

# Public Document Pack



COMMITTEE: **JOINT AUDIT AND STANDARDS COMMITTEE**

VENUE: **Elisabeth Room - Endeavour House, 8 Russell Road, Ipswich**

DATE: **Monday, 30 July 2018 at 9.30 am**

## BABERGH MEMBERS

<b>Conservative Group</b>	<b>Independent Conservative Group</b>	<b>Independent Group</b>	<b>Labour Group</b>
Tom Burrows	Melanie Barrett	Derek Davis	Tony Bavington
Michael Creffield	Siân Dawson		
Jennie Jenkins			
Frank Lawrenson			

## MID SUFFOLK MEMBERS

<b>Conservative and Independent Group</b>	<b>Liberal Democrat Group</b>	<b>Green Group</b>
Michael Burke	Mike Norris	Andrew Stringer
John Levantis		
Lesley Mayes		
Suzie Morley		
Dave Muller		
Kevin Welsby		

## A G E N D A

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ITEM	BUSINESS	PAGES
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### PART 1

#### 1 **SUBSTITUTES AND APOLOGIES**

Any Member attending as an approved substitute to report giving his/her name and the name of the Member being substituted.

#### 2 **DECLARATION OF INTERESTS**

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

#### 3 **JAC/18/1 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 14 MAY 2018** 1 - 8

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4	<b>PETITIONS</b>	
	The Corporate Manager – Democratic Services to report, in accordance with Council’s Rules of Procedure, the receipt of any petitions submitted to the Chief Executive.	
5	<b>QUESTIONS BY THE PUBLIC</b>	
	To consider questions from, and provide answers to, the public in relation to matters which are relevant to the business of the meeting and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.	
6	<b>QUESTIONS BY COUNCILLORS</b>	
	To consider questions from, and provide answer to, Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.	
7	<b>JAC/18/2 STATEMENTS OF ACCOUNTS 2017/18 AND AUDITOR'S REPORT</b>	9 - 252
	Report by the Assistant Director – Corporate Resources attached. External Auditor’s report to follow.	
8	<b>JAC/18/3 JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2017/18</b>	253 - 280
	Report by the Assistant Director – Corporate Resources attached.	
9	<b>JAC/18/4 NON-SALARY EXPENSES 2017/18</b>	281 - 284
	Report by the Assistant Director – Corporate Resources attached.	
10	<b>JAC/18/5 CODE OF CONDUCT COMPLAINTS MONITORING REPORT</b>	285 - 286
	Report by the Assistant Director – Law and Governance attached.	
11	<b>JAC/18/6 FORWARD PLAN</b>	287 - 288
	Report by the Corporate Manager – Democratic Services attached.	

Note: The date of the next meeting is Monday 24 September 2018 at 9.30am

## **Introduction to Public Meetings**

Babergh/Mid Suffolk District Councils are committed to Open Government. The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact the Governance Officer on: 01473 296372 or Email: [Committees@baberghmidsuffolk.gov.uk](mailto:Committees@baberghmidsuffolk.gov.uk)

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2. Follow the signs directing you to the Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
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5. Do not re-enter the building until told it is safe to do so.

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# Agenda Item 3

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the Rose Room - Endeavour House, 8 Russell Road, Ipswich on Monday, 14 May 2018.

### **PRESENT:**

Councillor: Frank Lawrenson (Chair)

Councillors:	Clive Arthey	Melanie Barrett
	Tony Bavington	Michael Burke
	Tom Burrows	John Levantis
	Lesley Mayes	Suzie Morley
	Dave Muller	Mike Norris
	Kevin Welsby	

**In attendance:** Glen Horn – Cabinet Member – Organisational Delivery

Chief Executive (AC)

Assistant Director Finance (KS)

Assistant Director Law and Governance and Monitoring Officer (EY)

Corporate Manager – Finance (ME)

Corporate Manager – Internal Audit (JS)

Internal Audit and Risk Management Officer (PJ)

Internal Audit and Risk Management Officer (CC)

Senior Governance Support Officer (LS)

### **51 SUBSTITUTES AND APOLOGIES**

Apologies were received from Councillors Mark Newman and William Shropshire.

Councillors Sue Burgoyne and John Matthissen were unable to be present.

### **52 DECLARATION OF INTERESTS**

There were no declarations of interest.

### **53 JAC/17/24 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 12 MARCH 2018**

It was **RESOLVED**

**That the minutes of the meeting held on 12 March 2018 be confirmed as a true record subject to clarifying that future Forward Plans will cover a rolling 12 month period – (Minute No 50 – JAC/17/23 Forward Plan refers.)**

### **54 PETITIONS**

None received.

**55 QUESTIONS BY THE PUBLIC**

None received.

**56 QUESTIONS BY COUNCILLORS**

None received.

**57 TECHNICAL PAPER ON GROUP ACCOUNTS**

57.1 Members had before them a Technical Paper relating to the treatment of Group Accounts in the Councils' 2017/18 Statements of Accounts.

57.2 Melissa Evans, Corporate Manager – Finance, explained that the Paper, which was circulated to Members prior to commencement of the meeting, and subsequently published on the Council website, had been shared with Ernst and Young, and their feedback was awaited. There would be full disclosure in the Councils' accounts.

**It was RESOLVED**

**That the content of the Technical Paper be noted.**

**58 JAC/17/25 JOINT ANNUAL GOVERNANCE STATEMENT 2017/18**

58.1 John Snell, Corporate Manager – Internal Audit introduced Paper JAC/17/25 to enable Councillors to satisfy themselves that the Joint Annual Governance Statement (Appendix A to the report) to accompany each Council's financial accounts properly reflects the risk environment and any actions required to improve it.

58.2 During the course of their consideration Councillors noted the following minor amendments to be made to Appendix A as reported by the Corporate Manager, or identified from Councillors' questions:-

Page 7 – 2.4 to read '*..... on behalf of each Council.*'

- Page 22 – Governance Structure Chart – Cabinet to be shown alongside Council and SRP to link directly to Council
- Page 25 – Quarterly financial monitoring reports to Cabinet – relevant information on 'red' areas to be also submitted to JAC on the basis of an exceptions report summary. Committee Terms of Reference to be amended accordingly. The Assistant Director – Law and Governance confirmed that the Scrutiny role related to performance, with JAC looking at financial outcomes.
- Page 26 – the reference to unitary Council proposals to be updated

- Page 27 – Performance – the Portfolio Holder challenge session originally scheduled for early May 2018 is being re-arranged
- Statement to be added to reflect that at present, there is no delegation to individual Cabinet Members to take decisions, unless by specific resolution [of the Cabinet or Council].

58.2 Councillors asked for further information about the ways in which community and customer feedback was obtained and assessed (Page 14), particularly in relation to information from Parishes, and the Chief Executive referred to the two-way nature of the Parish Liaison meetings and the input of Ward Members. A Councillor suggested that it might be useful to send a brief questionnaire to Parishes from time to time, perhaps service specific.

**It was RESOLVED**

- (1) That Councillors are satisfied that the Joint Annual Governance Statement (AGS) 2017/18 (Appendix A to Paper JAC/17/25) properly reflects the governance environment and any actions taken to improve it.**
- (2) That the AGS be endorsed subject to the Assistant Director Law and Governance and Monitoring Officer being authorised to make any minor amendments and corrections prior to the Statement being finalised for publication.**
- (3) That approval of any significant amendments identified by the Assistant Director Law and Governance and Monitoring Officer be delegated to her in consultation with the Chairs of the Committee.**
- (4) That it be noted that the finalised AGS will be signed by the Leader of each Council on behalf of the respective Council together with the Chief Executive on behalf of each Council.**
- (5) That, on an exception basis, quarterly financial reports be made to future meetings of this Committee.**

**59 JAC/17/26 ANNUAL INTERNAL AUDIT REPORT**

59.1 Paul Jarvis – Internal Audit and Risk Management Officer introduced the report from the Corporate Manager – Internal Audit (Paper JAC/17/26) informing Councillors of the work of the Audit Service and providing a review of its activities. As referred to in paragraph 10.7, he confirmed the Corporate Manager’s opinion of ‘Effective’ on the risks facing the Councils – the systems described offer most necessary controls.

59.2 He then referred to the Internal Audit Opinion of ‘Ineffective’ where identified under 2.1 on pages 36-37 of the report, and the measures which have been taken, or are in place, to support improvements.

- 59.3 He also referenced the performance review in Annex 2 which showed below target results on delivery of reviews, caused by additional time spent supporting officers on control improvements.
- 59.4 During the course of their consideration Councillors noted the following minor amendments to be made to Appendix A as identified from Councillors' questions:-
- Page 36 – reference to 'Project Manager' to assist / support implementation of GDPR to be updated by the inclusion of the name and title of the person appointed – ie Martyn Jackson, Information Governance Officer.
  - Page 40 – reference to 'Yellow Snow warning' to be clarified as eg 'yellow Snow Warning.'
  - Page 45, 6.3.2 – Corporate Manager to liaise with the Monitoring Officer to confirm whether Safeguarding training is not mandatory, as stated, and to amend wording if necessary. The Monitoring Officer will also establish whether safeguarding training (children and vulnerable adults) carried out by Councillors for another organisation qualifies.
- 59.5 Councillors queried whether the number of staff (660) covered by IR35 processing should be stated in relation to 2.1.5 Payroll (page 37). They noted the reference to the low level of cheque receipts – 6.5.4 (Page 47) and to the limited response to date for 2017/18 customer satisfaction. The Corporate Manager confirmed that his current staffing levels were adequate.
- 59.6 Councillors also questioned some of the scores in the risk matrix – 10.11 on page 58 but noted that it is regularly reviewed as referred to in 4.1 (page 39).

**It was RESOLVED**

**That the contents of Paper JAC/17/26 supported by Appendix A (as amended) be noted.**

**60 JAC/17/27 END OF YEAR RISK POSITION STATEMENT AND PROGRESS REPORT**

- 60.1 Claire Crascall, Audit and Risk Management Officer introduced Paper JAC/17/27 detailing the movement of Significant Risks and associated work which had recently been considered by SLT and both Cabinets. Councillors were asked to note the contents of the report and Appendices.
- 60.2 Councillors asked questions about various aspects of the report including
- Page 68 – 5h – why is Cabinet Member for Assets and Investments identified? – HR and Finance to check
  - Page 67 – phone response times – is it a system problem? Transfer to PAs etc.

- Need contact details of functional officers as well as ADs
- Risk colours incorrect – CC to sort

**It was RESOLVED**

**That the contents of Paper JAC/17/27, supported by Appendices A and B, be noted.**

**61 JAC/17/28 CONSTITUTION WORKING GROUP**

61.1 The Monitoring Officer, Emily Yule, introduced Paper JAC/17/28 by referring to the need for an in-depth review of three specific sections of the Councils' Constitutions – the Articles, Terms of Reference, and Procedure Rules. Councillors were asked to recommend the Councils to create a cross-party working group to undertake these reviews as a project-based exercise from May to October, reporting direct to Council. Some smaller reviews would be considered by the Committee.

61.2 Some Babergh Councillors expressed concern about the proposed composition of the cross-party working group not including representation from all political groups, which appeared to have been the understanding from earlier informal discussions in Babergh's political leaders' group. After some discussion, it was generally accepted that JAC could endorse recommendation 2.1 as set out in the report, leaving the Councils to determine the composition. The view was expressed that further thought could be given to this aspect prior to the Council meeting and on that basis, the recommendation was proposed and seconded without amendment.

**It was RESOLVED**

**That the establishment of a cross-party Constitution Working Group be endorsed and recommended to the Councils at their Annual Meetings.**

**62 JAC/17/29 REVIEW OF ETHICAL STANDARDS IN LOCAL GOVERNMENT**

62.1 Councillors had before them Paper JAC/17/29 – Stakeholder Consultation on the Review of Ethical Standards in Local Government and were asked how they wished to respond.

62.2 Emily Yule, Assistant Director – Law and Governance and Monitoring Officer introduced this item. All Councillors had been sent the consultation document, which was effectively a call for evidence, and could respond individually if they so wished. However, it was suggested that a Council response should be compiled by the Assistant Director, based on comments expressed at the meeting.

62.3 Councillors queried various aspects of Paper JAC/17/29 and identified some areas of particular concern, as follows:-

- Safeguarding training – mandatory or otherwise / transferable (as referred to under Minute No 59 above.)

- Intimidation of Councillors – what process should they following when the subject of ‘vindictive’ complainants.
- Recognise need to make public aware of how to pursue a complaint, but there is an issue if Councillor complained against is not able to be sufficiently informed about the complaint.
- ‘Natural justice’ in cases of vexatious complainants.
- Member briefings / updates should be provided on an on-going basis.

**It was RESOLVED**

**That the Assistant Director – Law and Governance and Monitoring Officer be authorised to prepare a response to the Stakeholder Consultation in consultation with the Chairs of the Committee.**

**63 JAC/17/30 CONSTITUTIONAL UPDATE**

63.1 The Monitoring Officer, Emily Yule, introduced this item, proposing amendments to the responsibility of functions rules for the Joint Audit and Standards Committee. The current Terms of Reference for the Committee were circulated at the meeting, together with proposed amendments and reasons for the changes, as set out in full below.

63.2 1. That the wording “Note: There are separate Terms of Reference for the Mid Suffolk and Babergh Audit Committees which set out their specific roles and functions.” be removed.

*Reason: Separate Audit Committee for each Council have not been constituted. This wording was left in the Constitution in error after the last review.*

2. That the following provision:  
 “Issues that are pertinent to a single Council area will remain the preserve of the Mid Suffolk Audit Committee or the Babergh Audit Committee.” be amended to:

“Where there are issues that are pertinent to only a single Council area, only Councillors from the relevant Council will be able to vote on the matter.”

*Reason: There are some matters which are considered by the Joint Audit and Standards Committee, such as the Statement of Accounts, which are the preserve of the sovereign Councils.*

3. That the quorum for the meeting be amended to 6 (3 from each Council)

*Reason: To ensure that there is equal and adequate representation from each Council and that there are sufficient Councillors present to take decisions on matters that are the preserve of a single Council.*

63.3 The Monitoring Officer referred to the proposed changes being in the interests of consistency and to facilitate the business of the Committee. Councillors discussed the ramifications of the Committee being inquorate, and emphasised the need for Committee members to attend, or arrange substitutions for, all meetings.

**It was RESOLVED**

(1) That the wording ***“Note: There are separate Terms of Reference for the Mid Suffolk and Babergh Audit Committees which set out their specific roles and functions.”*** be removed.

(2) That the following provision:  
***“Issues that are pertinent to a single Council area will remain the preserve of the Mid Suffolk Audit Committee or the Babergh Audit Committee.”*** be amended to:

**“Where there are issues that are pertinent to only a single Council area, only Councillors from the relevant Council will be able to vote on the matter.”**

(3) That the quorum for the meeting be amended to 6 (3 from each Council).

**64 JAC/17/31 FORWARD PLAN**

**It was RESOLVED**

**That the Forward Plan be noted.**

**65 COMMENCEMENT TIMES FOR FUTURE MEETINGS**

65.1 A brief discussion took place around various relevant issues and alternatives to the current start time of 10.15 a.m., including availability of parking and public transport, alternating morning and afternoon / evening meetings, and the difficulty of accommodating all Members’ preferences and individual circumstances. Councillor Lawrenson suggested that he would discuss the matter with Councillor Morley, the Mid Suffolk Chair, taking into account the comments of Councillors as summarised above, and this was agreed.

**It was RESOLVED**

**That the two Chairs discuss further outside the meeting with a view to agreeing future Committee start times.**

The business of the meeting was concluded at 12.20 p.m.

.....  
Chairman

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# Agenda Item 7

## BABERGH and MID SUFFOLK DISTRICT COUNCILS

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> <b>JAC/18/2</b>
<b>FROM:</b> Katherine Steel, Assistant Director - Corporate Resources	<b>DATE OF MEETING:</b> 30 July 2018
<b>OFFICERS:</b> Melissa Evans, Corporate Manager - Finance Sue Palmer, Senior Financial Services Officer	

### STATEMENTS OF ACCOUNTS 2017/18 AND AUDITOR'S REPORT

#### 1. PURPOSE OF REPORT

- 1.1 To approve the final audited Statements of Accounts for 2017/18 and approve the joint external auditor's report for the year for Babergh District Council and Mid Suffolk District Council.

#### 2. OPTIONS CONSIDERED

- 2.1 This is a statutory report and there are no options to consider.

#### 3. RECOMMENDATIONS

- 3.1 That the joint external auditor's report for 2017/18, as set out in Appendix A be approved.
- 3.2 That the Statement of Accounts for 2017/18 for Babergh District Council as set out in Appendix B, which has been produced following the completion of the audit be approved.
- 3.3 That the Statement of Accounts for 2017/18 for Mid Suffolk District Council as set out in Appendix C, which has been produced following the completion of the audit be approved.

#### REASON FOR DECISION

For the Committee to approve the external auditors report and the statements of accounts for 2017/18.

#### 4. KEY INFORMATION

- 4.1 The audit has not been completed at the time of preparing this report, and the Auditor, Ernst and Young, are due to finish their work by the statutory date of 31 July. The Statements of Accounts included at Appendices B and C show highlighted amendments made as a result of the audit work completed so far. The Statements cannot be properly finalised until the audit has been fully completed.

A verbal update will be given to the Committee if there are any further amendments identified in the meantime. At this stage of the audit, there are no significant findings to report and the Auditor expects to issue:

- An unqualified true and fair opinion in the financial statements; and
- An unqualified value for money conclusion

At the time of preparing this report the Auditor's report (Appendix A) is still in progress and will be issued to Members in advance of the meeting.

## **5. LINKS TO THE JOINT STRATEGIC PLAN**

- 5.1 There are no direct links to the Joint Strategic Plan from this report but producing the Statements of Accounts helps to demonstrate sound financial management practices. In turn, these sound financial management practices will help support the Councils through their aims and objectives set out in the Joint Strategic Plan, including ensuring the long term financial sustainability of the Councils.

Ernst and Young LLP audit both Councils' accounts and a joint audit report has been prepared and presented by the external auditors.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The audit has identified a change to the reported financial position, for each Council's General Fund, as identified below. There are no changes to either Council's Housing Revenue Account. Any further changes identified after the publication of this report will be reported at the Committee.
- 6.2 The audit work identified CIL debtors income of £1,551k for Babergh and £1,249k for Mid Suffolk, which should have been recognised in 2017/18 when it was due, rather than when it was received. This adjustment increased the surplus on the General Fund and subsequent transfer to the CIL Reserve and Business Rates Equalisation Reserve.

## **7. LEGAL IMPLICATIONS**

- 7.1 There are no legal implications arising from this report.

## **8. RISK MANAGEMENT**

- 8.1 This report is most closely linked to significant risk no. 5e "If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan". Key risks are set out in the following table:

Risk Description	Likelihood	Impact	Mitigation Measures
If there are material misstatements in the accounts or non-compliance with accounting requirements, then this could result in a possible 'qualified' audit opinion or unfavourable audit report.	2-Unlikely	2-Noticeable	Aim to obtain an unqualified 'true and fair' opinion from the external auditors as a result of: <ul style="list-style-type: none"> <li>• Clear arrangements for ensuring compliance with accounting requirements.</li> <li>• Analytical review of the outturn against previous year and the Budget.</li> <li>• Early discussion on key issues with the auditors.</li> </ul>
If issues or concerns are raised by the public from the right to inspect the accounts, then this could have an impact on the Council's reputation	2-Unlikely	1-Minimal	Open and transparent arrangements and publication of the public's right to inspect the accounts.

## 9. CONSULTATIONS

9.1 None.

## 10. EQUALITY ANALYSIS

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

## 11. ENVIRONMENTAL IMPLICATIONS

11.1 None.

## 12. APPENDICES

Title	Location
A External Auditor's joint report for 2017/18	To follow
B Babergh District Council Statement of Accounts 2017/18	Attached
C Mid Suffolk District Council Statement of Accounts 2017/18	Attached

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Babergh District Council

# Statement of Accounts 2017/18





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1. About the Council



# Babergh Facts

**Median price of Properties - Quarter 3 2017** Source Suffolk Observatory ONS

Flat or Maisonette	Terraced House	Semi-detached house	Detached house
£126,200	£203,000	£240,000	£350,000



**Total Number of Properties -** (ONS, 2016)

**40,110**

**Number of Council owned dwellings -** (2017/2018)

**3,411**

**Average Band D Council Tax 2017/18**

**£153.86**

District charge



**Number of Businesses by size**  
(employee numbers - 2017)

Large (250+)	Medium (50 - 249)	Small (10 - 49)	Micro (0 - 9)
10	65	345	3,675

**TOTAL = 4,095**

**Full time worker: median annual pay (gross)** **£31,086**

Source: ONS APS (2017-12)

**District Council areas and ward numbers**  
(Source: Wikipedia)

- 230** Square miles
- 26** Wards
- 43** Councillors
- 71** Parishes

**90,250** Total population estimate (ONS 2016)

**24**  
Conservation areas

**c3,000**  
Listed buildings



May 2018

2. The Council's Performance



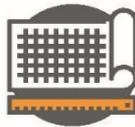
# Babergh Facts

## Performance



Increase in planning approvals

**940 in 2016/17 - 1,834 in 2017/18**



**10** Neighbourhood Plans completed in 2017



Babergh recently exchanged contracts on **27** new build units to add to the Council's housing stock.



**26%** increase in the number of daily visitors to the Councils' joint website over the year.



### Disabled Facilities Grants

Awarded **37 DFG's** in Babergh, to support people to continue living independently.



Customer satisfaction levels with refuse collection services have risen to **92.9%**.

