rates 2015/16 £'000	Collection Fund Income & Expenditure Account	Note	Council Tax 2016/17 £'000	Non Domestic Rates 2016/17 £'000
		Income:			
(48,334)	-	Income from Council Tax	3	(49,823)	-
-	(23,155)	Income from Non Domestic Ratepayers	2	-	(23,424)
(48,334)	**(23,155)**			**(49,823)**	**(23,424)**
		Expenditure:			
		Precepts and Demands			
35,645	2,311	Suffolk County Council	4	36,792	2,384
5,382	-	Suffolk Police & Crime Commissioner	4	5,553	-
6,942	9,244	Babergh District Council	4	7,190	9,536
-	11,556	Central Government	4		11,921
47,969	**23,111**			**49,535**	**23,841**
		Charges to the Collection Fund			
-	18	Transitional Protection Payments		-	44
		Impairment of Debts and Appeals:			
121	262	Write Offs		-	-
(121)	29	Increase/(Decrease) in Bad Debt Allowance		235	-
-	791	Increase/(Decrease) in Provisions for Appeals		-	(830)
-	126	Cost of Collection		-	129
652	(2,130)	Contributions towards previous year's estimated Collection Fund Surplus		549	(843)
48,621	**22,207**			**50,319**	**22,341**
287	(948)	**Movement on Fund Balance - (Surplus) / Deficit**	1	496	(1,083)
(920)	1,457	**(Surplus) / Deficit Brought Forward 1 April**	1	(633)	509
(633)	509	**(Surplus) / Deficit Carried Forward 31 March**		(137)	(574)

Note 1 – Movement on the Collection Fund Balance

The collection of council tax and non domestic 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

Movements on the Collection Fund Balance - Council Tax Preceptors	Balance 31 March 2015 £'000	Movement 2015/16 £'000	Balance 31 March 2016 £'000	Movement 2016/17 £'000	Balance 31 March 2017 £'000
Babergh District Council	(133)	41	(92)	72	(20)
Suffolk County Council	(685)	215	(470)	368	(102)
Police and Crime Commissioner	(102)	31	(71)	56	(15)
(Surplus) / Deficit	(920)	287	(633)	496	(137)

Non Domestic Rates

Movements on the Collection Fund Balance - NDR Preceptors	Balance 31 March 2015 £'000	Movement 2015/16 £'000	Balance 31 March 2016 £'000	Movement 2016/17 £'000	Balance 31 March 2017 £'000
Central Government	728	(474)	254	(541)	(287)
Suffolk County Council	146	(95)	51	(108)	(57)
Babergh District Council	583	(379)	204	(434)	(230)
(Surplus) / Deficit	1,457	(948)	509	(1,083)	(574)

Note 2 – Non Domestic Rates

The Council collects non domestic rates in the district. From 1 April 2013 the non domestic rates retention scheme was introduced which means that the total amounts collected from non domestic ratepayers are no longer paid into a national pool administered by the Government. Instead, they are shared between non domestic 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 non domestic properties is due in April 2017.

The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year	2016/17	2015/16
Total Rateable Value of Business Properties in March	£60.768m	£60.426m
National Rate in the £	49.7p	49.3p
Small Business Rate Multiplier	48.4p	48.0p

The actual income of £23.424 million, shown in the accounts, differs to the estimate of £30.202 million due to changes in rateable values, reliefs granted and allowances made during the year.

Note 3 - Income from Council Tax

The Council estimated its tax base for 2016/17 as 32,020.03 (2015/16 was 31,641.28) as shown in the following table.

Council Tax Band	Chargeable Dwellings	Factor	Band D Equivalents
Disabled A	5.51	5/9ths	3.06
A	3,939.84	6/9ths	2,626.56
B	10,599.99	7/9ths	8,244.44
C	7,422.22	8/9ths	6,597.53
D	6,725.58	9/9ths	6,725.58
E	3,943.66	11/9ths	4,820.03
F	2,133.00	13/9ths	3,081.00
G	1,540.09	15/9ths	2,566.81
H	166.25	18/9ths	332.50
Total	36,476.14		34,997.51
Less Council Tax Reduction Scheme			(2,817.59)
Adjustment for Collection Rate for Year which was estimated at 99.5%			(159.89)
Taxbase (Band D Equivalent)			32,020.03
			2016/17
Average Band D Council Tax			1,547.00
Babergh's Share			148.86

To meet the demands of Suffolk County Council, Suffolk Police and Crime Commissioner, Babergh District Council and Parish/Town Councils, a council tax of £49.535 million (£47.969 million for 2015/16) was levied on the tax base, providing an average Band D Council Tax of £1,547.00 (£1,516.03 for 2015/16).