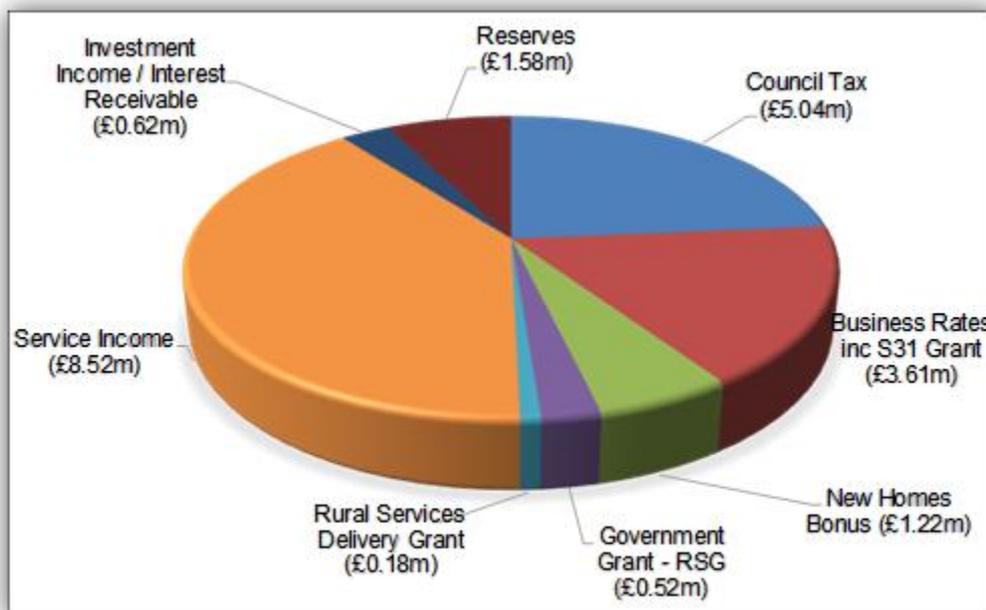


## 3. Financial Performance

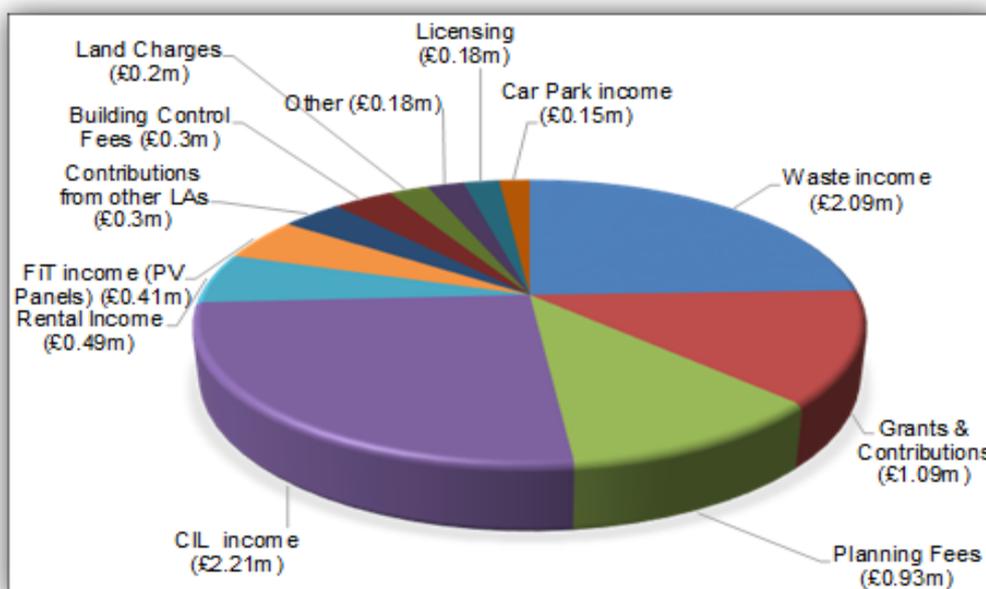
### The General Fund

#### Income

In 2017/18 the Council's income was £21.3m, of this 24% was from Council Tax, 17% from Business Rates, 40% from Service Income, 9% from Government Grants, 7% coming from Reserves and 3% from Investment Income and Interest Receivable.



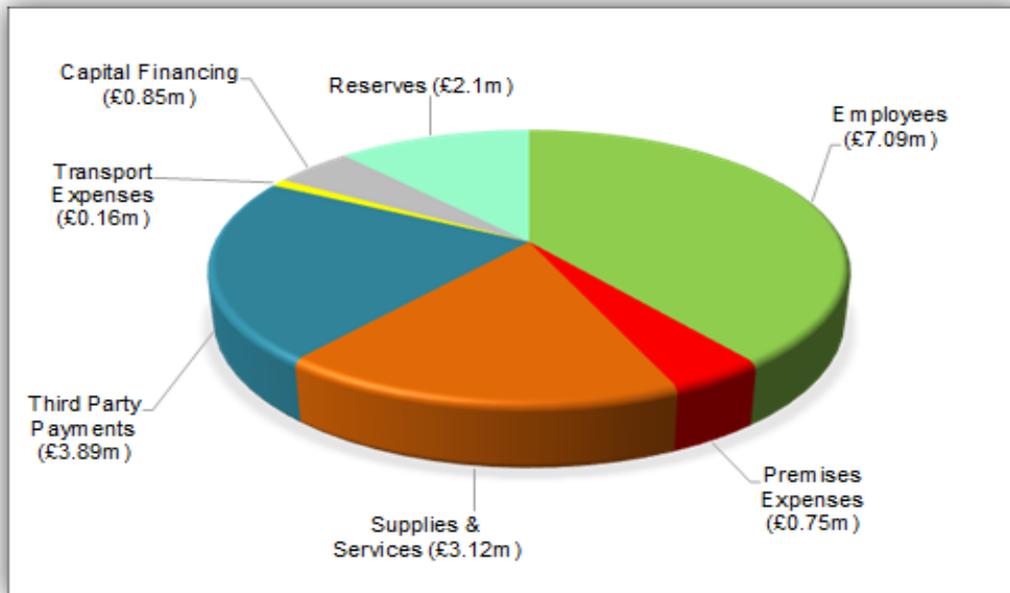
24% of the £8.5m Service Income was generated by the waste service, 13% from Grants and Contributions, 11% was from Planning Fees, and 26% from Community Infrastructure Levy income (CIL). Of the latter, most of this will be placed into an earmarked reserve to be spent in future years in accordance with the expenditure framework approved by Council in April 2018.



# Narrative Report

## Expenditure

In 2017/18 the Council spent **£17.9m**, of which 39% was on employee costs, 22% on third party payments, 18% on supplies and services, 12% on reserves and 9% on other costs.



## Actual compared to budget

The outturn position compared to the budget has resulted in a net favourable variance (reduced expenditure and/or increased income) of **£3,314k**. This surplus is **£1,754k more** than the position presented to Cabinet on 10 May 2018 due to late accounting adjustments. The position before the transfers to reserves is set out below:

- Business Rates Equalisation Reserve **£767k**
- Community Infrastructure Levy **£2,019k**
- Homelessness £143k
- Planning £123k
- Waste £119k
- Government Grants £96k
- Strategic Planning £47k

The overall favourable variance can mainly be attributed to:

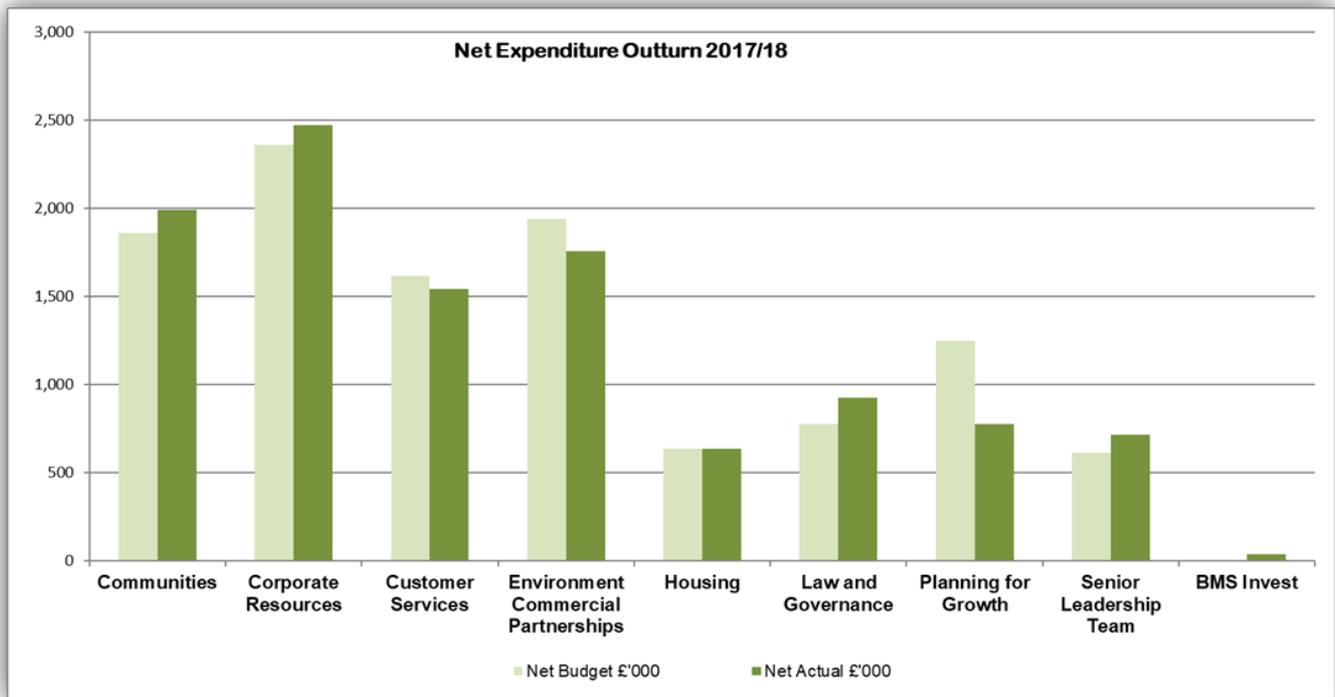
- Business Rates including S31 grants **£851k**
- CIL income **£2,019k**
- Planning fee income **£396k**
- Strategic Planning **£319k**
- Waste **£146k**

Offset by a net increase to the transfers to reserves of **£291k** when compared to the budget for the year.

It is worth noting that expenditure on services is in line with the budget, however, more income has been generated than planned.

## Narrative Report

A breakdown of net expenditure by Service Area compared to budget is given in the following chart:



A summary of the key variations compared to budget are provided in Table 1. The detailed outturn report for 2017/18 can be found via the following link;

<https://babermidsuffolkintranet.moderngov.co.uk/documents/s10226/Report.pdf>

# Narrative Report

<b>Table 1</b>	<b>Variation Favourable / (Adverse) £'000</b>
<b>Favourable variances i.e. savings and / or additional income:</b>	
Community Infrastructure Levy (CIL) - net income	2,157
Planning Fee Income	541
Strategic Planning and Sustainable Environment - employee & professional / legal costs	319
Waste - Materials Recycling Facility	146
Homelessness	143
Property Services	90
Other items (net)	52
Open spaces	46
Policy and Strategy - Health and Wellbeing	58
Open for Business	53
Commissioning and Procurement - employee costs	47
Public Access - employee costs	37
ICT - employee and contract costs	24
	<b>3,713</b>
<b>Adverse variances i.e. additional costs and / or lower income:</b>	
Reserve Movements (net)	(291)
Capital Financing Charges (Minimum Revenue Provision)	(231)
Street & Major Road Cleansing - income	(111)
Information Management - employee costs	(89)
Housing Development and Regeneration inc Borehamgate and Angel Court	(85)
Car Park income	(75)
PV Panels - Feed in Tariff (FiT) Income	(69)
Senior Leadership Team - employee costs	(69)
Organisational Development - inc Health and Safety	(58)
Open Spaces - grounds maintenance contract	(44)
Finance	(42)
Headquarters cost	(40)
Recharge to HRA / Capital	(30)
Democratic Services	(29)
	<b>(1,262)</b>
<b>Net Favourable Variance</b>	<b>2,451</b>
<b>Funding:</b>	
Business Rates - S31 Grant	482
Business Rates - Collection Fund Surplus	338
Business Rates - Pooling Benefit	146
New Homes Bonus	5
Business Rates - Tariff / Levy	(108)
<b>TOTAL Net Favourable Variance</b>	<b>3,314</b>

## Reserves

The Council holds a General fund balance, at an agreed minimum level of **£1.2m**. In addition, there is a further **£5.1m** in earmarked reserves to provide financing for future expenditure plans. Details of these are shown in Note 8 of the Core Statements on page 34.

## Capital Programme

Capital expenditure for 2017/18 totals **£13.9m** against a revised programme of £32.2m. A breakdown of the expenditure and how this is financed is shown in the table below.

Following approval by Full Council in April 2017 to set up a holding company, activity to invest the £25m Capital Investment Fund began with its first purchase in December 2017. A total of £12.3m of the £25m has been spent, with the remainder expected to be invested by the end of 2018/19.

Table 2	Revised Budget	Actual	Variance Favourable / (Adverse)
	£'000	£'000	£'000
<b>Expenditure - General Fund</b>			
Supported Living	630	419	211
Environment and Projects	187	80	107
Communities and Public Access	480	110	370
Leisure Contracts	601	206	395
Property Services	131	8	123
Investment and Commercial Delivery	3,809	216	3,593
Planning for Growth	400	-	400
Corporate Services	989	537	452
Delivery Programme Investment Opportunities	25,000	12,333	12,667
<b>Total Capital Programme expenditure</b>	<b>32,227</b>	<b>13,909</b>	<b>18,318</b>
<b>Financed from:</b>			
Non-supported borrowing	31,235	13,404	17,831
Capital receipts	700	118	582
Grants/external contributions	292	343	(51)
Revenue	-	44	(44)
<b>Total</b>	<b>32,227</b>	<b>13,909</b>	<b>18,318</b>

## The Housing Revenue Account (Housing Services)

### Financial Context

The financial position of the HRA for 2017/18 should be viewed in the context of the updated 30-year business plan which was presented to Cabinet in July 2017. This 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 stipulates that Council rents would need to be reduced by 1% per annum from 2016/17 and the following three years. The previously agreed rent strategy was based on applying the maximum level of rent increase to support the business plan, whilst keeping our average rent level within the limit rent. The overall impact of the change is substantial; however, this will be reduced following the announcement by the Government that we can increase rent by a maximum of CPI + 1% for five years from 2020/21.

### Actual compared to budget

The original budget set for the HRA for 2017/18 showed a deficit of £526k. The final figure for 2017/18 is a deficit of **£577k**, a net adverse variance of £51k for the year resulting in a small reduction in resources available for investment.

A Summary of the key HRA variations is provided in the following table:

<b>Table 3</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favourable / (Adverse)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income:</b>			
Rent, income & other charges	(16,689)	(16,570)	119
<b>Expenditure:</b>			
Net transfers (to)/from reserves inc revenue contributions to Capital	5,605	4,249	(1,356)
Bad Debt Provision	115	50	(65)
Maintenance	976	1,300	324
Property Services	1,192	583	(609)
Babergh Mid Suffolk Building Services	231	1,071	840
Sheltered Housing	895	967	72
Housing Management	2,163	2,349	186
Depreciation and Impairment	2,735	3,235	500
Capital Financing Costs	2,803	2,843	40
Debt repayment	500	500	-
	<b>17,215</b>	<b>17,147</b>	<b>(68)</b>
<b>Deficit/ (Surplus) for Year</b>	<b>526</b>	<b>577</b>	<b>51</b>

The detailed outturn report for 2017/18 can be found via the following link;  
<https://baberghmidsuffolkintranet.moderngov.co.uk/documents/s10226/Report.pdf>

## Reserves

The Council holds an HRA General Fund balance at an agreed minimum level of **£1m**. In addition, there is a further **£11.4m** in the strategic priorities reserves to provide financing for future expenditure plans. Details are shown in Note 8 of the Core Statements on page 34.

## Capital Programme

Capital expenditure for 2017/18 totals **£8.5m** against a revised programme of £14.5m.

<b>Table 4</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favourable / (Adverse)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure - HRA</b>			
Planned maintenance	4,344	2,084	2,260
ICT Projects	330	130	200
Environmental Improvements	1	-	1
Disabled Facilities work	261	197	64
Horticulture and play equipment	33	-	33
New build programme inc acquisitions	9,539	6,117	3,422
<b>Total Capital Programme expenditure</b>	<b>14,508</b>	<b>8,528</b>	<b>5,980</b>
<b>Financed from:</b>			
Capital receipts	978	777	201
Grants/external contributions	2,787	220	2,567
Major Repairs Reserve	4,847	3,235	1,612
Revenue	5,896	4,296	1,600
<b>Total</b>	<b>14,508</b>	<b>8,528</b>	<b>5,980</b>

## 4. 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.

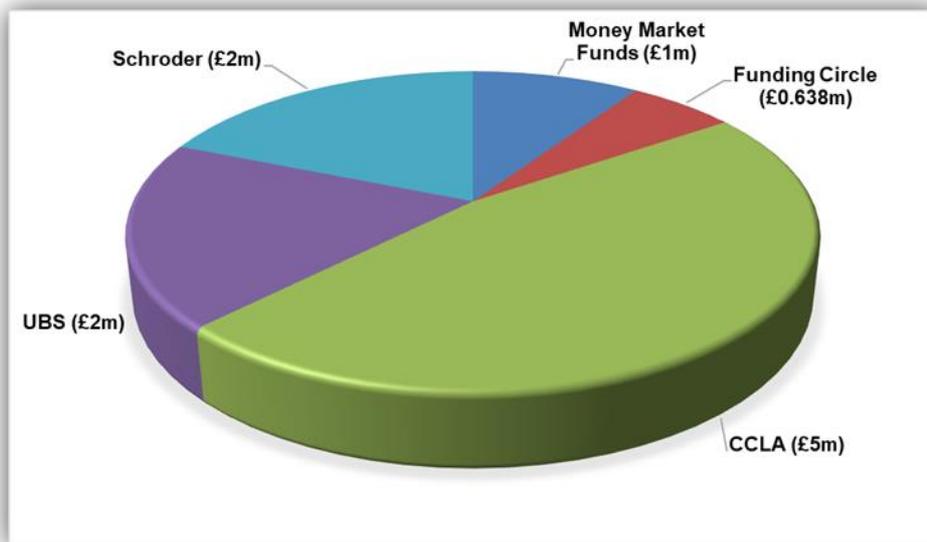
The level of long term borrowing wholly relates to the HRA and is within the approved limits established for overall borrowing and the operational boundary, which were set at £126m and £123m respectively.

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.

## Narrative Report

At 31 March 2018, the amount of surplus funds invested was £10.6m (2016/17 £14.3m), as follows:



The Capital Financing Requirement, which represents the Council's underlying need to borrow for capital purposes, is summarised in Table 5 as follows:

Table 5	Variation £'000
<b>Underlying need to borrow at 31 March 2018 (Capital Financing Requirement)</b>	<b>116,939</b>
<b>Borrowing at 31 March 2018</b>	
Long Term	(85,797)
Short Term	(12,500)
<b>Net Borrowing Facility at 31 March 2018</b>	<b>18,642</b>

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

### 5. 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 attributable to Babergh District Council. This is the difference between future liabilities and assets as valued at 31 March 2018 and amounts to £21.266m. This will be addressed by future contributions to the Pension Fund.

The last formal three-yearly actuarial valuation was carried out at 31 March 2016. The valuation report sets out the rates of employers' contributions for the three years starting 1 April 2017. This was 23% for 2017/18.

The next formal valuation is at 31 March 2019.

## 6. Future Challenges

In recent years the Government policy frameworks have been reducing core funding for Local Government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.

Babergh and Mid Suffolk, along with the other five district and borough councils in Suffolk and Suffolk County Council, are one of the 10 new areas selected for the 100% business rates retention of growth pilots in 2018/19.

The Council recognised the changing funding landscape and the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge.

The strategic response to this challenge, to ensure long term financial sustainability, is set out in five key actions:

- Aligning resources to the Council's refreshed strategic plan and essential services.
- Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
- Behaving more commercially, generating additional income and 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 various forms of local government finance (e.g. New Homes Bonus (NHB), Business Rates Retention) by enabling sustainable business and housing growth.

The actions that have been taken under the strategy since 2014/15 mean that the Council is in a better position to withstand the reduction in government funding and deal with the additional cost pressures. Further work is needed to address the budget gap over the medium term.

The future funding of NHB continues to remain an uncertainty, so the intention is to strive for a position over the period of the MTFS where the Council is no longer reliant on NHB to balance the core budget.

The Joint MTFS show a cumulative funding pressure over the three years 2019/20 to 2021/22, of £1.2m, using all of the minimum NHB allocation over the three years. This does not allow for any housing growth in future years.

The process of identifying savings is on-going and will continue for the foreseeable future. The uncertainty and complexity of our financial landscape is magnified by the unquantifiable impact of Brexit on both local government funding and future legislation. These impacts could turn out to be either positive or negative overall but are likely to affect key budget factors such as interest and inflation rates, labour costs and property and rental values.

7. Explanation of Accounting Statements

Core Statements	Supplementary Financial Statements
<p><b>Movement in Reserves Statement</b> 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 CIES. These are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and council house rent setting purposes.</p> <p>The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and HRA Balance before any discretionary transfers to or from earmarked reserves.</p>	<p><b>Expenditure and Funding Analysis (EFA)</b> 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.</p>
<p><b>Comprehensive Income and Expenditure Statement (CIES)</b> 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 (HRA). 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.</p>	<p><b>Housing Revenue Account (HRA)</b> 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.</p>
<p><b>Balance Sheet</b> 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.</p> <p>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).</p> <p>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.</p>	<p><b>Collection Fund</b> 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.</p>

## Narrative Report

Core Statements	Supplementary Financial Statements
<p><b>Cash flow Statement</b> 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.</p> <p>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.</p>	<p><b>Group Accounts</b> – The Council acquired 100% shareholding in its subsidiary BDC (Suffolk Holdings) Limited on 9 June 2017 and is required to reflect this in Group Accounts, which are produced in the same format as the statements explained above.</p>

### 8. 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](http://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  
Endeavour House  
8 Russell Road  
Ipswich IP1 2BX  
Tel: 01449 724806  
Email: [Katherine.Steel@babermidsuffolk.gov.uk](mailto:Katherine.Steel@babermidsuffolk.gov.uk)

## 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 2018 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 2018 and its income and expenditure for the year then ended.

### **Katherine Steel CPFA**

Assistant Director, Corporate Resources  
Babergh District Council

Dated 30 July 2018

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 30 July 2018.

### **Jennie Jenkins**

Chairman, Joint Audit and Standards Committee  
Babergh District Council

Dated 30 July 2018

## 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 17).

There was a management restructure during 2017/18. The service segments have been re-organised to reflect the current organisational structure. The 2016/17 comparatives have been restated accordingly. These changes are also shown in the Comprehensive Income and Expenditure Statement.

2016/17 Restated			Expenditure & Funding Analysis	2017/18		
Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
			<b>General Fund</b>			
122	-	122	Investment & Commercial Delivery	-	-	-
-	-	-	BMS Invest	111	-	111
1,888	123	2,011	Communities	1,890	118	2,008
3,535	(1,079)	2,456	Corporate Resources	2,079	852	2,931
1,568	341	1,909	Customer Services	1,540	436	1,976
1,838	804	2,642	Environment & Commercial Partnerships	1,675	990	2,665
824	716	1,540	Housing	496	778	1,274
1,148	14	1,162	Law & Governance	932	33	965
697	115	812	Planning for Growth	(1,453)	234	(1,219)
627	32	659	Senior Leadership Team	749	31	780
(1,490)	-	(1,490)	Charge to HRA & Capital	(1,516)	-	(1,516)
(2,970)	(8,553)	(11,523)	<b>HRA</b>	626	(9,523)	(8,897)
7,787	(7,487)	300	<b>Net Cost of Services</b>	7,129	(6,051)	1,078
(10,069)	1,388	(8,681)	Other Income and Expenditure	(9,443)	1,295	(8,148)
(2,282)	(6,099)	(8,381)	<b>(Surplus) Deficit on Provision of Services</b>	(2,314)	(4,756)	(7,070)
(14,180)			<b>Opening General Fund And HRA Balance at 1 April</b>	(16,462)		
(2,282)			<b>Plus (Surplus) / Less Deficit on General Fund And HRA Balance in Year</b>	(2,314)		
<b>(16,462)</b>			<b>Closing General Fund And HRA Balance at 31 March</b>	<b>(18,776)</b>		

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement during the year 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
<b>Opening Balance at 31 March 2016</b>	(1,200)	(2,897)	(1,000)	(9,083)	(1,591)	(4,093)	(72)	(19,936)	(102,701)	(122,637)
<b>Movement in reserves during 2016/17</b>										
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)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	689	-	(2,970)	-	1,591	(1,628)	-	(2,318)	(8,831)	(11,149)
Transfer to/(from) Earmarked Reserves (Note 8)	(689)	689	2,970	(2,970)	-	-	-	-	-	-
<b>(Increase)/Decrease in 2016/17</b>	-	689	-	(2,970)	1,591	(1,628)	-	(2,318)	(8,831)	(11,149)
<b>Balance at 31 March 2017 carried forward</b>	(1,200)	(2,208)	(1,000)	(12,053)	-	(5,721)	(72)	(22,254)	(111,532)	(133,786)
<b>Movement in reserves during 2017/18</b>										
Total Comprehensive Income and Expenditure	(86)	-	(6,984)	-	-	-	-	(7,070)	(12,627)	(19,697)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(2,853)	-	7,610	-	-	(2,033)	-	2,724	(2,724)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(2,939)	-	626	-	-	(2,033)	-	(4,346)	(15,351)	(19,697)
Transfers to / (from) reserves (Note 8)	2,939	(2,939)	(626)	626	-	-	-	-	-	-
<b>(Increase)/Decrease in 2017/18</b>	-	(2,939)	-	626	-	(2,033)	-	(4,346)	(15,351)	(19,697)
<b>Balance at 31 March 2018</b>	(1,200)	(5,147)	(1,000)	(11,427)	-	(7,754)	(72)	(26,600)	(126,883)	(153,483)

## 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 15) and the Movement in Reserves Statement (shown on page 16).

2016/17 Restated			Comprehensive Income and Expenditure Statement	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>General Fund</b>				
122	-	122	Investment & Commercial Delivery		-	-	
-	-	-	BMS Invest		120	(9)	
2,264	(252)	2,012	Communities		2,339	(331)	
22,839	(20,382)	2,457	Corporate Resources		21,905	(18,974)	
1,909	-	1,909	Customer Services		1,986	(10)	
4,986	(2,345)	2,641	Environment & Commercial Partnerships		5,125	(2,460)	
1,776	(236)	1,540	Housing		1,593	(319)	
1,579	(417)	1,162	Law & Governance		1,444	(479)	
2,036	(1,224)	812	Planning for Growth		2,223	(3,442)	
704	(46)	658	Senior Leadership Team		854	(74)	
(1,490)		(1,490)	Charge to HRA & Capital		(1,516)	(1,516)	
5,703	(17,226)	(11,523)	<b>HRA</b>		7,918	(16,815)	
42,428	(42,128)	300	<b>Cost of Services</b>		43,991	(42,913)	
1,622	-	1,622	Other Operating Expenditure	9	1,613	-	
3,121	(584)	2,537	Financing and Investment Income and Expenditure	10	3,424	(895)	
7,329	(20,169)	(12,840)	Taxation and Non-Specific Grant Income and Expenditure	11	6,719	(19,009)	
54,500	(62,881)	(8,381)	<b>(Surplus) on Provision of Services - A</b>		55,747	(62,817)	
		(5,777)	(Surplus) or Deficit on revaluation of property, plant and equipment assets	19a		(10,169)	
		2,965	Remeasurement of the net defined liability/(asset)	19c		(2,442)	
		44	(Surplus) or Deficit on revaluation of available for sale financial assets	19f		(16)	
		(2,768)	<b>Other Comprehensive Income and Expenditure - B</b>			(12,627)	
		(11,149)	<b>Total Comprehensive Income and Expenditure (A+B)</b>			(19,697)	

## 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'.

2016/17 £'000	Balance Sheet	Note	2017/18 £'000
232,143	Property, Plant and Equipment	12	246,735
4,000	Investment Property	37	4,000
1,283	Intangible Assets	13	1,312
439	Assets held for sale	38	-
-	Long Term Investments		1,234
440	Long Term Debtors		11,588
<b>238,305</b>	<b>Long Term Assets</b>		<b>264,869</b>
11,515	Short Term Investments		9,636
60	Inventories		79
2,776	Short Term Debtors	15	4,778
4,194	Cash and Cash Equivalents	16	2,704
<b>18,545</b>	<b>Current Assets</b>		<b>17,197</b>
(6,539)	Short Term Borrowing	14	(12,543)
(5,425)	Short Term Creditors	17	(6,566)
(712)	Provisions	18	(1,118)
<b>(12,676)</b>	<b>Current Liabilities</b>		<b>(20,227)</b>
(86,297)	Long Term Borrowing	14	(85,797)
(2,228)	Capital Grants & Contributions Received in Advance		(2,470)
(21,863)	Defined Benefit Pension Scheme Liability	32	(20,090)
<b>(110,388)</b>	<b>Long Term Liabilities</b>		<b>(108,357)</b>
<b>133,786</b>	<b>Net Assets</b>		<b>153,482</b>
(22,254)	Usable reserves		(26,600)
(111,532)	Unusable reserves	19	(126,882)
<b>(133,786)</b>	<b>Total Reserves</b>		<b>(153,482)</b>

The audited accounts were issued on 31 July 2018.

**Katherine Steel CPFA**

Assistant Director, Corporate Resources  
Babergh District Council

Dated 31 July 2018

## 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.

2016/17 £'000	Cash Flow Statement	Note	2017/18 £'000
(8,381)	Net (Surplus) or deficit on the provision of services		(7,070)
(3,352)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	(2,932)
4,015	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	3,903
(7,718)	Net cash flows from Operating Activities		(6,099)
13,778	Investing Activities	21	13,089
(5,500)	Financing Activities	22	(5,500)
560	Net increase or decrease in cash and cash equivalents		1,490
(4,754)	Cash and cash equivalents at the beginning of the reporting period		(4,194)
(4,194)	<b>Cash and cash equivalents at the end of the reporting period</b>	16	(2,704)

### 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 2018/19 Code will be implemented from 1 April 2018, therefore there is no impact on the Council's 2017/18 accounts. They are:

- **IFRS 9 Financial Instruments:**

This introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets.

There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- **IFRS 15 Revenue from Contracts with Customers:**

This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

- **IAS 7 Statement of Cashflows (Disclosure Initiative):**

This will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed as Note 22 in the Notes to the Core Financial Statements) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

- **IFRS 16 Leases:**

This will require the Council, as lessee, to recognise most leases on its balance sheet as "right of use" assets with corresponding liabilities (there is recognition for low-value and short-term leases).

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 2017/18 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.

#### Local Government Funding:

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

#### Group Accounts:

The Council has an interest in other entities which fall within the group boundary of the Council on the grounds of control and significant influence, in line with The Code. The Council's interest in BDC (Suffolk Holdings) Limited is material to the Council's overall financial position. Therefore, Group Accounts have been prepared to consolidate the Council's interest in the subsidiary.

#### Non-Domestic Rates Retention (Business Rates) Pilot:

The Council is committed to enter a Suffolk-wide Non-Domestic rates retention pooling pilot from April 2018. All the Suffolk Districts, Boroughs and County Councils will be members. This means that the Council will retain 80% of its growth in non-domestic rates income, instead of the current 40%. The governance arrangements set in place for this pilot guarantees a no detriment position compared with the position that the Council would have been in if it had not entered into this pooling arrangement. This pilot has been approved by MHCLG.

All financial impacts of events relating to years before 2018/19 are specifically excluded from the potential share of the deficit distributed to the Government (50%) and Suffolk County Council (10%).

The Council's accounts as at 31 March 2018 are therefore unaffected by the commitment to enter into a pilot arrangement as either a result of future changes in our assumptions in closing the 2017/18 Collection Fund, or future decisions of other Councils.

### 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 2018 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
<b>Property, Plant and Equipment</b>	
<p>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.</p>	<p>If the useful life of assets change, depreciation reduces or increases, and the value of the assets shown in the Balance Sheet will increase or decrease accordingly.</p>
<b>Business Rate Appeals</b>	
<p>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 2017/18 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.</p> <p>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.</p> <p>Following the 2017 revaluation a new Check, Challenge and Appeal process has been introduced. To date there have been 20 Checks lodged and so the impact of this is highly uncertain. A provision has been made for the estimated success of future appeals for losses for the period ending 31 March 2018.</p>	<p>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.</p>

## Notes to the Core Financial Statements

Uncertainties	Effect if Actual Results different from Assumptions
<b>Fair Value Measurements</b>	
<p>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.</p> <p>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).</p> <p>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 37.</p>	<p>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.</p>
<b>Fair Value measurement of Investment Property</b>	
<p>The Council's external Valuer, the District Valuer, uses valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. Valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, they use the best information available.</p>	<p>Estimated fair values may vary from the actual process that could be achieved in an arm's length transaction at the reporting date.</p>
<b>Pensions Liability</b>	
<p>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.</p>	<p>During 2017/18 the Council's actuaries advised that the net pensions liability had increased by £1.935m.</p> <p>Further sensitivity analysis on pension liabilities are in Note 32.</p>

### 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 30 July 2018.

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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

## Notes to the Core 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
2017/18	£'000	£'000	£'000	£'000
<b>General Fund</b>				
BMS Invest	-	-	-	-
Communities	46	72	-	118
Corporate Resources	(592)	(537)	1,981	852
Customer Services	436	-	-	436
Environment & Commercial Partnerships	798	192	-	990
Housing	738	40	-	778
Law & Governance	-	33	-	33
Planning for Growth	38	196	-	234
Senior Leadership Team	-	31	-	31
<b>HRA</b>	1,219	92	(10,834)	(9,523)
<b>Net Cost of Services</b>	2,683	119	(8,853)	(6,051)
Other Income and Expenditure from the Expenditure and Funding Analysis	(935)	549	1,681	1,295
Difference between General Fund and HRA (Surpluses) / Deficits and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	1,748	668	(7,172)	(4,756)
<b>2016/17</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Fund</b>				
Investment & Commercial Delivery	-	-	-	-
Communities	89	34	-	123
Corporate Resources	(634)	(839)	394	(1,079)
Customer Services	341	-	-	341
Environment & Commercial Partnerships	711	93	-	804
Housing	693	23	-	716
Law & Governance	-	14	-	14
Planning for Growth	29	86	-	115
Senior Leadership Team	-	32	-	32
<b>HRA</b>	(461)	(148)	(7,944)	(8,553)
<b>Net Cost of Services</b>	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)

### 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.
- **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:

- **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:

<b>Segmental Income</b>	<b>31 March 2018 Income from Services £'000</b>	<b>31 March 2017 Income from Services £'000</b>
<b>Services</b>		
<b>General Fund</b>		
BMS Invest	(9)	-
Communities	(331)	(252)
Corporate Resources	(19,770)	(20,584)
Customer Services	(10)	-
Environment & Commercial Partnerships	(2,460)	(2,345)
Housing	(319)	(236)
Law & Governance	(479)	(417)
Planning for Growth	(3,443)	(1,224)
Senior Leadership Team	(74)	(46)
<b>HRA</b>	<b>(16,612)</b>	<b>(16,898)</b>
<b>Total income analysed on a segmental basis</b>	<b>(43,507)</b>	<b>(42,002)</b>

### 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 2018 £'000	31 March 2017 £'000
<b>Expenditure</b>		
Employee benefits expenses	10,434	8,300
Other services expenses	37,422	40,578
Support service recharges	(33)	(189)
Depreciation, amortisation, impairment	3,458	1,768
Interest payments	2,855	2,863
Precepts and levies	2,547	2,423
Payments to Housing Capital Receipts Pool	326	330
Gain on the disposal of assets	(1,262)	(1,573)
<b>Total Expenditure</b>	<b>55,747</b>	<b>54,500</b>
<b>Income</b>		
Fees, charges and other service income	(24,381)	(22,228)
Interest and investment income	(615)	(392)
Income from Council Tax & Non Domestic Rates	(15,909)	(16,576)
Government grants and contributions	(21,912)	(23,685)
<b>Total Income</b>	<b>(62,817)</b>	<b>(62,881)</b>
<b>(Surplus) on Provision of Services</b>	<b>(7,070)</b>	<b>(8,381)</b>

### 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.

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	(1,680)	(1,313)			(2,993)	2,993
Transfer HRA/MRR		3,235	(3,235)		-	-
Reversal of impairment of non-current assets					-	-
Amortisation of intangible assets	(385)	(79)			(464)	464
Capital grants and contributions that have been applied to capital financing (Note 19b)	355	220			575	(575)
Repayment of Debt		500			500	(500)
Revenue expenditure funded from capital under statute (Note 19b)	(580)	(47)			(627)	627
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	(461)	(1,505)			(1,966)	1,966
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	827				827	(827)
Use of Major Repairs Reserve to finance new capital expenditure			3,235		3,235	(3,235)
Capital expenditure charged against the General Fund and HRA balances	44	4,296			4,340	(4,340)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	698	2,529		(3,227)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 19b)				895	895	(895)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(326)			326	-	-
Loans repaid				(27)	(27)	27

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Pensions Reserve:</b>						
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)	(2,080)	(780)			(2,860)	2,860
Employer's pensions contributions and direct payments to pensioners payable in the year (Note 19c)	1,613	578			2,191	(2,191)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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)	(879)				(879)	879
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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)	1	(24)			(23)	23
<b>Total Adjustments</b>	<b>(2,853)</b>	<b>7,610</b>	<b>-</b>	<b>(2,033)</b>	<b>2,724</b>	<b>(2,724)</b>

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2016/17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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	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
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
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)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
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	-	-	-	-	-	-

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2016/17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Pensions Reserve:</b>						
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)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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	361	-	-	-	361	(361)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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	(17)	7	-	-	(10)	10
<b>Total Adjustments</b>	<b>(716)</b>	<b>6,816</b>	<b>1,591</b>	<b>(1,628)</b>	<b>6,063</b>	<b>(6,063)</b>

## 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 2017/18.

Transfers to / from Earmarked Reserves	Balance 31 March 2016 £'000	Transfers 2016/17			Balance 31 March 2017 £'000	Transfers 2017/18		Balance 31 March 2018 £'000
		Intra	Out	In		Out	In	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>								
Carry Forwards	(230)	-	230	(219)	(219)	219	(224)	(224)
Transformation Fund	(1,929)	(65)	3,361	(2,374)	(1,006)	2,262	(1,862)	(606)
Non Domestic Rates Equalisation	-	-	-	-	-	-	(766)	(766)
Government Grants	(370)	208	12	-	(149)	19	(118)	(248)
Homelessness	-	(102)	-	(13)	(115)	-	(144)	(259)
S.106 Agreements	(232)	-	-	-	(232)	-	-	(232)
Community Infrastructure Levy (CIL)	-	-	-	(67)	(67)	-	(2,019)	(2,086)
Growth and Sustainable Planning	-	(20)	-	-	(20)	-	-	(20)
Planning (Legal)	-	-	-	-	-	-	(123)	(123)
Strategic Planning	-	(42)	26	(279)	(295)	3	(47)	(339)
Elections Fund	(10)	-	-	(20)	(30)	-	(20)	(50)
Planning Enforcement	(40)	20	-	-	(20)	-	-	(20)
Green Initiatives	(25)	-	25	-	-	-	-	-
Waste	-	-	-	-	-	-	(119)	(119)
Revocation of personal search fees	(60)	-	6	-	(54)	-	-	(54)
<b>Total General Fund</b>	<b>(2,895)</b>	<b>(0)</b>	<b>3,660</b>	<b>(2,972)</b>	<b>(2,207)</b>	<b>2,503</b>	<b>(5,442)</b>	<b>(5,146)</b>
<b>Housing</b>								
Strategic Priorities	(9,084)	-	-	(2,970)	(12,054)	626	-	(11,428)
<b>Total Housing</b>	<b>(9,084)</b>	<b>-</b>	<b>-</b>	<b>(2,970)</b>	<b>(12,054)</b>	<b>626</b>	<b>-</b>	<b>(11,428)</b>
<b>Other</b>								
Capital Receipts - Other	(72)	-	-	-	(72)	-	-	(72)
Major Repairs	(1,591)	-	4,547	(2,956)	-	3,235	(3,235)	-
GF Capital Receipts	-	-	-	-	-	118	(800)	(682)
HRA Capital Receipts	(4,093)	-	1,435	(3,063)	(5,721)	2,593	(3,944)	(7,072)
<b>Total Other</b>	<b>(5,756)</b>	<b>-</b>	<b>5,982</b>	<b>(6,019)</b>	<b>(5,793)</b>	<b>5,946</b>	<b>(7,979)</b>	<b>(7,826)</b>
<b>Total Earmarked Reserves</b>	<b>(17,735)</b>	<b>(0)</b>	<b>9,642</b>	<b>(11,961)</b>	<b>(20,054)</b>	<b>9,075</b>	<b>(13,421)</b>	<b>(24,400)</b>

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.

### **Homelessness**

Previously part of Government Grants, this reserve has been established to help facilitate the many implications arising from the new homeless legislation, the most significant being new prevention duties.

### **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 e.g. staffing.

### **Planning (Legal)**

Due to its unpredictable nature, Planning (Legal) was established to ensure that the core budget remains stable utilising the reserve to smooth year on year changes.

### **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.

### **Waste**

Established to smooth year on year changes such as the cost of materials recycling within the Waste Service, so that the core budget can remain stable.

### **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**

### **Strategic Priorities**

A reserve established to help meet future HRA spending priorities.

## Notes to the Core Financial Statements

### 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.

#### **GF Capital Receipts**

This reserve was established in 2017/18 for the proceeds of sale from General Fund assets and will be utilised in future years to fund Capital expenditure.