The actual income of £49.823 million, shown in the accounts, differs to the estimate of £49.535 million due to changes in dwelling numbers, actual reliefs granted and discounts allowed during the year.

Note 4 - 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 of £7.190 million in 2016/17 and £6.942 million in 2015/16. For 2016/17 the total of the Parish Precepts was £2.423 million (£2.390 million for 2015/16).

Non Domestic Rates

Demands on the non domestic rates collection fund are from central government, Suffolk County Council and the District Council, at the rate of 50%, 10% and 40% respectively. The demand from the district is shown as income to the Council's General Fund.

Of Babergh's £9.536 million, £7.267million 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 £2.269 million payment to the Council's General Fund in 2016/17.

Actual income and expenditure for the year is then reflected in the Fund Balance (see Note 1 above). There is a surplus shown for the year and the Government provided extra rate relief for small businesses during 2016/17 and giving Councils a Section 31 (new burdens) grant to cover the cost. For Babergh, this grant was £549,000 (for 2015/16 £729,000).

Independent auditor's report to the Members of Babergh District Council

Opinion on the Authority's financial statements

We have audited the financial statements of Babergh District Council's for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Related notes 1 to 37 to the Core Accounting Statements; and
- Include the Housing Revenue Account and Collection Fund and related notes

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Babergh District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director, Corporate Resources and External Auditor

As explained more fully in the Statement of the Assistant Director, Corporate Resources' Responsibilities set out on page 16, the Assistant Director, Corporate Resources is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director, Corporate Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/2017 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position Babergh District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit & Accountability Act '14;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Babergh District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Babergh District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Babergh District Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Babergh District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit of the accounts of Babergh District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Suresh Patel

for and on behalf of Ernst & Young LLP, Appointed Auditor
Cambridge

Date:

The maintenance and integrity of Babergh District Council web site is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accruals

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

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

These are services that are performed by or for another Council or public body, where the principal (the Council responsible for the service) reimburses the agent (the Council carrying out the work) for the costs of the work.

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.

Budget

A financial statement of the Council's plans for any given year.

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 Expenditure

Expenditure on the acquisition of new assets or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money.

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 e.g. Right to Buy capital receipts which can only be spent on providing new housing provision (known as 1-4-1 replacement).

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

The Collection Fund reflects the statutory obligation for the District Council to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and ratepayers and the distribution to Suffolk County Council, Suffolk Police and Crime Commissioner and the Government of council tax and non-domestic rates.

Collection Fund Adjustment Account

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 restrictions on their disposal. Examples include parks and historic buildings.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Assets

Assets 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 pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

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, that have not been received 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.

Department for Communities and Local Government (DCLG)

A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

The measure of the wearing out, consumption or other reduction in the useful economic life of a fixed 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

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

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.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less 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) and the most complex ones such as derivatives and embedded derivatives.

Formula Funding

The aggregate of Revenue Support Grant (RSG) plus income from redistributed business rates non-domestic rates (NDR).

Formula Funding 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 Council 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

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

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 which sets out the revenue expenditure and income arising from providing, maintaining and managing of Council dwellings. These costs are financed by tenants’ rents. Other services are charged to the General Fund.

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 impairment through valuation loss.

Income

Amounts that the Council receives, or expects to receive, from any source. Income includes fees, charges, sales and grants that are specific and special. 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 which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples 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 (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Investment Property

An asset that is used solely to earn rentals or for capital appreciation or both. For example, the Council-owned industrial estates.

Investments (Pensions)

The Council's share of pension scheme assets associated with its liability to pay future retirement benefits.

Material/Materiality

Materiality relates to the significance of transactions, balances and errors. Financial information is material if its omission or misstatement could influence the users of the accounts.

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.

Net Book Value (NBV)

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-Domestic Rates (NDR) (also known as Business Rates)

NDR is the levy on non domestic property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities. The income arising is collected and shared between central government, Suffolk County Council and the 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

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 amount levied by various authorities that is collected by the Council on their behalf. Suffolk County Council, the Suffolk Police and Crime Commissioner and various Local Councils within the District are precepting authorities and the District Council is the billing 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

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Reserves

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

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 incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES. 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 non domestic rates, is the main form of Government funding (known as

Formula Funding) towards the Council's expenditure.

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.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.