#### **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**

<b>Comprehensive Income and Expenditure Statement Other Operating Expenditure</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Parish council precepts	2,547	2,423
Payments to the Government Housing Capital Receipts Pool	327	330
(Gains) / Losses on the disposal of non current assets	(1,261)	(1,131)
<b>Total</b>	<b>1,613</b>	<b>1,622</b>

### **Note 10 - Financing and Investment Income and Expenditure**

<b>Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable and similar charges	2,855	2,862
Net interest on the net defined benefit liability	549	651
Interest receivable and similar income	(615)	(392)
Changes in the fair value of investment properties	-	(441)
Net Other investment income (See Note 37)	(260)	(143)
<b>Total</b>	<b>2,529</b>	<b>2,537</b>

## Notes to the Core Financial Statements

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

Taxation and Non-Specific Grant Income and Expenditure	2017/18	2016/17
	£'000	£'000
Council Tax Income	(7,555)	(7,198)
Non-domestic rates income	(9,484)	(9,927)
Non-domestic rates Tariff payment to Central government	6,719	7,267
Non-ring-fenced government grants	(1,945)	(2,982)
Capital grants and contributions	(25)	-
<b>Total Grants</b>	<b>(12,290)</b>	<b>(12,840)</b>

### Note 12 - Property, Plant and Equipment

Property, Plant & Equipment								
Cost or Valuation	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Movements on Balances in 2017/18</b>								
At 1 April 2017	195,175	27,094	10,884	1,395	842	547	1,440	237,377
Additions	3,363	261	151	-	-	-	5,171	8,946
Revaluation increases / (decreases) recognised in the Revaluation Reserve	7,342	1,223	-	-	-	12	-	8,577
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(269)	(387)	-	-	-	32	-	(624)
Derecognition - Disposals	(1,504)	(13)	(115)	-	-	-	-	(1,632)
Derecognition - Other	-	-	-	-	-	-	(2)	(2)
Assets reclassified	3,425	(259)	-	-	-	-	(3,166)	-
At 31 March 2018	207,532	27,919	10,920	1,395	842	591	3,443	252,642

Property, Plant & Equipment								
Accumulated Depreciation and Impairment	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Movements on Balances in 2017/18 cont'd</b>								
At 1 April 2017	-	(1)	(4,222)	(979)	-	(31)	-	(5,233)
Depreciation charge	(3,053)	(767)	(735)	(33)	-	(5)	-	(4,593)
Depreciation written out to the Revaluation Reserve	951	635	-	-	-	5	-	1,591
Depreciation written out to the Surplus / Deficit on the Provision of Services	2,092	132	-	-	-	-	-	2,224
Derecognition - disposals	11	-	93	-	-	-	-	104
At 31 March 2018	1	(1)	(4,864)	(1,012)	-	(31)	-	(5,907)
<b>Net Book Value at 31 March 2018</b>	<b>207,533</b>	<b>27,918</b>	<b>6,056</b>	<b>383</b>	<b>842</b>	<b>560</b>	<b>3,443</b>	<b>246,735</b>

## Notes to the Core Financial Statements

Property, Plant & Equipment								
Cost or Valuation	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
<b>Movements on Balances in 2016/17</b>								
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	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
<b>Movements on Balances in 2016/17 cont'd</b>								
At 1 April 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	-	1,105
Impairment Losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	2,273	101	-	-	-	-	-	2,374
Derecognition - disposals	11	-	1,010	-	-	-	-	1,021
At 31 March 2017	-	(1)	(4,222)	(979)	-	(31)	-	(5,233)
<b>Net Book Value</b>								
At 31 March 2017	195,175	27,093	6,662	416	842	516	1,440	232,144

### Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £5.24m. Similar commitments at 31 March 2017 were £2.51m. The major commitments are:

## Notes to the Core Financial Statements

2017/18 amounts	£'000
New Build of Council Dwellings / Social Housing	3,065
HRA Planned Maintenance and other works	1,697
Discretionary Housing Grants	199
Community Fund Projects Grants	175
LED Streetlights	44
Recycling Bins	44
Disabled Facilities Grant	13
<b>Total</b>	<b>5,237</b>

### 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 2018.

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	-	17	10,921	1,395	-	-	3,442	15,775
Fair Value as at:								
31 March 2018	207,532	27,889	-	-	-	591	-	236,012
31 March 2017	-	13	-	-	-	-	-	13
Prior 2015	-	-	-	-	842	-	-	842
Total Cost or Valuation	207,532	27,919	10,921	1,395	842	591	3,442	252,642

### 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.

## Notes to the Core Financial Statements

<b>Intangible Assets - The movement on Intangible Asset balances during the year</b>	<b>2017/18</b>	<b>2016/17</b>
:	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year:</b>		
Gross carrying amount	2,294	1,553
Accumulated amortisation	(1,011)	(677)
Net carrying amount at start of year	1,283	876
<b>Additions:</b>		
Purchases	494	741
Other disposals	(8)	-
Amortisation for the period	(464)	(334)
Other changes	7	-
<b>Net carrying amount at end of year</b>	<b>1,312</b>	<b>1,283</b>
<b>Comprising</b>		
Gross carrying amount	2,780	2,294
Accumulated amortisation	(1,468)	(1,011)
<b>Balance at end of year:</b>	<b>1,312</b>	<b>1,283</b>

### Note 14 - Financial Instruments

#### A - Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board
- short-term loans from other local authorities
- trade payables for goods and services received

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current and deposit accounts with Lloyds and Coop bank
- loans to small companies and housing associations
- trade receivables for goods and services delivered

## Notes to the Core Financial Statements

Available for sale financial assets (those that are quoted in an active market or do not have fixed or determinable payments) comprising:

- money market funds managed by fund managers
- pooled bond, equity and property funds managed by fund managers

Unquoted equity investments held at cost because it is impracticable to determine fair value, comprising:

- equity investments in BDC (Suffolk Holdings) Ltd.

### B – Financial Instruments - Balances

The financial liabilities included in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
<b>Loans at amortised cost:</b>				
Principal sum borrowed	85,797	86,297	12,500	6,500
Accrued interest	37	39	7	-
<b>Total Borrowing</b>	<b>85,834</b>	<b>86,336</b>	<b>12,507</b>	<b>6,500</b>
<b>Liabilities at amortised cost</b>				
Trade payables	-	-	3,739	1,075
<b>Included in Creditors</b>	<b>-</b>	<b>-</b>	<b>3,739</b>	<b>1,075</b>
<b>Total Financial Liabilities</b>	<b>85,834</b>	<b>86,336</b>	<b>16,246</b>	<b>7,575</b>

The total short-term borrowing includes £500k (2017 was £500k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

The financial assets included in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
<b>Loans and receivables:</b>				
Principal at amortised cost	11,831	795	348	283
Accrued interest	86	-	19	21
<b>Available for sale investments:</b>				
Principal at amortised cost	-	-	9,000	9,000
Accrued interest	-	-	110	90
<b>At fair value through profit &amp; loss:</b>				
Investments held for trading	-	-	-	2,000
Unquoted equity investments at cost	1,233	-	-	-
<b>Total Investments</b>	<b>13,150</b>	<b>795</b>	<b>9,477</b>	<b>11,394</b>
<b>Loans and receivables:</b>				
Cash (including bank accounts)	-	-	2,704	4,194
Accrued interest	-	-	5	5
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>2,709</b>	<b>4,199</b>
<b>Loans and receivables:</b>				
Trade receivables	47	44	2,609	771
<b>Included in Debtors</b>	<b>47</b>	<b>44</b>	<b>2,609</b>	<b>771</b>
<b>Total Financial Assets</b>	<b>13,197</b>	<b>839</b>	<b>13,244</b>	<b>16,364</b>

## Notes to the Core Financial Statements

### C - Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities Amortised Cost £000s	Financial Assets		2017/18 Total £000s	2016/17 Total £000s
		Loans & Receivables £000s	Available for sale Assets £000s		
Interest expense	2,855	-	-	2,855	2,855
Losses from changes in fair value	-	-	133	133	101
Fees paid	3	-	-	3	1
<b>Interest payable and similar charges</b>	<b>2,858</b>	<b>0</b>	<b>133</b>	<b>2,991</b>	<b>2,957</b>
Interest income	-	(1)	(614)	(615)	(404)
Gains from changes in fair value	-	-	(149)	(149)	(56)
<b>Interest and investment income</b>	<b>-</b>	<b>(1)</b>	<b>(763)</b>	<b>(764)</b>	<b>(460)</b>
<b>Net impact or surplus/deficit on provision of services</b>	<b>2,858</b>	<b>(1)</b>	<b>(630)</b>	<b>2,227</b>	<b>2,497</b>
<b>Net Gain/(Loss) for the year</b>	<b>2,858</b>	<b>(1)</b>	<b>(630)</b>	<b>2,227</b>	<b>2,497</b>

### D - Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, 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

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

## Notes to the Core Financial Statements

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority'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.

	Fair Value Level	Balance Sheet 31 March 2018 £000s	Fair Value 31 March 2018 £000s	Balance Sheet 31 March 2017 £000s	Fair Value 31 March 2017 £000s
Financial Liabilities held at Amortised cost:					
Long term loans from PWLB	2	86,334	98,570	86,797	102,829
<b>Sub - Total</b>		<b>86,334</b>	<b>98,570</b>	<b>86,797</b>	<b>102,829</b>
Liabilities for which fair value is not disclosed		15,746	-	7,114	-
<b>Total Financial Liabilities</b>		<b>102,080</b>	<b>98,570</b>	<b>93,911</b>	<b>102,829</b>
Recorded on balance sheet as:					
Short term creditors		3,740		1,075	
Short term borrowing		12,543		6,539	
Long term borrowing		85,797		86,297	
<b>Total Financial Liabilities</b>		<b>102,080</b>		<b>93,911</b>	

	Fair Value Level	Balance Sheet 31 March 2018 £000s	Fair Value 31 March 2018 £000s	Balance Sheet 31 March 2017 £000s	Fair Value 31 March 2017 £000s
Financial assets held at fair value:					
Money market funds	1	1,000	1,000	2,700	2,700
Bond, Equity and property funds	1	8,778	8,778	8,761	8,761
Shares in unlisted companies	3	1,233	1,233	-	-
Financial assets held at amortised cost:					
Long term loans to companies	3	638	643	638	679
<b>Sub Total</b>		<b>11,649</b>	<b>11,654</b>	<b>12,099</b>	<b>12,140</b>
Assets for which fair value is not disclosed		16,121	-	4,865	-
<b>Total Financial Assets</b>		<b>27,770</b>	<b>11,654</b>	<b>16,964</b>	<b>12,140</b>
Recorded on balance sheet as:					
Long term debtors		11,588		440	
Long term investments		1,233		0	
Short term debtors		2,609		815	
Short term investments		9,636		11,515	
Cash and Cash Equivalents		2,704		4,194	
<b>Total Financial Assets</b>		<b>27,770</b>		<b>16,964</b>	

### E - Unquoted Equity Instruments Measured at Cost

The Council holds shares in BDC (Suffolk Holdings) Ltd which are carried at cost of £1.233m because their fair value cannot be measured reliably. This is because the company has no established trading history, having only been formed in 2017, and there are no similar companies whose shares are traded, and which might provide comparable market data. The Council therefore intends to hold these shares for the foreseeable future.

## Notes to the Core Financial Statements

### Note 15 - Debtors

Debtors	31 March 2018 £'000	31 March 2017 £'000
Central government bodies	1,052	680
Other local authorities	575	606
Other entities and individuals	3,151	1,490
<b>Total Debtors</b>	<b>4,778</b>	<b>2,776</b>

### Note 16 - Cash and Cash Equivalents

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

Cash and Cash Equivalents	2017/18 £'000	2016/17 £'000
Bank current accounts	1,446	1,389
Short-term deposits with Money Market Funds	1,000	2,700
Cash in Transit	258	105
<b>Total Cash and Cash Equivalents</b>	<b>2,704</b>	<b>4,194</b>

### Note 17 - Creditors

Creditors	31 March 2018 £'000	31 March 2017 £'000
Central government bodies	(631)	(1,399)
Other local authorities	(1,518)	(1,376)
Other entities and individuals	(4,417)	(2,650)
<b>Total Creditors</b>	<b>(6,566)</b>	<b>(5,425)</b>

### Note 18 – Provisions

Movement in Provisions	Balance at 31 March 2017 £'000	Additional Provisions made in year £'000	Amounts used in year £'000	Balance at 31 March 2018 £'000
Outstanding Legal Cases/MMI Levy	(201)	-	-	(201)
Non Domestic Rate Appeals	(406)	(626)	243	(789)
Accumulated Absence	(105)	(128)	105	(128)
<b>Total</b>	<b>(712)</b>	<b>(754)</b>	<b>348</b>	<b>(1,118)</b>

### 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 31 March 2018. 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 2018 £'000	31 March 2017 £'000
Revaluation Reserve	(27,060)	(17,351)
Capital Adjustment Account	(120,898)	(116,143)
Pensions Reserve	20,090	21,863
Collection Fund Adjustment Account	635	(244)
Accumulated Absences Account	128	105
Available for Sale Financial Instruments Reserve	222	238
<b>Total Unusable Reserves</b>	<b>(126,883)</b>	<b>(111,532)</b>

### 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).

## Notes to the Core Financial Statements

Revaluation Reserve	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(17,351)	(11,830)
Upward revaluation of assets	(10,695)	(6,084)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	526	307
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	(10,169)	(5,777)
Difference between fair value depreciation and historical cost depreciation	332	216
Accumulated gains on assets sold or scrapped	128	40
<b>Amount written off to the Capital Adjustment Account</b>	460	256
<b>Balance at 31 March</b>	<b>(27,060)</b>	<b>(17,351)</b>

### 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 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.

## Notes to the Core Financial Statements

Capital Adjustment Account	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(116,143)	(110,230)
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	2,993	1,429
Revaluation losses on Property, Plant and Equipment	-	(440)
Amortisation of intangible assets	464	334
Revenue expenditure funded from capital under statute	628	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	1,966	1,907
	6,051	4,067
Adjusting amounts written out of the Revaluation Reserve	(460)	(256)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>5,591</b>	<b>3,811</b>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(896)	(1,082)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,235)	(4,547)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(575)	(937)
HRA Debt Repayment	(500)	(500)
Third Party Loans	27	-
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(827)	(894)
Capital expenditure charged against the General Fund and HRA balances	(4,296)	(1,642)
Capital expenditure charged against Earmarked Reserves	(44)	(122)
	(10,346)	(9,724)
<b>Balance at 31 March</b>	<b>(120,898)</b>	<b>(116,143)</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	21,863	18,952
Remeasurement of net defined liability/(asset)	(2,442)	2,965
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	2,860	2,087
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,191)	(2,141)
<b>Balance at 31 March</b>	<b>20,090</b>	<b>21,863</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(244)	117
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	879	(361)
<b>Balance at 31 March</b>	<b>635</b>	<b>(244)</b>

## Notes to the Core Financial Statements

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	105	95
Settlement or cancellation of accrual made at the end of the preceding year	(105)	(95)
Amount accrued at the end of the current year	128	105
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	23	10
<b>Balance at 31 March</b>	<b>128</b>	<b>105</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	238	194
Upward revaluation of investments	(16)	-
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	44
<b>Balance at 31 March</b>	<b>222</b>	<b>238</b>

**Note 20- Cash Flow Statement: Operating Activities**

<b>Cash Flow Statement - Operating Activities</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
The cash flows for operating activities include the following items:		
Interest received	(511)	(349)
Interest paid	2,851	2,858
	<b>2,340</b>	<b>2,509</b>
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,057)	(4,638)
Impairment and (downward valuations)/reversals	1,600	2,871
(Increase)/decrease in creditors	1,498	590
Increase/(decrease) in debtors	2,049	(649)
Increase/(decrease) in inventories	19	(9)
Movement on pension liability	(669)	54
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,968)	(1,906)
Other non-cash items	(404)	335
	<b>(2,932)</b>	<b>(3,352)</b>
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	3,228	3,039
Other items for which the cash effects are investing or financing activities	(1,665)	(1,533)
<b>Net cash flows from operating activities</b>	<b>1,563</b>	<b>1,506</b>

**Note 21 - Cash Flow Statement: Investing Activities**

<b>Cash Flow Statement - Investing activities</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	6,800	14,147
Purchase of short-term and long-term investments	19,833	13,563
Other payments for investing activities	41	109
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,228)	(3,039)
Proceeds from short-term and long-term investments	(9,500)	(10,025)
Other receipts from investing activities	(857)	(977)
<b>Net cash flows from investing activities</b>	<b>13,089</b>	<b>13,778</b>

## Note 22 - Cash Flow Statement: Financing Activities

Cash Flow Statement - Financing Activities	2017/18 £'000	2016/17 £'000
Cash receipts from short and long term borrowing	(6,000)	(6,000)
Repayments of short-term and long-term borrowing	500	500
Net cash flows from financing activities	(5,500)	(5,500)

## Note 23 - Members' Allowances

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

Members' Allowances	2017/18 £'000	2016/17 £'000
Basic Allowances	171	172
Special Responsibility Allowance	47	44
Expenses	16	15
<b>Total</b>	<b>234</b>	<b>231</b>

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 eight 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: -

## Notes to the Core Financial Statements

Officers' Remuneration	Comparative Years	Salary, Fees and Allowances £	Expenses/ Benefits in Kind £	Pension Contribution £	Exit Packages £	Total £
Joint Chief Executive	2017/18	112,504	963	25,553	-	139,020
Joint Chief Executive (from 01.01.2017)	2016/17	27,599	241	5,060	-	32,900
Joint Chief Executive (left 03.08.2016)	2016/17	51,629	401	-	-	52,030
Interim Strategic Director (from 01.01.2018)	2017/18	22,639	241	5,207	-	28,087
	2016/17	-	-	-	-	-
Assistant Director - Customer Services (from 30.10.2017)	2017/18	24,997	406	5,749	-	31,152
	2016/17	-	-	-	-	-
Assistant Director - Housing (from 21.08.2017)	2017/18	52,636	963	11,903	-	65,502
	2016/17	-	-	-	-	-

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	2017/18 Number of employees	2016/17 Number of employees
£50,000 - £54,999	7	3
£55,000 - £59,999	-	3
£60,000 - £64,999	2	-
£65,000 - £69,999	1	-
£70,000 - £74,999	1	-
<b>TOTAL</b>	<b>11</b>	<b>6</b>

## Notes to the Core Financial Statements

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 2017/18. There is one exception where costs are not shared equally. This relates to the role of the Assistant Director for Investment and Commercial Delivery. These costs are shared 32.5% Babergh and 67.5% Mid Suffolk. 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.

## Notes to the Core Financial Statements

Shared Management Costs	2017/18 Expenditure by Babergh £	2017/18 Expenditure by Mid Suffolk £	2016/17 Expenditure by Babergh £	2016/17 Expenditure by Mid Suffolk £
<b>Senior Management</b>				
Joint Chief Executive	154,196	-	100,995	-
Deputy Chief Executive	-	143,750	-	114,361
Strategic Director (People)	-	190,252	-	115,334
Strategic Director	-	54,415	-	-
Strategic Director (Place)	-	85,438	-	20,290
Interim Strategic Director	31,039	-	-	-
Head of Corporate Organisation	-	-	51	-
Assistant Director Corporate Resources	-	111,327	-	104,983
Assistant Director Communities and Public Access	-	96,870	-	91,489
Assistant Director Customer Services	34,212	-	-	-
Head of Economy	-	-	-	65,816
Assistant Director Investment and Commercial Delivery	-	102,293	-	85,884
Assistant Director Planning for Growth	-	95,863	-	85,563
Assistant Director Environment and Projects	-	97,547	-	92,726
Assistant Director Supported Living	-	44,321	-	91,714
Assistant Director Housing	71,902	-	-	-
Assistant Director Law and Governance	-	87,111	-	6,872
<b>Total Expenditure</b>	<b>291,349</b>	<b>1,109,187</b>	<b>101,046</b>	<b>875,032</b>
Net Adjustment between Councils	404,127	(404,127)	386,993	(386,993)
<b>Total</b>	<b>695,476</b>	<b>705,060</b>	<b>488,039</b>	<b>488,039</b>

## Notes to the Core Financial Statements

### 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	2017/18 £'000	2016/17 £'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	55	49
Fees payable to the external auditor for the certification of grant claims and returns for the year	25	17
<b>Total</b>	<b>80</b>	<b>66</b>

### 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	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non-Specific Grant Income and Expenditure:		
Revenue Grants and Contributions:		
Council Tax Income	(7,555)	(7,198)
Non-Domestic Rates Levy Payable	460	458
Non-Domestic Rates Income	(8,814)	(9,836)
LCTS Support & S31 Grants	(1,130)	(549)
Non-Domestic Rates Payable to Central Government (Tariff)	6,719	7,267
Revenue Support Grant	(526)	(1,014)
Rural Services Support Grant	(182)	(225)
New Homes Bonus	(1,217)	(1,784)
Grant to Parishes - LCTS Support	-	63
Other Revenue Grants	(20)	(22)
<b>Total Revenue Grants</b>	<b>(12,265)</b>	<b>(12,840)</b>
Capital Grants and Contributions:		
One Public Estate	(25)	-
<b>Total Capital Grants</b>	<b>(25)</b>	<b>-</b>
<b>Total Credited to Taxation and Non-Specific Grant Income and Expenditure</b>	<b>(12,290)</b>	<b>(12,840)</b>
Grants and Contributions Credited to Services:		
HB Subsidy & Admin Grant	(18,180)	(19,370)
Disabled Facilities Grant	(469)	(292)
S106 Contributions	(15)	(232)
Homelessness	(156)	-
Community Housing Fund	-	(190)
LCTS Admin Grant	-	(91)
Misc Other Grants	(295)	(214)
<b>Total Grants and Contributions Credited to Services</b>	<b>(19,115)</b>	<b>(20,389)</b>

### 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 2017/18 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 Overview and Scrutiny Committee, a Joint Audit and Standards Committee and a Joint HR Panel.

A total of £5,228k of employee related expenditure was recharged to the Council by Mid Suffolk, and the Council recharged £4,355k of employee related expenditure to Mid Suffolk.

A total of £3,548k of non-employee related expenditure was recharged to the Council by Mid Suffolk, and the Council recharged £1,053k 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.

#### Suffolk County Council Subsidiaries

Suffolk County Council has a number of wholly-owned subsidiaries including Vertas Group Ltd, Concertus Design and Property Consultants Ltd and Opus People Solutions Ltd. During 2017/18, the Council incurred expenditure of £703k (£591k in 2016/17).

### 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 of 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 £1.12m in 2017/18 (£1.19m in 2016/17).

### 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. 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.

### Sudbury Citizens Advice Bureau

The Council provided a grant of £54k (2016/17 was £60k) to Sudbury Citizens Advice Bureau (CAB) during the year and £3.7k for the provision of the Money Advice Service for housing. It also contracted them to provide housing debt advice for the sum of £6.3k (2016/17 was £7.6k). The Council has no significant interest in the organisation and has no entitlement to any surpluses of this Not for Profit organisation.

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

Related Parties	2017/18 £'000	2016/17 £'000
South Suffolk Leisure Trust: Revenue and capital transactions	271	225
Grants & Contributions to Parish Councils, Community Councils, Village Halls and Theatres	211	341
Suffolk County Council	879	661
Suffolk County Council - subsidiaries	703	591
Police & Crime Commissioner	-	14
Sudbury Citizens Advice Bureau	64	82
<b>Total</b>	<b>2,128</b>	<b>1,914</b>

### Entities Controlled or significantly influenced by the Council

The Council has a wholly owned subsidiary company, BDC (Suffolk Holdings) Limited, incorporated on 9 June 2017 over which it exerts control. This holding company owns 50% shares of CIFCO Capital Limited over which the Council exerts significant influence.

Their principal activities are the purchase of commercial property for investment purposes.

The following officers and members hold positions on the boards of the companies controlled or significantly influenced by the Council:

BDC (Suffolk Holdings) - 9 June 2017 to 31 March 2018:

Arthur Charvonia– Company Secretary

Councillor David Busby - Director

Councillor Jennifer Jenkins - Director

Councillor Nicholas Ridley - Director

CIFCO Capital Ltd (50% Shareholding) - 12 June 2017 to 31 March 2018:

Henry Cooke - Director

Councillor Derrick Haley - Director

Christopher Haworth - Director

Councillor Nicholas Ridley – Director

Mark Sargeantson – Director

The Group Accounts are shown on page 99 to page 105.

### 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.

## Notes to the Core Financial Statements

Capital Expenditure and Capital Financing	2017/18 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	104,862	99,356
<b>Capital investment</b>		
Property, Plant and Equipment	8,946	9,980
Investment Properties	-	3,560
Intangible Assets	494	741
Revenue Expenditure Funded from Capital under Statute	628	837
Mortgages/Loans	35	105
Acquisition of Share Capital	1,233	-
Loans to Joint Venture	11,100	-
<b>Sources of finance</b>		
Capital receipts	(895)	(1,082)
Government grants and other contributions	(563)	(925)
Sums set aside from revenue:		
Direct Revenue Contributions	(4,339)	(1,765)
Major Repairs Reserve	(3,235)	(4,547)
Minimum Revenue provision for the repayment of debt	(827)	(894)
Repayment of Borrowing	(500)	(500)
Capital Expenditure charged in Income and Expenditure Statement	-	(4)
<b>Closing Capital Financing Requirement</b>	<b>116,939</b>	<b>104,862</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (unsupported by government financial assistance)	12,904	6,400
Minimum Revenue provision for the repayment of debt	(827)	(894)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>12,077</b>	<b>5,506</b>

### Note 29 - Leases

#### The Council as Lessee

##### Operating Leases

The Council leases in property under an operating lease. This is with Suffolk County Council and relates to the shared use, with Mid Suffolk District Council, of part of Endeavour House in Ipswich since November 2017.

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

Leases	31 March 2018 £'000	31 March 2017 £'000
The future minimum lease payments payable under non-cancellable lease in future years are:		
Expires not later than one year	161	11
Expires later than one year and not later than five years	427	12
Expires later than five years	34	9
	<b>622</b>	<b>32</b>

### 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 2018 £'000	31 March 2017 £'000
The future minimum lease payments receivable under non-cancellable leases in future years are:		
Not later than one year	346	451
Later than one year and not later than five years	438	627
Later than five years	2,047	2,119
<b>Total</b>	<b>2,831</b>	<b>3,197</b>

### Note 30 - Impairment Losses and Reversals

The District Valuer's valuation at 1 April 2017 and 31 March 2018 resulted in the net reversal of prior and current year impairments of £1.6m in the year (see Note 12 to the Core Financial Statements). This was due to an increase in the value of council dwellings of £1,823k and a decrease in other non-current assets of £223k in the 2017/18 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	2017/18				2016/17			
	Number of Employees	Redundancy Costs	Pension Contribution	Total	Number of Employees	Redundancy Costs	Pension Contribution	Total
		£	£	£		£	£	£
<b>Voluntary Redundancies</b>								
£0 - £19,999	8	44,841	3,639	48,480	2	33,094	-	33,094
£20,000 - £39,999	3	73,732	17,892	91,624	1	27,250	-	27,250
£40,000 - £59,999	0	-	-	-	2	92,955	-	92,955
£60,000 - £79,999	1	43,660	24,364	68,024	0	-	-	-
£80,000 - £99,999	1	36,762	45,706	82,468	0	-	-	-
<b>Total</b>	<b>13</b>	<b>198,995</b>	<b>91,601</b>	<b>290,596</b>	<b>5</b>	<b>153,299</b>	<b>-</b>	<b>153,299</b>

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 2017/18 accounts reflects seven occasions where a member of staff left the organisation and costs were shared 50:50 and six members 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 2017/18	Number of Employees Babergh	Number of Employees Mid Suffolk	Total Expenditure Babergh £	Total Expenditure Mid Suffolk £
£0 - £19,999	8	9	48,480	75,762
£20,000 - £39,999	3	3	91,624	73,222
£40,000 - £59,999	0	1	-	57,080
£60,000 - £79,999	1	2	68,024	135,699
£80,000 - £99,999	1	1	82,468	92,098
<b>Total Cost</b>	<b>13</b>	<b>16</b>	<b>290,596</b>	<b>433,861</b>
<b>Net Adjustment between Councils</b>			<b>47,841</b>	<b>(47,841)</b>
<b>Total Cost to each Council</b>			<b>338,437</b>	<b>386,020</b>

**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.

## Notes to the Core Financial Statements

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.

<b>Local Government Pension Scheme - Salary Bandings for Employee Contributions</b>	<b>2017/18</b>
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:

## Notes to the Core Financial Statements

<b>Local Government Pension Scheme - Transactions relating to post-employment benefits</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	2,236	1,326
Past Service cost/(gain) including curtailments	75	110
Financing and Investment Income and Expenditure:		
Net interest expense	549	651
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,860</b>	<b>2,087</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets (excluding amounts included in net interest expense)	918	7,523
Actuarial gains and losses arising on changes in financial assumptions	1,524	(8,142)
Other experience	-	(2,346)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>2,442</b>	<b>(2,965)</b>
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	(2,860)	(2,087)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(2,191)	(2,141)

### 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:

<b>Local Government Pension Scheme - Pensions Assets and Liabilities Recognised in the Balance Sheet</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Present value of the defined benefit obligation	(92,362)	(91,857)
Fair value of plan assets	72,272	69,994
<b>Net liability arising from defined benefit obligation</b>	<b>(20,090)</b>	<b>(21,863)</b>

## Notes to the Core Financial Statements

### 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	2017/18 £'000	2016/17 £'000
<b>Opening fair value of scheme assets 1 April</b>	69,994	60,821
Interest income	1,743	2,119
Remeasurement gains and (losses):		
Return on plan assets (excluding net interest)	918	7,523
Employer contributions	2,191	2,141
Contributions from employees into the scheme	365	341
Benefits paid	(2,939)	(2,951)
<b>Closing fair value of scheme assets 31 March</b>	<b>72,272</b>	<b>69,994</b>

### 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)	2017/18 £'000	2016/17 £'000
<b>Opening balance 1 April</b>	(91,857)	(79,773)
Current service cost	(2,236)	(1,326)
Interest cost	(2,292)	(2,770)
Contributions by scheme participants	(365)	(341)
Remeasurement gains and (losses): -		
Actuarial gains/losses arising from changes in financial assumptions	1,524	(12,834)
Other	-	2,346
Loss/(Gains) on Curtailments	(75)	(110)
Benefits paid	2,939	2,951
<b>Closing balance at 31 March</b>	<b>(92,362)</b>	<b>(91,857)</b>

## Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised of:

Local Government Pension Scheme - Assets comprised:	2017/18 Fair Value of Scheme Assets £'000	2016/17 Fair Value of Scheme Assets £'000
<b>Cash and Cash Equivalents</b>	751	1,442
<b>Equity Instruments (by industry)</b>		
Consumer	5,236	6,118
Manufacturing	1,856	1,900
Energy & Utilities	1,094	1,275
Financial Institutions	2,411	2,384
Health & Care	1,120	1,994
Information Technology	2,113	2,499
Other	755	871
<b>Sub-total Equity Instruments</b>	14,585	17,041
<b>Bonds (by sector)</b>		
Corporate Bonds (investment grade)	17,520	10,224
UK Government	2,748	2,956
<b>Sub-total Bonds</b>	20,268	13,180
<b>Private Equity</b>		
All	2,604	2,258
<b>Sub-total Private Equity</b>	2,604	2,258
<b>Property</b>		
UK Property	7,006	6,520
<b>Sub-total Property</b>	7,006	6,520
<b>Other Investment Funds</b>		
Equities	16,757	20,958
Infrastructure	1,885	1,596
Hedge Funds	2,947	2,135
Other	5,472	4,843
<b>Sub-total Other Investment Funds</b>	27,061	29,532
<b>Derivatives</b>		
Foreign Exchange	(3)	21
<b>Sub-total Derivatives</b>	(3)	21
<b>Total Assets</b>	<b>72,272</b>	<b>69,994</b>

### 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.

## Notes to the Core Financial Statements

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:

<b>Local Government Pension Scheme - Basis for estimating assets and liabilities</b>	<b>2017/18</b>	<b>2016/17</b>
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	26 years
Rate of inflation	3.4%	3.4%
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

### 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:

## Notes to the Core Financial Statements

<b>Local Government Pension Scheme - Sensitivity Analysis:</b>	<b>Increase in Assumptions to Employer Liability</b>	<b>Increase in Assumptions to Employer Liability</b>
<b>Impact on the Defined Benefit Obligation in the Scheme</b>	<b>%</b>	<b>£'000</b>
<b>Change in assumptions at year ended 31 March 2018 :</b>		
0.5% decrease in Real Discount Rate	9%	7,908
1 year increase in member life expectancy	3% - 5%	2,100 - 3,500
0.5% increase in the Salary Increase Rate	1%	745
0.5% increase in the Pension Increase Rate	8%	7,085

### 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 2018. 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 2019 are £2.100m. This includes a contribution of £0.786m 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 complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

## Notes to the Core Financial Statements

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

### Credit Risk: Investments

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 £2m /10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £2m /10% in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating and remaining time to maturity

Credit Rating	31 March 2018		31 March 2017	
	Long term £000s	Short term £000s	Long term £000s	Short term £000s
AAA	-	1,000	-	2,700
A+	-	1,356	-	1,323
B	-	89	-	66
Unrated pooled funds	8,778	-	8,761	-
Unrated companies	12,825	343	440	215
Central Government	-	-	-	2,000
<b>Total investments</b>	<b>21,603</b>	<b>2,788</b>	<b>9,201</b>	<b>6,304</b>

### Credit Risk: Trade and Lease Receivables

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

Trade Receivables	31 March 2018 £'000	31 March 2017 £'000
Neither past due nor impaired	85	250
Past due < 3 months	35	18
past due 3 - 6 months	-	6
Past due 6 - 12 months	84	66
Past due 12+ months	46	44
Individually impaired	-	-
<b>Total receivables</b>	<b>250</b>	<b>384</b>

### Liquidity Risk

## Notes to the Core Financial Statements

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows

Time to maturity (Years)	31 March 2018			31 March 2017		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	(16,283)	13,108	(3,175)	(7,614)	16,125	8,511
Over 1 but not over 2	(500)	34	(466)	(500)	20	(480)
Over 2 but not over 5	(550)	256	(294)	(1,050)	335	(715)
Over 5 but not over 10	(12,000)	-	(12,000)	(12,000)	-	(12,000)
Over 10 but not over 20	(71,647)	-	(71,647)	(71,647)	-	(71,647)
Over 20 but not over 40	(1,100)	-	(1,100)	(1,100)	-	(1,100)
Uncertain date	-	12,821	12,821	-	484	484
<b>Total</b>	<b>(102,080)</b>	<b>26,219</b>	<b>(75,861)</b>	<b>(93,911)</b>	<b>16,964</b>	<b>76,947</b>

### Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited 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 at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” will be reflected in Other Comprehensive Income and Expenditure.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, £86.297m (2017: £86.797m) of principal borrowed was exposed to fixed rates and £12m (2017: £6m) to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

## Notes to the Core Financial Statements

	<b>31 March 2018 £000s</b>	<b>31 March 2017 £000s</b>
Increase in interest payable on variable rate borrowings	105	52
Increase in interest receivable on variable rate investments	(174)	(173)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(69)</b>	<b>(121)</b>
Decrease in fair value of available for sale financial assets	(31)	(32)
<b>Impact on Comprehensive Income and Expenditure</b>	<b>(31)</b>	<b>(32)</b>
Decrease in fair value of loans and receivables	(15)	(7)
Decrease in fair value of fixed rate borrowings/liabilities	(10,913)	(11,975)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Market Risks: Price Risk

The market prices of the Council's fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate 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 £5m. A 5% fall in commercial property prices would result in a £0.237m charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

The Council's investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council's maximum exposure to equity investments of £2m. A 5% fall in share prices would result in a £0.096m charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investments were sold.

## Note 35 - Accounting Policies

### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 and SeRCOP, the Service Reporting Code of Practice 2017/18, 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 2018 the balance on these funds was £1m (2016/17 £2.7m). 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 (Minimum Revenue Provision (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 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 expectations of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices. The discount rate employed for the 2017/18 accounts is 2.6% 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
  - unlisted 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.
  - 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.

## Notes to the Core Financial Statements

- 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 a 100% shareholding in its subsidiary BDC (Suffolk Holdings) Limited. This holding company has a 50% shareholding in CIFCO Capital Limited. This relationship has created a requirement for the Council to prepare Group Accounts.

In the Council's single entity accounts, its interest in these companies are classified as financial assets and measured at cost less provision for any losses.

### **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

## Notes to the Core Financial Statements

- 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 2017/18 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.

### W Basis of consolidation for Group Accounts

The Group Accounts have been prepared using the Group Accounts requirements of the CIPFA Code of Practice. Companies that are within the Council's group boundary have been included in the Council's Group Accounts to the extent that they are either quantitatively or qualitatively material to users of the financial statements.

This will give the reader the ability to see the complete economic activities of the Council and its exposure to risk through interests and participation in their activities.

The Council's subsidiary, BDC (Suffolk Holdings) Limited and its joint venture, CIFCO Capital Limited, have been consolidated on a line by line basis, subject to elimination of intra-group transactions from the statements, in accordance with The Code.

No amendments have been necessary to the accounts of the group since the accounting policies are the same.

### Note 36 – Interest in Companies

The Council holds an interest in BDC (Suffolk Holdings) Limited which was incorporated on 9 June 2017, and the company registration number is 10812722. It issued 100 of £1 ordinary shares to the Council.

The Council has prepared Group Accounts which can be found on pages 99 to 105. The statements are intended to present financial information about the parent company (the Council) and to reflect the Council's share of the holding company's net assets.

### Note 37 – 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.

## Notes to the Core Financial Statements

Investment Properties	2017/18 £'000	2016/17 £'000
Rental Income from Investment Property	(280)	(192)
Direct operating expenses arising from Investment Property	20	49
<b>Net (Gain) / Loss</b>	<b>(260)</b>	<b>(143)</b>

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	2017/18 £'000	2016/17 £'000
<b>Balance at start of the year</b>	4,000	-
Additions:		
Purchases	-	3,560
Other changes	-	440
<b>Balance at year end</b>	<b>4,000</b>	<b>4,000</b>

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

Recurring Fair Value Measurements using:	Quoted prices 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 2018
	£'000	£'000	£'000	£'000
<b>2017/18</b>				
Commercial Units	-	4,000	-	4,000
<b>2016/17</b>				
Commercial Units	-	4,000	-	4,000

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. 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 38 – Assets Held for Sale

The Council held one asset for sale. This was East House, Hadleigh which was sold in May 2017 for £715k.

Assets Held for Sale	2017/18 £'000	2016/17 £'000
<b>Balance at start of the year</b>	439	-
Assets newly classified as held for sale:		
Property, Plant and Equipment		439
Assets sold	(439)	
<b>Balance at year end</b>	<b>-</b>	<b>439</b>

## 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.

2016/17 £'000	Housing Revenue Income & Expenditure Statement	HRA Note	2017/18 £'000
	<b>Expenditure</b>		
	Repairs, Maintenance and Management:		
2,417	- Repairs and Maintenance	1	3,007
2,834	- Supervision and Management	2	3,193
78	Rents, rates and other charges		118
(105)	Depreciation, Impairment and Revaluation losses of Non-current Assets:	3	1,392
32	Debt Management Costs		11
-	Increase in Bad Debt allowance	4	50
<b>5,256</b>			<b>7,771</b>
	<b>Income</b>		
	Gross Rental Income:		
(15,942)	- Dwelling Rents	5	(15,748)
(280)	- Non-Dwelling Rents	5	(249)
(598)	Charges for Services and Facilities	6	(548)
(55)	Contributions towards expenditure	7	(41)
<b>(16,875)</b>			<b>(16,586)</b>
<b>(11,619)</b>	<b>Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement:</b>		<b>(8,815)</b>
207	HRA share of Corporate and Democratic Core	8	138
(111)	HRA share of other amounts included in Net Cost of Services but not allocated to specific services	9	(220)
<b>(11,523)</b>	<b>Net Income for HRA Services</b>		<b>(8,897)</b>
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
(1,233)	(Gain) / Loss on the disposal of non current assets	10	(1,024)
2,862	Interest payable and similar charges	11	2,844
(23)	Interest receivable and similar income	11	(17)
130	Net interest on the net defined benefit liability / (asset)	12	110
<b>(9,787)</b>	<b>Surplus for the year on HRA services</b>		<b>(6,984)</b>

## 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.

2016/17 £'000	Movement on the HRA Statement	HRA Note	2017/18 £'000
(1,000)	Balance on the HRA at the end of the previous reporting period		(1,000)
(9,786)	Surplus for the year on the HRA Income and Expenditure Statement		(6,984)
6,815	Adjustments between accounting basis and funding basis under statute (Note 7 to the Core Statements)		7,610
(2,971)	Net increase before transfers to reserves		626
2,971	Transfers to / (from) earmarked reserves	19	(626)
-	Increase in year on the HRA		-
(1,000)	Balance on the HRA at the end of the current reporting period		(1,000)

## Notes to the Housing Revenue Account

### 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	2017/18	2016/17
	£'000	£'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's non current assets, as follows:		
Dwellings	3,053	2,849
Other Land and Buildings	76	65
Other HRA property	106	96
Reversal of Impairments charged to Income and Expenditure in prior years	(1,843)	(3,115)
<b>Total</b>	<b>1,392</b>	<b>(105)</b>

### Note 4 – Movement in the Allowance for Bad Debts

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

Movement in Arrears and for the Allowance for Bad Debts	2017/18 £'000	2016/17 £'000	Movement £'000
<b>Total Arrears</b>			
Rent arrears - current tenants	269	222	47
Rent arrears - former tenants	43	42	1
<b>Total Arrears at end of year</b>	<b>312</b>	<b>264</b>	<b>48</b>
<b>Bad Debt Provision at start of year</b>	<b>137</b>	<b>201</b>	<b>(64)</b>
Write offs in the year	(62)	(64)	2
Increase / (Decrease) in Provision in the year	50	-	50
<b>Bad Debt Provision at end of year</b>	<b>125</b>	<b>137</b>	<b>(12)</b>

### 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 2017/18 was £89.80 (in 2016/17 £90.64).

#### 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 Council 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.

## Notes to the Housing Revenue Account

Gain or Loss on Disposal of Non Current Assets	2017/18 £'000	2016/17 £'000
Cost of selling Council Dwellings	16	23
Carrying value of disposed assets	1,505	1,724
Receipts	(2,545)	(2,980)
<b>(Gain) on disposal of Housing Non Current Assets</b>	<b>(1,024)</b>	<b>(1,233)</b>

### 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	2017/18	2016/17 Restated
<b>The stock of dwellings has changed as follows:</b>		
Opening stock of dwellings	3,403	3,431
Add: additions/conversions	33	14
Less: sales - Right to Buy (RTB)	(25)	(26)
- Non-RTB	-	(3)
Less: properties lost to conversion, disposal and deletion	-	(13)
<b>Closing stock of dwellings</b>	<b>3,411</b>	<b>3,403</b>
<b>Analysis of closing stock numbers:</b>		
Houses and Bungalows	2,767	2,770
Flats	644	633
<b>Total</b>	<b>3,411</b>	<b>3,403</b>
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 2018.

Non Current Assets at Balance Sheet Value	31 March 2018 £'000	31 March 2017 £'000
Operational Assets		
Dwellings - Balance Sheet Value	207,532	195,174
Other Land and Buildings	3,265	3,705
Community Assets	180	180
Intangible Assets	303	259
Vehicles, Plant and Equipment	234	261
Non-Operational Assets		
Other Land and Buildings	1,177	1,081
Surplus Assets not Held for Sale	394	355
Assets under construction	3,231	1,441
<b>Total Balance Sheet Value of HRA Non Current Assets</b>	<b>216,316</b>	<b>202,456</b>

The District Valuer carried out a desktop valuation of HRA properties as at 31 March 2018.

The net increases in value resulted in a reversal of previous years' impairment losses of £1,843k. 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 2018 is based on valuations at 1 April 2017. It is £511m for 2017/18 (2016/17 £474.7m).

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.

## Notes to the Housing Revenue Account

### Note 16 - Capital Expenditure

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

<b>Capital expenditure and how it has been financed:</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Capital Expenditure:		
Dwellings	3,363	5,816
Assets under Construction	4,959	1,271
Other (including IT Infrastructure)	206	172
<b>Total</b>	<b>8,528</b>	<b>7,259</b>
Financed by:		
Useable Capital Receipts	(777)	(719)
Revenue Contributions	(4,296)	(1,643)
Major Repairs Reserve	(3,235)	(4,547)
Contributions	(220)	(350)
<b>Total</b>	<b>(8,528)</b>	<b>(7,259)</b>

### Note 17 - Capital Receipts

The following table summarises the number and types of assets sold and the total capital receipts generated during 2017/18.

<b>Capital receipts from sales of council houses</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>No's</b>	<b>No's</b>
Number of disposals	25	26
	<b>£'000</b>	<b>£'000</b>
Value of disposals	2,545	2,561

### 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.

## Notes to the Housing Revenue Account

### 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	2017/18	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	-	(1,591)
Charged in the Comprehensive Income and Expenditure Statement	(3,235)	(2,956)
Transfer to Capital Adjustment Account	3,235	4,547
<b>Balance at 31 March</b>	-	-

### Note 19 - HRA Reserves

The deficit on this year's HRA activity of £626k 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 2016/17 £'000	Non Domestic Rates 2016/17 £'000	Collection Fund Income & Expenditure Account	Note	Council Tax 2017/18 £'000	Non Domestic Rates 2017/18 £'000
		<b>Income:</b>			
(49,823)	-	Income from Council Tax	3	(51,937)	
-	(23,424)	Income from Non Domestic Ratepayers	2		(22,963)
<b>(49,823)</b>	<b>(23,424)</b>			<b>(51,937)</b>	<b>(22,963)</b>
		<b>Expenditure:</b>			
		<b>Precepts and Demands</b>			
36,792	2,384	Suffolk County Council	4	38,450	2,267
5,553	-	Suffolk Police & Crime Commissioner	4	5,746	
7,190	9,536	Babergh District Council	4	7,546	9,068
	11,921	Central Government	4		11,336
<b>49,535</b>	<b>23,841</b>			<b>51,742</b>	<b>22,671</b>
		<b>Charges to the Collection Fund</b>			
-	44	Transitional Protection Payments			324
		Impairment of Debts and Appeals:			
235	-	Increase/(Decrease) in Bad Debt Allowance		132	130
-	(830)	Increase/(Decrease) in Provisions for Appeals			957
-	129	Cost of Collection			130
		Energy Scheme credited to General Fund			26
549	(843)	Contributions towards previous year's estimated Collection Fund Surplus		274	844
<b>50,319</b>	<b>22,341</b>			<b>52,148</b>	<b>25,082</b>
		<b>Movement on Fund Balance - (Surplus) / Deficit</b>			
496	(1,083)		1	211	2,119
(633)	509	<b>(Surplus) / Deficit Brought Forward 1 April</b>	1	(137)	(574)
<b>(137)</b>	<b>(574)</b>	<b>(Surplus) / Deficit Carried Forward 31 March</b>		<b>74</b>	<b>1,545</b>

### 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	Balance 31 March 2016 £'000	Movement 2016/17 £'000	Balance 31 March 2017 £'000	Movement 2017/18 £'000	Balance 31 March 2018 £'000
<b>Preceptors</b>					
Babergh District Council	(92)	72	(20)	31	11
Suffolk County Council	(470)	368	(102)	157	55
Police and Crime Commissioner	(71)	56	(15)	23	8
(Surplus) / Deficit	(633)	496	(137)	211	74

#### Non-Domestic Rates

Movements on the Collection Fund Balance - NDR	Balance 31 March 2016 £'000	Movement 2016/17 £'000	Balance 31 March 2017 £'000	Movement 2017/18 £'000	Balance 31 March 2018 £'000
<b>Preceptors</b>					
Central Government	254	(541)	(287)	1,059	772
Suffolk County Council	51	(108)	(57)	212	155
Babergh District Council	204	(434)	(230)	848	618
(Surplus) / Deficit	509	(1,083)	(574)	2,119	1,545

### 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 2017. The next revaluation of all non-domestic properties is due in April 2021.

## Notes to the Collection Fund

The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year	2017/18	2016/17
Total Rateable Value of Business Properties in March	£63.433m	£60.768m
National Rate in the £	47.9p	49.7p
Small Business Rate Multiplier	46.6p	48.4p

The actual income of £22.963m, shown in the accounts, differs to the estimate of £30.384m 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 2017/18 as 32,488.91 (2016/17 was 32,020.03) as shown in the following table.

Council Tax Band	Chargeable Dwellings	Factor	Band D Equivalents
Disabled A	5.26	5/9ths	2.92
A	4,012.17	6/9ths	2,674.78
B	10,714.08	7/9ths	8,333.18
C	7,501.75	8/9ths	6,668.22
D	6,758.07	9/9ths	6,758.07
E	4,003.19	11/9ths	4,892.79
F	2,172.33	13/9ths	3,137.81
G	1,561.08	15/9ths	2,601.80
H	166.25	18/9ths	332.50
<b>Total</b>	<b>36,894.18</b>		<b>35,402.07</b>
Less Council Tax Reduction Scheme			(2,751.00)
Adjustment for Collection Rate for Year which was estimated at 99.5%			(162.16)
<b>Taxbase (Band D Equivalent)</b>			<b>32,488.91</b>
			<b>2017/18</b>
Average Band D Council Tax			<b>1592.60</b>
Babergh's Share			<b>153.86</b>

To meet the demands of Suffolk County Council, Suffolk Police and Crime Commissioner, Babergh District Council and Parish/Town Councils, a council tax of £51.742m (£49.535m for 2016/17) was levied on the tax base, providing an average Band D Council Tax of £1,592.60 (£1,547.00 for 2016/17).

The actual income of £51.937m, shown in the accounts, differs to the estimate of £51.742m 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 £7.546m in 2017/18 and £7.190m in 2016/17. For 2017/18 the total of the Parish Precepts was £2.547m (£2.423m for 2016/17).

#### 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 £9.068m, £6.719m 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 £2.349m payment to the Council's General Fund in 2017/18.

Actual income and expenditure for the year is then reflected in the Fund Balance (see Note 1 above). There is a deficit shown for the year and the Government provided extra rate relief for small businesses during 2017/18 and giving Councils a Section 31 (new burdens) grant to cover the cost. For Babergh, this grant was £1.125m (for 2016/17 £0.549m).

## Group Accounts and Explanatory Notes

### Introduction

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 sets out comprehensive requirements for Group Accounts requiring Councils to consider all their interests in subsidiaries, associates and joint ventures.

The purpose of Group Accounts is to provide a picture of Babergh District Council and the group of companies which are either controlled or are significantly influenced by the Council.

The Group Accounts show the Council's exposure to risk through interests in other entities and participation in their activities.

While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Movement in Reserves:

This shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group Reserves.

- Group Comprehensive Income and Expenditure Statement:

This summarises the resources that have been generated and consumed in providing services and managing the group during the year. It includes all day to day expenses and related income on an accruals basis.

- Group Balance Sheet:

This reports the Council Group financial position at the year end.

- Group Cash Flow Statement:

This shows the changes in cash and cash equivalents of the Group during the year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

- Notes to the Group Accounts:

This shows where the balances are materially different to those in the single entity accounts.

### Results of Subsidiary

The following notes provide additional details about the Council's involvement in the entities consolidated to form the Group Accounts.

BDC (Suffolk Holdings) Limited was incorporated as a private limited company on 9 June 2017 as a commercial investment vehicle for the Council.

The Council owns 100% of the shareholding, has full voting rights and can appoint and remove directors. The Council's chief executive officer is the company secretary and three councillors are board members.

## Group Accounts

The holding company owns 50% of the shareholding of CIFCO Capital Limited, which has two councillors on its board of five directors. The board provides regular reports of the activities and results to the holding company board.

For 2017/18, the holding company's results showed a deficit of £30k.

The company appointed Ensors Chartered Accountants who have prepared management accounts for the period ending 31 March 2018. The first fully audited accounts will be for the period ending 30 June 2018.

The company's registered office is c/o Babergh and Mid Suffolk District Councils, Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 2BX.

## Group Movement in Reserves Statement

Group 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	Authority's share of Reserves of Subsidiary and Joint Venture £'000	Total Reserves (Including Group) £'000
<b>Opening Balance at 1 April 2017</b>	(1,200)	(2,208)	(1,000)	(12,053)	-	(5,721)	(72)	(22,254)	(111,532)	(133,786)	-	(133,786)
<b>Movement in reserves during 2017/18</b>												
Total Comprehensive Income and Expenditure	(86)	-	(6,984)	-	-	-	-	(7,070)	(12,627)	(19,697)		(19,697)
Adjustments between Group Accounts and Council Accounts	30							30		30		30
Adjustments between accounting basis and funding basis under regulations (Note 7)	(2,853)	-	7,610	-	-	(2,033)	-	2,724	(2,724)	-		-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(2,909)	-	626	-	-	(2,033)	-	(4,316)	(15,351)	(19,667)	-	(19,667)
Transfers to / (from) reserves (Note 8)	2,909	(2,939)	(626)	626	-	-	-	(30)	-	(30)	30	(0)
<b>(Increase)/Decrease in 2017/18</b>	-	(2,939)	-	626	-	(2,033)	-	(4,346)	(15,351)	(19,697)	30	(19,667)
<b>Balance at 31 March 2018</b>	(1,200)	(5,147)	(1,000)	(11,427)	-	(7,754)	(72)	(26,600)	(126,883)	(153,483)	30	(153,453)

## Group Comprehensive Income and Expenditure Statement

2016/17 Restated			Group Comprehensive Income and Expenditure Statement	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>General Fund</b>				
			- Investment & Commercial Delivery		-	-	
			- BMS Invest	120	(9)	111	
			- Communities & Public Access	2,339	(331)	2,008	
			- Corporate Resources	21,905	(18,974)	2,931	
			- Environment & Projects	1,986	(10)	1,976	
			- Investment & Commercial Delivery	5,125	(2,460)	2,665	
			- Law & Governance	1,593	(319)	1,274	
			- Planning for Growth	1,444	(479)	965	
			- Senior Leadership Team	2,223	(3,442)	(1,219)	
			- Supported Living	854	(74)	780	
			- Charge to HRA & Capital	(1,516)	-	(1,516)	
			-	-	-	-	
			- <b>HRA</b>	7,918	(16,815)	(8,897)	
			- <b>Cost of Services</b>	43,991	(42,913)	1,078	
			- Other Operating Expenditure	1,613	-	1,613	
			- Financing and Investment Income and Expenditure	3,424	(895)	2,529	
			- Taxation and Non-Specific Grant Income and Expenditure	6,719	(19,009)	(12,290)	
			- <b>(Surplus) on Provision of Services</b>	55,747	(62,817)	(7,070)	
			Associates & Joint Ventures accounted for on an equity basis	-	-	30	
			- <b>Group (Surplus) on Provision of Services - A</b>	-	-	(7,040)	
			- (Surplus) or Deficit on revaluation of property, plant and equipment assets			(10,169)	
			- Impairment losses on non-current assets charged to the Revaluation Reserve			-	
			- Remeasurement of the net defined liability/(asset)			(2,442)	
			- (Surplus) or Deficit on revaluation of available for sale financial assets			(16)	
			- <b>Other Comprehensive Income and Expenditure - B</b>			(12,627)	
			- <b>Total Comprehensive Income and Expenditure (A+B)</b>			<b>(19,667)</b>	

## Group Balance Sheet

2016/17	Group Balance Sheet	Note	2017/18
£'000			£'000
-	Property, Plant and Equipment		246,735
-	Investment Property		4,000
-	Intangible Assets		1,312
-	Long Term Investments		1,204
-	Long Term Debtors		11,588
-	<b>Long Term Assets</b>		<b>264,839</b>
-	Short Term Investments		9,636
-	Inventories		79
-	Short Term Debtors		4,778
-	Cash and Cash Equivalents		2,704
-	<b>Current Assets</b>		<b>17,197</b>
-	Short Term Borrowing		(12,543)
-	Short Term Creditors		(6,566)
-	Provisions		(1,118)
-	<b>Current Liabilities</b>		<b>(20,227)</b>
-	Long Term Borrowing		(85,797)
-	Capital Grants & Contributions Received in Advance		(2,470)
-	Defined Benefit Pension Scheme Liability		(20,090)
-	<b>Long Term Liabilities</b>		<b>(108,357)</b>
-	<b>Net Assets</b>		<b>153,452</b>
-	Usable reserves - (Profit) & Loss		30
-	Usable reserves		(26,600)
-	Unusable reserves		(126,882)
-	<b>Total Reserves</b>		<b>(153,452)</b>

## Group Cash Flow Statement

2016/17 £'000	Group Cash Flow Statement	Note	2017/18 £'000
-	Net (Surplus) or deficit on the provision of services		(7,040)
-	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(2,962)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		3,903
-	<b>Net cash flows from Operating Activities</b>		<b>(6,099)</b>
-	Investing Activities		13,089
-	Financing Activities		(5,500)
-	<b>Net increase or decrease in cash and cash equivalents</b>		<b>1,490</b>
-	Cash and cash equivalents at the beginning of the reporting period		(4,194)
-	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(2,704)</b>

## Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 99 to 105.

Where there are no changes to values from the accounts of Babergh District Council then no additional notes have been prepared as these are referred to in the notes in the single entity accounts.

### Note G1 - Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The Council has consolidated its interests in the entities over which it exercises control or significant influence because they are material to the Council's balance sheet.

The results of the Council's subsidiary have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation.

The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Babergh District Council, as set out in Note 35 of the Notes to the Core Statement of Accounts.

### Note G2 – Cash Flow Statement: Operating Activities

<b>Cash Flow Statement - Operating Activities</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
The cash flows for operating activities include the following items:		
Interest received	(511)	-
Interest paid	2,851	-
	<b>2,340</b>	-
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,057)	-
Impairment and (downward valuations)/reversals	1,600	-
(Increase)/decrease in creditors	1,498	-
Increase/(decrease) in debtors	2,049	-
Increase/(decrease) in inventories	19	-
Movement on pension liability	(669)	-
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,968)	-
Other non-cash items	(434)	-
	<b>(2,962)</b>	-
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	3,228	-
Other items for which the cash effects are investing or financing activities	(1,665)	-
<b>Net cash flows from operating activities</b>	<b>1,563</b>	<b>-</b>

## 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 2018 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 2017/18.

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 2017/18 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 2018 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 2017/18.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2017/18 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 2017, 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 2018.

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 2017, 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 2018.

### **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.

### Glossary of Terms

#### 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.

### **Community Infrastructure Levy**

An income stream introduced in April 2016 following changes to planning legislation. Provides a charging schedule that maximises the funding for infrastructure within the District but does not prevent or stall development.

### **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.

### **Depreciation**

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

### **De Minimis**

A threshold which anything falling below is too small to be of concern

### **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).

### **Group Accounts**

Report the full extent of the assets, liabilities, income and expenditure of the Council and the companies which the Council either control or significantly influence. The Council has consolidated the interests which are financially material to the Council, to provide a full picture of the Council's arrangements for good governance.

### **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.

### **Market Value**

This is generally applied to the valuation of non-current assets. It is the value that could be achieved if the asset was offered for sale with no restrictions that could affect its value

### **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.

### **Ministry for Housing, Communities and Local Government (MHCLG)**

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

### **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.

### **New Homes Bonus (NHB)**

A grant paid by Central Government to the Council to reflect and incentivize housing growth in the District. It is based on the amount of additional Council Tax revenue raised for new build homes, conversions, and long term empty homes brought back into use.

### **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 falling due after the valuation date.

### **Section 31 (S31) Grant**

Grants paid to the Council by Central Government for small business rate relief and new discretionary rate reliefs.

### **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.

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Mid Suffolk District Council

# Statement of Accounts 2017/18





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1. About the Council



# Mid Suffolk Facts

**Median price of Properties - Quarter 3 2017** Source Suffolk Observatory ONS

Flat or Maisonette	Terraced House	Semi-detached house	Detached house
£130,000	£190,000	£225,995	£345,000



**Total Number of Properties - (ONS, 2016)**

**43,880**

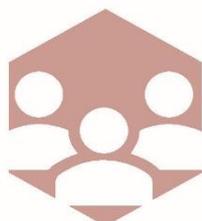
**Number of Council owned dwellings - (2017/2018)**

**3,274**

**Average Band D Council Tax 2017/18**

**£161.97**

District charge



**Number of Businesses by size (employee numbers - 2017)**

Large (250+)	Medium (50 - 249)	Small (10 - 49)	Micro (0 - 9)
15	70	395	4,370

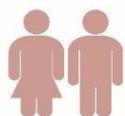
**TOTAL = 4,855**

**Full time worker: median annual pay (gross)**  **£25,988**

Source: ONS APS (2017-12)

**District Council areas and ward numbers**  
(Source: Wikipedia)

- 336** Square miles
- 30** Wards
- 40** Councillors
- 109** Parishes



**100,720** Total population estimate (ONS 2016)



**31** Conservation areas



**c3,470** Listed buildings



## 2. The Council's Performance



# Mid Suffolk Facts Performance



Increase in planning approvals

776 in 2016/17 - **1,209 in 2017/18**



**16** Neighbourhood Plans completed in 2017



Mid Suffolk purchased **39** 'Market sale Homes' within the district to add to the Council's housing stock.



**26%** increase in the number of daily visitors to the Councils' joint website over the year.



### Disabled Facilities Grants

Awarded **41 DFG's** in Mid Suffolk, to support people to continue living independently.



Customer satisfaction levels with refuse collection services have risen to **92.9%**.

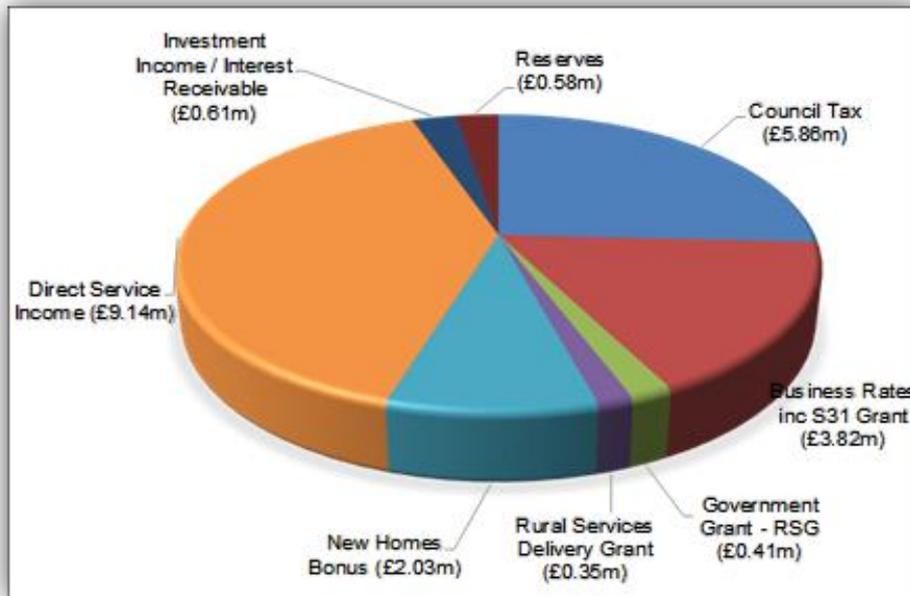


### 3. Financial Performance

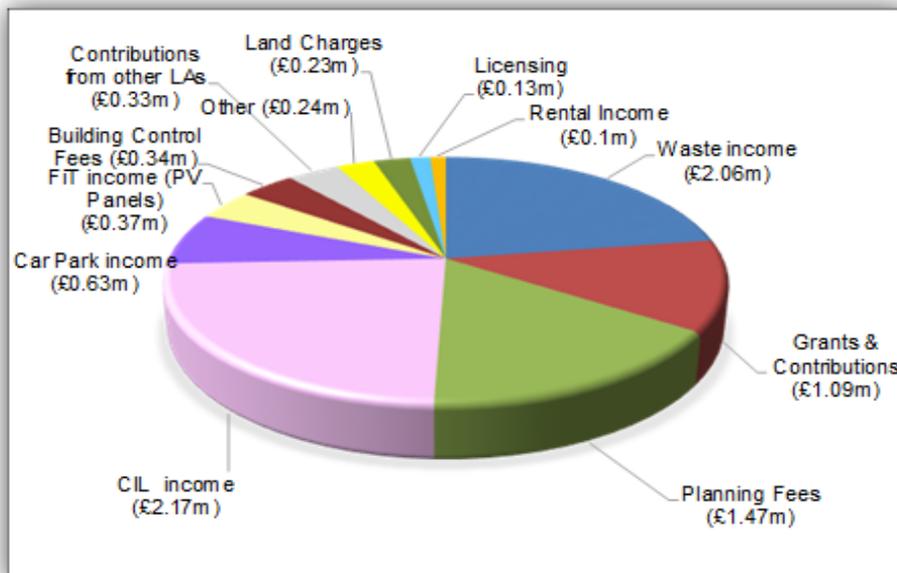
#### The General Fund

##### Income

In 2017/18 the Council's income was **£22.8m**, of this, **26%** was from Council Tax, **17%** from Business Rates, **40%** from Service Income and **12%** from Government Grants, 3% coming from Reserves and **2%** from Investment Income and Interest Receivable.

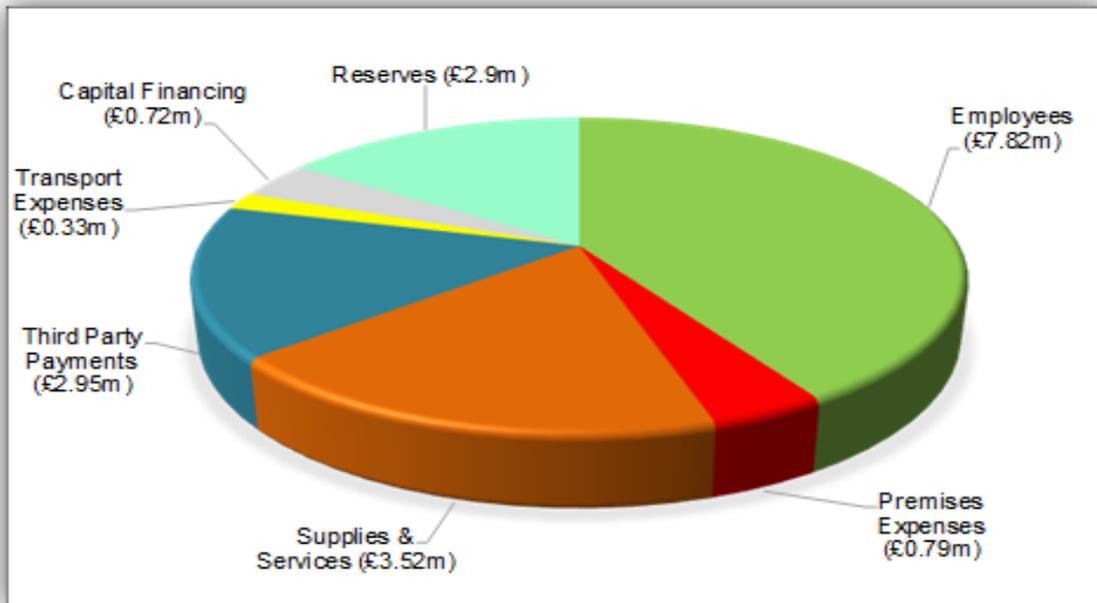


**23%** of the **£9.1m** Service Income was generated by the Waste Service, **16%** was from Planning fees, **12%** from grants and contributions and **24%** from Community Infrastructure Levy income (CIL). Of the latter, most of this will be placed into an earmarked reserve to be spent in future years in accordance with the expenditure framework approved by Council in April 2018.



## Expenditure

In 2017/18, the Council spent **£19m**, of which 41% was on employee costs, 18% on supplies and services, 15% on third party payments, 15% on reserves and 11% on other costs.



## Actual compared to budget

The outturn position compared to the budget has resulted in a net favourable variance (reduced expenditure and/or increased income) of **£3.977k**. The Surplus before final transfer to reserves position has increased by **£1,567k** compared to the position presented to Cabinet on 8 May 2018. This is due to late accounting adjustments. The position before the reserve transfers is set out below:

### Transfers to

- Business Rates Equalisation Reserve **£1,340k**
- Community Infrastructure Levy **£2,135k**
- Homelessness £203k
- Planning £155k
- Government Grants £110k
- Strategic Planning £50k

### Transfers from

- S106 Commuted Sums £16k

The overall favourable variance can mainly be attributed to:

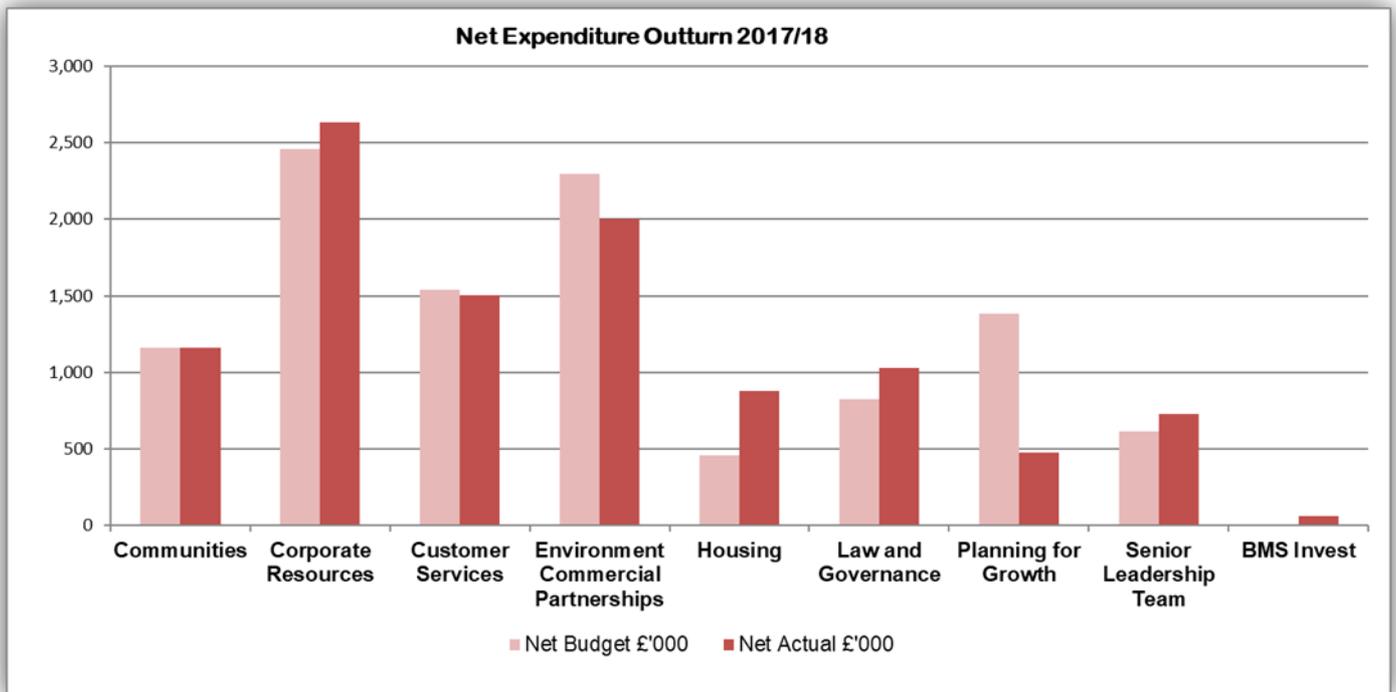
- Business Rates including S31 grants £1,016k
- CIL income **£2,135k**
- Planning fee income £810k
- Strategic Planning £491k

Offset by a net increase to the transfers to reserves of £329k when compared to the budget for the year and increased expenditure on development and regeneration of both Stowmarket and Needham Market Middle Schools of £225k.

## Narrative Report

It is worth noting that expenditure on services is in line with the budget, however, more income has been generated than planned.

A breakdown of net expenditure by Service Area compared to budget is given in the following chart:



A summary of the key variations compared to budget are provided in Table 1. The detailed outturn report for 2017/18 can be found via the following link;

<https://baberghmidssuffolk.intranet.moderngov.co.uk/documents/s10226/Report.pdf>

## Narrative Report

<b>Table 1</b>	<b>Variation Favourable / (Adverse) £'000</b>
<b>Favourable variances i.e. savings and / or additional income:</b>	
Planning Fee Income	960
Community Infrastructure Levy (CIL) - net income	2,090
Strategic Planning and Sustainable Environment - employee & professional / legal costs	491
Waste - Materials Recycling Facility	234
Homelessness	103
Recharge to HRA / Capital	227
Commissioning and Procurement - employee costs	56
Leisure Contract	40
Public Access - employee costs	36
Open for Business	31
Policy and Strategy - Health and Wellbeing	26
	<b>4,294</b>
<b>Adverse variances i.e. additional costs and / or lower income:</b>	
Reserve Movements (net)	(329)
Housing Development and Regeneration inc Needham Market and Stowmarket Middle Schools	(225)
Headquarters cost	(146)
Property Services	(122)
other items (net)	(200)
Information Management - employee costs & land charges	(93)
Building Control	(87)
Organisational Development - inc Health and Safety	(78)
Senior Leadership Team - employee costs	(74)
Democratic Services	(50)
Capital Financing Charges (Minimum Revenue Provision)	(40)
PV Panels - Feed in Tariff (FiT) Income	(38)
Finance	(37)
	<b>(1,519)</b>
<b>Net Favourable Variance</b>	<b>2,775</b>
<b>Funding:</b>	
Business Rates - S31 Grant	564
Business Rates - Tariff / Levy	443
Business Rates - Pooling Benefit	147
New Homes Bonus	5
Business Rates - Collection Fund Deficit	(137)
<b>TOTAL Net Favourable Variance</b>	<b>3,797</b>

## Narrative Report

### Reserves

The Council holds a General fund balance, at an agreed minimum level of **£1.052m**. In addition, there is a further **£16.5m** in earmarked reserves to provide financing for future expenditure plans. Details of these are shown in Note 8 of the Core Statements.

### Capital Programme

Capital expenditure for 2017/18 totals **£14.8m** against a revised programme of £31.2m, a breakdown of the expenditure and how this is financed is shown in the table below.

Following approval by Full Council in April 2017 to set up a holding company, activity to invest the £25m Capital Investment Fund began with its first purchase in December 2017. A total of £12.3m of the £25m has been spent, with the remainder expected to be invested by the end of 2018/19.

Table 2	Revised Budget	Actual	Variance
	£'000	£'000	Favourable / (Adverse) £'000
<b>Expenditure - General Fund</b>			
Supported Living	799	549	250
Environment and Projects	350	256	94
Communities and Public Access	726	420	306
Leisure Contract	652	111	541
Property Services	197	-	197
Investment and Commercial Delivery	1,955	534	1,421
Planning for Growth	500	-	500
Corporate Services	989	633	356
Delivery Programme Investment Opportunities	25,000	12,333	12,667
<b>Total Capital Programme expenditure</b>	<b>31,168</b>	<b>14,836</b>	<b>16,332</b>
<b>Financed from:</b>			
Non-supported borrowing	30,875	14,249	16,626
Capital receipts	24	55	(31)
Grants/external contributions	269	513	(244)
Revenue	-	19	(19)
<b>Total</b>	<b>31,168</b>	<b>14,836</b>	<b>16,332</b>

### The Housing Revenue Account (Housing Services)

#### Financial Context

The financial position of the HRA for 2017/18 should be viewed in the context of the updated 30-year business plan which was presented to Cabinet in July 2017. This 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 stipulates that Council rents would need to be reduced by 1% per annum from 2016/17 and the following three years. The previously agreed rent strategy was based on applying the maximum level of rent increase to support the business plan, whilst keeping our average rent level within the limit rent. The overall impact of the change is substantial; however this will be reduced following the announcement by the Government that we can increase rent by a maximum of CPI + 1% for five years from 2020/21.

## Narrative Report

### Actual compared to budget

The original budget set for the HRA for 2017/18 showed a deficit of £714k. The final figure for 2017/18 is a surplus of **£468k**, a net favourable variance of £1,182k for the year. This is a welcome addition to reserves to support the revised 30-year business plan.

A summary of the key HRA variations is provided in the following table:

<b>Table 3</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>Favourable / (Adverse) £'000</b>
<b>Income:</b>			
Rent, income & other charges	(15,444)	(15,119)	(325)
<b>Expenditure</b>			
Maintenance	1,277	1,212	65
Property Services	1,310	813	497
BMBS	225	775	(550)
Housing Management	2,238	2,390	(152)
Sheltered Housing	952	1,106	(154)
Depreciation and impairment	3,407	3,441	(34)
Capital Financing Costs	3,042	2,704	338
Net transfers (to)/from reserves inc revenue contributions to Capital	3,596	2,193	1,403
Bad Debt Provision	111	17	94
<b>Deficit / (Surplus) for year</b>	<b>714</b>	<b>(468)</b>	<b>1,182</b>

The detailed outturn report for 2017/18 can be found via the following link;  
<https://baberghmidsuffolkintranet.moderngov.co.uk/documents/s10226/Report.pdf>

### Reserves

The Council holds an HRA General fund balance at an agreed minimum level of **£1.2m**. In addition, there is a further **£4.7m** in the strategic priorities reserves to provide financing for future expenditure plans. Details are shown in Note 8 of the Core Statements.

## Capital Programme

Capital expenditure for 2017/18 totals **£6.9m** against a revised programme of £8.8m.

The largest favourable variance of £1,705k for Planned Maintenance can be attributed to a contractual commitment of £1,418k. This is where funds have been contractually committed in 2017/18 but will be spent in 2018/19. The remaining favourable variance of £287k can be attributed to BMBS not carrying out as much work as anticipated and a robust challenge on the amounts to be carried forward to 2018/19.

<b>Table 4</b>			
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>Favourable / (Adverse) £'000</b>
<b>Expenditure - HRA</b>			
Planned maintenance	3,260	1,555	1,705
ICT Projects	280	120	160
Environmental Improvements	10	12	(2)
Unity Redevelopment	167	170	(3)
Disabled Facilities work	226	190	36
New build programme inc acquisitions	4,896	4,869	27
<b>Total Capital Programme expenditure</b>	<b>8,839</b>	<b>6,916</b>	<b>1,923</b>
<b>Financed from:</b>			
Non-supported borrowing		-	-
Capital receipts	1,881	1,061	820
Grants/external contributions	115	221	(106)
Major Repairs Reserve	2,355	3,442	(1,087)
Revenue	4,488	2,193	2,295
<b>Total</b>	<b>8,839</b>	<b>6,916</b>	<b>1,923</b>

## 4. Treasury Management

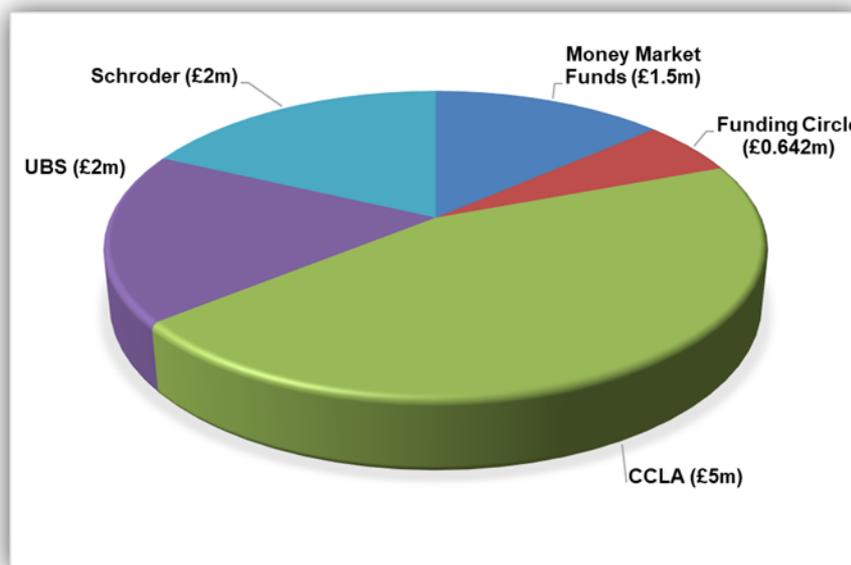
The CIPFA prudential code sets out the governance arrangements for borrowing and lending. It states what the authorised limit and operational boundary are for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities.

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 £130m and £127m 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 2018, the amount of surplus funds invested was £11.1m (2016/17 £15.6m), as follows:



The Capital Financing Requirement, which represents the Council's underlying need to borrow for capital purposes, is summarised in Table 5 as follows:

<b>Table 5</b>	
	<b>£'000</b>
<b>Underlying need to borrow at 31 March 2018 (Capital Financing Requirement)</b>	122,592
<b>Borrowing at 31 March 2018</b>	
Long Term	(73,787)
Short Term	(29,300)
<b>Net Borrowing Facility at 31 March 2018</b>	<b>19,505</b>

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

## 5. 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 attributable to Mid Suffolk District Council. This is the difference between future liabilities and assets as valued at 31 March 2018 amounts to £29.697m. This will be addressed by future contributions to the Pension Fund.

The last formal three-yearly actuarial valuation was carried out at 31 March 2016. The valuation report sets out the rates of employers' contributions for the three years starting 1 April 2017. This was 23% for 2017/18.

The next formal valuation is at 31 March 2019.

## 6. Future Challenges

In recent years, the Government policy frameworks have been reducing core funding for Local Government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.

Babergh and Mid Suffolk, along with the other five district and borough councils in Suffolk and Suffolk County Council, are one of the 10 new areas selected for the 100% business rates retention of growth pilots in 2018/19.

The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge.

The strategic response to this challenge, to ensure long term financial sustainability, is set out in five key actions:

- Aligning resources to the Councils' refreshed strategic plan and essential services.
- Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
- Behaving more commercially, generating additional income and 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 various forms of local government finance (e.g. New Homes Bonus (NHB), Business Rates Retention) by enabling sustainable business and housing growth.

The actions that have been taken under the strategy since 2014/15 mean that the Council is in a better position to withstand the reduction in government funding and deal with the additional cost pressures. Further work is needed to address the budget gap over the medium term.

The future funding of NHB continues to remain an uncertainty, so the intention is to strive for a position over the period of the MTFS where the Council is no longer reliant on NHB to balance the core budget.

The Joint MTFS shows a cumulative funding pressure over the three years 2019/20 to 2021/22, of £888k using all of the minimum NHB allocation over the three years. This is the worst-case scenario as this does not allow for any housing growth in future years.

The process of identifying savings is on-going and will continue for the foreseeable future. The uncertainty and complexity of our financial landscape is magnified by the unquantifiable impact of Brexit on both local government funding and future legislation. These impacts could turn out to be either positive or negative overall but are likely to affect key budget factors such as interest and inflation rates, labour costs and property and rental values.

## 7. Explanation of Accounting Statements

Core Statements	Supplementary Financial Statements
<p><b>Movement in Reserves Statement</b> 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 (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and council house rent setting purposes.</p> <p>The net increase/decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and HRA Balance before any discretionary transfers to or from earmarked reserves.</p>	<p><b>Expenditure and Funding Analysis (EFA)</b> 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.</p>
<p><b>Comprehensive Income and Expenditure Statement (CIES)</b> 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 (HRA). 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.</p>	<p><b>Housing Revenue Account (HRA)</b> 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.</p>
<p><b>Balance Sheet</b> 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.</p> <p>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).</p> <p>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</p>	<p><b>Collection Fund</b> 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.</p>

## Narrative Report

Core Statements	Supplementary Financial Statements
Reserve), where amounts would only become available to provide services if the assets are sold.	
<p><b>Cash flow Statement</b> 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.</p> <p>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.</p>	<p><b>Group Accounts</b> – The Council acquired 100% shareholding in its subsidiary MSDC (Suffolk Holdings) Limited on 9 June 2017 and is required to reflect this in Group Accounts, which are produced in the same format as the statements explained above.</p>

### 8. 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.midsuffolk.gov.uk](http://www.midsuffolk.gov.uk)

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

Katherine Steel CPFA  
 Mid Suffolk District Council  
 Endeavour House  
 8 Russell Road  
 Ipswich IP1 2BX  
 Tel: 01449 724806

Email: [Katherine.Steel@babberghmidsuffolk.gov.uk](mailto:Katherine.Steel@babberghmidsuffolk.gov.uk)

## 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 2018 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 2018 and its income and expenditure for the year then ended.

### **Katherine Steel CPFA**

Assistant Director, Corporate Resources  
Mid Suffolk District Council  
Dated 30 July 2018

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 30 July 2018.

Chairman, Joint Audit and Standards Committee  
Mid Suffolk District Council

Dated 30 July 2018

## 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 17).

There was a management restructure during 2017/18. The service segments have been re-organised to reflect the current organisational structure. The 2016/17 comparatives have been restated accordingly. These changes are also shown in the Comprehensive Income and Expenditure Statement.

2016/17 Restated			Expenditure & Funding Analysis	2017/18		
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
			<b>General Fund</b>			
-	-	-	BMS Invest	133	-	133
62	-	62	Investment & Commercial Delivery	-	-	-
1,100	612	1,712	Communities	1,343	664	2,007
3,518	(717)	2,801	Corporate Resources	2,151	1,169	3,320
1,524	314	1,838	Customer Services	1,504	449	1,953
2,093	408	2,501	Environment & Commercial Partnerships	2,050	907	2,957
819	193	1,012	Housing	783	534	1,317
1,175	22	1,197	Law & Governance	1,033	56	1,089
(162)	135	(27)	Planning for Growth	(1,791)	327	(1,464)
521	47	568	Senior Leadership Team	769	60	829
(1,503)	-	(1,503)	Charge to HRA & Capital	(1,556)		(1,556)
72	(4,265)	(4,193)	<b>HRA</b>	(467)	(989)	(1,456)
9,219	(3,251)	5,968	<b>Net Cost of Services</b>	5,952	3,177	9,129
(10,445)	1,486	(8,959)	Other Income and Expenditure	(11,245)	2,232	(9,013)
(1,226)	(1,765)	(2,991)	<b>(Surplus) Deficit on Provision of Services</b>	(5,293)	5,409	116
(16,945)			<b>Opening General Fund And HRA Balance at 1 April</b>	(18,171)		
(1,226)			<b>Plus (Surplus) / Less Deficit on General Fund And HRA Balance in Year</b>	(5,293)		
<b>(18,171)</b>			<b>Closing General Fund And HRA Balance at 31 March</b>	<b>(23,464)</b>		

## Movement in Reserves Statement

The Movement in Reserves Statement, shows the movement during the year 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	Usable Capital Receipts £'000	Deferred Credits £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Opening Balance at 31 March 2016</b>	(1,052)	(10,378)	(1,210)	(4,306)	(5,059)	(7)	(22,012)	(89,120)	(111,132)
<b>Movement in reserves during 2016/17</b>									
Total Comprehensive Income and Expenditure	(1,659)		(1,332)				(2,991)	(6,814)	(9,805)
Adjustments between accounting basis and funding basis under regulations (Note 7)	361		1,405		515		2,281	(2,281)	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(1,298)	-	73	-	515	-	(710)	(9,095)	(9,805)
Transfer to/(from) Earmarked Reserves (Note 8)	1,298	(1,298)	(72)	72			-		-
<b>(Increase)/Decrease in 2016/17</b>	-	(1,298)	1	72	515	-	(710)	(9,095)	(9,805)
<b>Balance at 31 March 2017 carried forward</b>	(1,052)	(11,676)	(1,209)	(4,234)	(4,544)	(7)	(22,722)	(98,215)	(120,937)
<b>Movement in reserves during 2017/18</b>									
Total Comprehensive Income and Expenditure	(594)		710				116	(18,237)	(18,121)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(4,231)		(1,176)		(2,618)		(8,025)	8,025	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(4,825)	-	(466)	-	(2,618)	-	(7,909)	(10,212)	(18,121)
Transfers to / (from) reserves (Note 8)	4,825	(4,825)	468	(468)			-	-	-
<b>(Increase)/Decrease in 2017/18</b>	-	(4,825)	2	(468)	(2,618)	-	(7,909)	(10,212)	(18,121)
<b>Balance at 31 March 2018</b>	(1,052)	(16,501)	(1,207)	(4,702)	(7,162)	(7)	(30,631)	(108,427)	(139,058)

## 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 15) and the Movement in Reserves Statement (shown on page 16).

2016/17 Restated			Comprehensive Income & Expenditure Statement	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>General Fund</b>				
-	-	-	BMS Invest		168	(35)	133
62	-	62	Investment & Commercial Delivery		-	-	-
2,533	(822)	1,711	Communities		2,898	(890)	2,008
20,002	(17,202)	2,800	Corporate Resources		19,887	(16,567)	3,320
1,838	-	1,838	Customer Services		1,963	(10)	1,953
4,933	(2,431)	2,502	Environment & Commercial Partnerships		5,480	(2,523)	2,957
1,147	(135)	1,012	Housing		1,525	(207)	1,318
1,719	(522)	1,197	Law & Governance		1,552	(464)	1,088
2,268	(2,295)	(27)	Planning for Growth		2,451	(3,915)	(1,464)
603	(35)	568	Senior Leadership Team		913	(84)	829
(1,503)		(1,503)	Charge to HRA & Capital		(1,556)		(1,556)
11,328	(15,521)	(4,193)	<b>HRA</b>		13,896	(15,352)	(1,456)
44,930	(38,963)	5,967	<b>Cost of Services</b>		49,177	(40,047)	9,130
2,422	-	2,422	Other Operating Expenditure	9	2,021	-	2,021
3,675	(317)	3,358	Financing and Investment Income and Expenditure	10	3,500	(590)	2,910
6,661	(21,399)	(14,738)	Taxation and Non-Specific Grant Income and Expenditure	11	6,352	(20,297)	(13,945)
57,688	(60,679)	(2,991)	<b>(Surplus) on Provision of Services - A</b>		61,050	(60,934)	116
		(10,840)	(Surplus) or Deficit on revaluation of property, plant and equipment assets	19a			(15,053)
		3,931	Remeasurement of the net defined liability/(asset)	19c			(3,170)
		95	(Surplus) or Deficit on revaluation of available for sale financial assets	19f			(14)
		(6,814)	<b>Other Comprehensive Income and Expenditure - B</b>				(18,237)
		<b>(9,805)</b>	<b>Total Comprehensive Income and Expenditure (A+B)</b>				<b>(18,121)</b>

## 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'.

2016/17 £'000	Balance Sheet	Note	2017/18 £'000
235,929	Property, Plant and Equipment	12	246,817
1,233	Intangible Assets	13	1,292
206	Long Term Investments		1,272
124	Long Term Debtors		11,336
<b>237,492</b>	<b>Long Term Assets</b>		<b>260,717</b>
11,425	Short Term Investments		9,522
62	Inventories		73
3,780	Short Term Debtors	15	6,704
3,906	Cash and Cash Equivalents	16	2,738
<b>19,173</b>	<b>Current Assets</b>		<b>19,037</b>
(23,452)	Short Term Borrowing	14	(29,434)
(4,844)	Short Term Creditors	17	(4,690)
(835)	Provisions	18	(764)
<b>(29,131)</b>	<b>Current Liabilities</b>		<b>(34,888)</b>
(74,087)	Long Term Borrowing	14	(73,787)
(2,702)	Capital Grants & Contributions Received in Advance		(3,735)
(29,806)	Defined Benefit Pension Scheme Liability	32	(28,285)
<b>(106,595)</b>	<b>Long Term Liabilities</b>		<b>(105,807)</b>
<b>120,939</b>	<b>Net Assets</b>		<b>139,059</b>
(22,723)	Usable reserves		(30,632)
(98,216)	Unusable reserves	19	(108,427)
<b>(120,939)</b>	<b>Total Reserves</b>		<b>(139,059)</b>

The audited accounts were issued on 31 July 2018.

### Katherine Steel CPFA

Assistant Director, Corporate Resources  
Mid Suffolk District Council

Dated 31 July 2018

## 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.

2016/17 £'000	Cash Flow Statement	Note	2017/18 £'000
(2,991)	Net (Surplus) or deficit on the provision of services		116
(7,703)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	20	(10,765)
3,140	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20	4,714
(7,554)	Net cash flows from Operating Activities		(5,935)
16,494	Investing Activities	21	12,796
(10,686)	Financing Activities	22	(5,693)
(1,746)	Net increase or decrease in cash and cash equivalents		1,168
(2,160)	Cash and cash equivalents at the beginning of the reporting period		(3,906)
(3,906)	<b>Cash and cash equivalents at the end of the reporting period</b>	16	(2,738)

### 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 2018/19 Code will be implemented from 1 April 2018, therefore there is no impact on the Council's 2017/18 accounts. They are:

- **IFRS 9 Financial Instruments:**

This introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets.

There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any impairment.

- **IFRS 15 Revenue from Contracts with Customers:**

This presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

- **IAS 7 Statement of Cashflows (Disclosure Initiative):**

This will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed as Note 22 in the Notes to the Core Financial Statements) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.

- **IFRS 16 Leases:**

This will require the Council, as lessee, to recognise most leases on its balance sheet as "right of use" assets with corresponding liabilities (there is recognition for low-value and short-term leases).

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 2017/18 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.

#### **Local Government Funding:**

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

#### **Group Accounts:**

The Council has an interest in other entities which fall within the group boundary of the Council on the grounds of control and significant influence, in line with The Code. The Council's interest in MSDC (Suffolk Holdings) Limited is material to the Council's overall financial position. Therefore, Group Accounts have been prepared to consolidate the Council's interest in the subsidiary.

#### **Non-Domestic Rates Retention (Business Rates) Pilot:**

The Council is committed to enter a Suffolk-wide Non-Domestic rates retention pooling pilot from April 2018. All the Suffolk Districts, Boroughs and County Council will be members. This means that the Council will retain 80% of its growth in non-domestic rates income, instead of the current 40%. The governance arrangements set in place for this pilot guarantees a no detriment position compared with the position that the Council would have been in if it had not entered into this pooling arrangement. This pilot has been approved by MHCLG.

All financial impacts of events relating to years before 2018/19 are specifically excluded from the potential share of the deficit distributed to the Government (50%) and Suffolk County Council (10%).

The Council's accounts as at 31 March 2018 are therefore unaffected by the commitment to enter into a pilot arrangement as either a result of future changes in our assumptions in closing the 2017/18 Collection Fund, or future decisions of other Councils.

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

The Statement of Accounts contains certain 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 2018 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
<b>Property, Plant and Equipment</b>	
<p>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.</p> <p>The Depreciation policy is shown in Note 35 at Section O.</p>	<p>If the useful life of assets change, depreciation reduces or increases and the value of the assets shown in the Balance Sheet will increase or decrease accordingly.</p>
<b>Business Rate Appeals</b>	
<p>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 2017/18 and previous financial years.</p> <p>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.</p> <p>Following the 2017 revaluation, a new Check, Challenge and Appeal process has been introduced. To date there have been 20 checks lodged and so the impact of this is highly uncertain. A provision has been made for the estimated success of future appeals for losses for the period ending 31 March 2018.</p>	<p>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.</p>

## Notes to the Core Financial Statements

Uncertainties	Effect if Actual Results different from Assumptions
<b>Fair Value Measurements</b>	
<p>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.</p> <p>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.</p> <p>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).</p> <p>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.</p>	<p>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.</p>
<b>Pensions Liability</b>	
<p>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.</p> <p>Further information can be found in Note 32.</p>	<p>During 2017/18 the Council's actuaries advised that the net pensions liability had increased by £3.61m.</p> <p>Further sensitivity analysis on pension liabilities are in Note 32.</p>

### **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 30 July 2018.

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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

## Notes to the Core 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 for Capital Purposes (Note A)	Net Change for the Pensions Adjustments (Note B)	Other Differences (Note C)	Total Adjustments
	£'000	£'000	£'000	£'000
<b>2017/18</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Fund</b>				
BMS Invest	-	-	-	-
Communities	429	234	-	663
Corporate Resources	(250)	(455)	1,874	1,169
Customer Services	449	-	-	449
Environment & Commercial Partnerships	594	313	-	907
Housing	471	64	-	535
Law & Governance	-	56	-	56
Planning for Growth	-	327	-	327
Senior Leadership Team	-	60	-	60
<b>HRA</b>	<b>7,018</b>	<b>298</b>	<b>(8,305)</b>	<b>(989)</b>
<b>Net Cost of Services</b>	<b>8,711</b>	<b>897</b>	<b>(6,431)</b>	<b>3,177</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(377)	753	1,856	2,232
Difference between General Fund and HRA (Surpluses) / Deficits and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	8,334	1,650	(4,575)	5,409
<b>2016/17</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>General Fund</b>				
Investment & Commercial Delivery	-	-	-	-
Communities	520	92	-	612
Corporate Resources	(515)	(559)	357	(717)
Customer Services	314	-	-	314
Environment & Commercial Partnerships	268	140	-	408
Housing	162	31	-	193
Law & Governance	-	22	-	22
Planning for Growth	-	135	-	135
Senior Leadership Team	-	47	-	47
<b>HRA</b>	<b>4,785</b>	<b>48</b>	<b>(9,098)</b>	<b>(4,265)</b>
<b>Net Cost of Services</b>	<b>5,534</b>	<b>(44)</b>	<b>(8,741)</b>	<b>(3,251)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(1,649)	874	2,261	1,486
Difference between General Fund and HRA (Surpluses) / Deficits and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	3,885	830	(6,480)	(1,765)

### 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:

<b>Segmental Income</b>	<b>31 March 2018 Income from Services £'000</b>	<b>31 March 2017 Income from Services £'000</b>
<b>Services</b>		
<b>General Fund</b>		
Investment & Commercial Delivery	-	-
BMS Invest	(35)	-
Communities	(890)	(822)
Corporate Resources	(16,884)	(17,430)
Customer Services	(10)	-
Environment & Commercial Partnerships	(2,523)	(2,431)
Housing	(207)	(135)
Law & Governance	(464)	(522)
Planning for Growth	(3,917)	(2,295)
Senior Leadership Team	(84)	(35)
Charge to HRA & Capital		
<b>HRA</b>	<b>(15,138)</b>	<b>(15,261)</b>
<b>Total income analysed on a segmental basis</b>	<b>(40,152)</b>	<b>(38,931)</b>

## 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 2018 £'000	31 March 2017 £'000
<b>Expenditure</b>		
Employee benefits expenses	12,284	10,609
Other services expenses	34,939	35,962
Support service recharges	(336)	(396)
Depreciation, amortisation, impairment	9,395	6,291
Interest payments	2,747	2,801
Precepts and levies	2,398	2,269
Payments to Housing Capital Receipts Pool	315	318
Gain on the disposal of assets	(692)	(166)
<b>Total Expenditure</b>	<b>61,050</b>	<b>57,688</b>
<b>Income</b>		
Fees, charges and other service income	(23,772)	(21,802)
Interest and investment income	(590)	(317)
Income from Council Tax & Non Domestic Rates	(16,398)	(16,839)
Government grants and contributions	(20,174)	(21,721)
<b>Total Income</b>	<b>(60,934)</b>	<b>(60,679)</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>116</b>	<b>(2,991)</b>

## 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.

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	(1,720)	(7,185)			(8,905)	8,905
Transfer HRA/MRR		3,442	(3,442)		-	-
Amortisation of intangible assets	(437)	(53)			(490)	490
Capital grants and contributions that have been applied to capital financing (Note 19b)	513	220			733	(733)
Revenue expenditure funded from capital under statute (Note 19b)	(707)				(707)	707
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	(45)	(3,312)			(3,357)	3,357
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	657				657	(657)
Use of Major Repairs Reserve to finance new capital expenditure					-	-
Capital expenditure charged against the General Fund and HRA balances	19	2,193			2,212	(2,212)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		3,994		(3,994)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 19b)	55			1,061	1,116	(1,116)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(315)			315	-	-

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2017/18	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure			3,442		3,442	(3,442)
<b>Adjustments involving the Pensions Reserve:</b>						
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)	(2,786)	(994)			(3,780)	3,780
Employer's pensions contributions and direct payments to pensioners payable in the year (Note 19c)	1,585	546			2,131	(2,131)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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)	(1,024)				(1,024)	1,024
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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)	(26)	(27)			(53)	53
<b>Total Adjustments</b>	<b>(4,231)</b>	<b>(1,176)</b>	<b>-</b>	<b>(2,618)</b>	<b>(8,025)</b>	<b>8,025</b>

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2016/17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments Involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non current assets	(1,353)	(6,035)	-	-	(7,388)	7,388
Revaluation (Lossess ) / Gain on Property, Plant & Equipment	268	1,054	-	-	1,322	(1,322)
Transfer HRA/MRR	-	3,137	(3,137)	-	-	-
Amortisation of intangible assets	(309)	(15)	-	-	(324)	324
Capital grants and contributions that have been applied to capital financing (Note 19b)	304	250	-	-	554	(554)
Revenue expenditure funded from capital under statute (Note 19b)	(626)	(58)	-	-	(684)	684
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	(14)	(2,430)	-	-	(2,444)	2,444
<b>Items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	967	-	-	-	967	(967)
Capital expenditure charged against the General Fund and HRA balances	1,831	3,198	-	-	5,029	(5,029)
<b>Adjustments involving the Capital Receipts Reserve:</b>						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,530	-	(2,530)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure (Note 19b)	105	-	-	2,703	2,808	(2,808)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(24)	-	24	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(318)	-	-	318	-	-

## Notes to the Core Financial Statements

Adjustments Between Accounting Basis and Funding Basis	General Fund Balance	HRA Balance	Major Repairs Reserve	Capital Receipts Reserve	Total Usable Reserves	Movement in Unusable Reserves
2016/17	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments involving the Major Repairs Reserve:</b>						
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	3,137		3,137	(3,137)
<b>Adjustments involving the Capital Grants Unapplied Account:</b>						
Application of grants to capital financing	-	19	-	-	19	(19)
<b>Adjustments involving the Pensions Reserve:</b>						
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)	(2,107)	(740)	-	-	(2,847)	2,847
Employer's pensions contributions and direct payments to pensioners payable in the year (Note 19c)	1,498	518	-	-	2,016	(2,016)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
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	124	-	-	-	124	(124)
<b>Adjustment involving the Accumulating Compensated Absences Adjustment Account</b>						
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	(9)	2	-	-	(7)	7
<b>Total Adjustments</b>	<b>361</b>	<b>1,406</b>	<b>-</b>	<b>515</b>	<b>2,282</b>	<b>(2,282)</b>

## 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 2017/18.

Transfers to / from Earmarked Reserves	Balance 31 March 2016 £'000	Transfers 2016/17			Balance 31 March 2017 £'000	Transfers 2017/18			Balance 31 March 2018 £'000
		Intra £'000	Out £'000	In £'000		Intra £'000	Out £'000	In £'000	
<b>General Fund</b>									
Carry Forwards	(393)	-	393	(314)	(314)	-	314	(263)	(263)
Transformation Fund	(7,742)	7	3,017	(3,520)	(8,238)	(16)	1,564	(2,628)	(9,318)
Non Domestic Rates Equalisation	(696)	-	257	(200)	(639)	-	-	(1,342)	(1,981)
Government Grants	(129)	39	5	(9)	(93)	-	1	(112)	(204)
Homelessness	(147)	-	-	(10)	(157)	-	-	(203)	(360)
Welfare Benefits Reform	(211)	-	-	-	(211)	-	-	-	(211)
S.106 Agreements	(328)	-	-	-	(328)	-	36	(19)	(311)
Community Infrastructure Levy (CIL)	-	-	-	(412)	(412)	-	-	(1,954)	(2,366)
Growth & Sustainable Planning	-	(101)	-	(250)	(351)	-	-	-	(351)
Planning (Legal)	-	-	-	-	-	-	-	(155)	(155)
Strategic Planning	-	(46)	5	(260)	(301)	-	4	(53)	(350)
Elections Fund	(33)	-	-	(15)	(48)	-	-	(15)	(63)
Planning Enforcement	(121)	101	-	-	(20)	-	-	-	(20)
Green Initiatives	(11)	-	11	-	-	-	-	-	-
Revocation of Personal Search Fees	(55)	-	5	-	(50)	-	-	-	(50)
Repairs and Renewals	(292)	-	-	-	(292)	-	-	-	(292)
Eric Jones House	(46)	-	-	-	(46)	-	-	-	(46)
Other	(176)	-	-	-	(176)	16	-	-	(160)
<b>Total General Fund</b>	<b>(10,380)</b>	<b>-</b>	<b>3,693</b>	<b>(4,990)</b>	<b>(11,676)</b>	<b>-</b>	<b>1,919</b>	<b>(6,744)</b>	<b>(16,501)</b>
<b>Housing</b>									
Strategic Priorities	(4,305)	-	72	-	(4,233)	-	-	(468)	(4,701)
<b>Total Housing</b>	<b>(4,305)</b>	<b>-</b>	<b>72</b>	<b>-</b>	<b>(4,233)</b>	<b>-</b>	<b>-</b>	<b>(468)</b>	<b>(4,701)</b>
<b>Other</b>									
Deferred Credits	(7)	-	-	-	(7)	-	-	-	(7)
Major Repairs	-	-	-	-	-	-	3,442	(3,442)	-
GF Capital Receipts	-	-	-	-	-	-	55	(55)	-
HRA Capital Receipts	(5,059)	-	3,045	(2,530)	(4,544)	-	3,533	(6,151)	(7,162)
<b>Total Other</b>	<b>(5,066)</b>	<b>-</b>	<b>3,045</b>	<b>(2,530)</b>	<b>(4,551)</b>	<b>-</b>	<b>7,030</b>	<b>(9,648)</b>	<b>(7,169)</b>
<b>Total Earmarked Reserves</b>	<b>(19,751)</b>	<b>-</b>	<b>6,810</b>	<b>(7,520)</b>	<b>(20,460)</b>	<b>-</b>	<b>8,949</b>	<b>(16,860)</b>	<b>(28,371)</b>

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.

### **Homelessness**

Previously part of Government Grants, this reserve has been established to help facilitate the many implications arising from the new homeless legislation, the most significant being new prevention duties.

### **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 e.g. staffing.

### **Planning (Legal)**

Due to its unpredictable nature, Planning (Legal) was established to ensure that the core budget remains stable utilising the reserve to smooth year on year changes.

### **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.

### **Repairs and Renewals**

Funds built up through contributions from revenue for the purpose of renewing assets currently in use in various service areas.

### **Eric Jones House**

Established to fund the renewals of furnishing and kitchen fittings at the establishment.

## Notes to the Core Financial Statements

### Other

The majority of this reserve is for Waste Services and was established to smooth year on year changes such as the cost of materials recycling within the Waste Service, so that the core budget can remain stable.

### HRA

#### Strategic Priorities

A reserve established to help meet future HRA spending priorities.

#### Other Reserves

#### Major Repairs

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

#### GF Capital Receipts

This reserve was established in 2017/18 for the proceeds of sale from General Fund assets and will be utilised in future years to fund Capital expenditure.

#### 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	2017/18	2016/17
	£'000	£'000
Parish council precepts	2,398	2,269
Payments to the Government Housing Capital Receipts Pool	315	318
(Gains) / Losses on the disposal of non current assets	(692)	(165)
<b>Total</b>	<b>2,021</b>	<b>2,422</b>

### Note 10 - Financing and Investment Income and Expenditure

Comprehensive Income and Expenditure Statement Financing and Investment Income and Expenditure	2017/18	2016/17
	£'000	£'000
Interest payable and similar charges	2,747	2,801
Net interest on the net defined benefit liability	753	874
Interest receivable and similar income	(590)	(317)
<b>Total</b>	<b>2,910</b>	<b>3,358</b>

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

Taxation and Non-Specific Grant Income and Expenditure	2017/18	2016/17
	£'000	£'000
Council Tax Income	(8,258)	(7,938)
Non-domestic rates income	(9,173)	(9,400)
Non-domestic rates Tariff payment to Central government	6,352	6,615
Non-ring-fenced government grants	(2,814)	(4,015)
Capital grants and contributions	(52)	-
<b>Total Grants</b>	<b>(13,945)</b>	<b>(14,738)</b>

**Note 12 - Property, Plant and Equipment**

Property, Plant & Equipment							
Cost or Valuation	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Movements on Balances in 2017/18</b>							
At 1 April 2017	204,871	22,197	9,714	1,287	300	1,706	240,075
Additions	4,995	564	549	-	-	1,979	8,087
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,974	1,679	-	-	-	-	11,653
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(4,178)	(581)	-	-	-	-	(4,759)
Derecognition - Disposals	(2,981)	(341)	(778)	-	-	-	(4,100)
Assets reclassified	72	228	47	(1)	(300)	-	46
Other movements in Cost or Valuation	3,092	(164)	-	-	-	(2,974)	(46)
At 31 March 2018	215,845	23,582	9,532	1,286	-	711	250,956

## Notes to the Core Financial Statements

<b>Property, Plant &amp; Equipment</b>							
<b>Accumulated Depreciation and Impairment</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movements on Balances in 2017/18 cont'd</b>							
At 31 March 2017	(2)	(40)	(4,028)	(76)	-	-	(4,146)
Depreciation charge	(3,345)	(773)	(711)	(6)	-	-	(4,835)
Impairment Losses / (reversals) recognised in the Revaluation Reserve	2,840	560	-	-	-	-	3,400
Impairment Losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	480	210	-	-	-	-	690
Derecognition - disposals	20	-	733	-	-	-	753
Other movements in depreciation and impairment	-	39	(39)	1	-	-	1
At 31 March 2018	(7)	(4)	(4,045)	(81)	-	-	(4,137)
Net Book Value							
At 31 March 2018	215,838	23,578	5,487	1,205	-	711	246,819

<b>Property, Plant &amp; Equipment</b>							
<b>Cost or Valuation</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movements on Balances in 2016/17</b>							
At 1 April 2016	196,183	15,862	10,623	1,272	300	810	225,050
Reclassifications							-
Additions	5,554	3,550	630	-	-	3,488	13,222
Revaluation increases / (decreases) recognised in the Revaluation Reserve	6,240	1,567	-	-	-	-	7,807
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(2,320)	46	-	-	-	-	(2,274)
Derecognition - Disposals	(1,910)	(532)	(1,539)	-	-	-	(3,981)
Assets reclassified	(98)	148	-	(50)	-	-	-
Other movements in Cost or Valuation	1,222	1,556	-	65	-	(2,592)	251
At 31 March 2017	204,871	22,197	9,714	1,287	300	1,706	240,075

## Notes to the Core Financial Statements

Property, Plant & Equipment							
Accumulated Depreciation and Impairment	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Movements on Balances in 2016/17 cont'd</b>							
At 1 April 2016	(3)	214	(4,912)	(70)	-	-	(4,771)
Depreciation charge	(3,095)	(600)	(642)	(6)	-	-	(4,343)
Impairment Losses / (reversals) recognised in the Revaluation Reserve	2,624	409	-	-	-	-	3,033
Impairment Losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	461	188	-	-	-	-	649
Derecognition - disposals	11	-	1,526	-	-	-	1,537
Other movements in depreciation and impairment	-	(251)	-	-	-	-	(251)
<b>At 31 March 2017</b>	<b>(2)</b>	<b>(40)</b>	<b>(4,028)</b>	<b>(76)</b>	<b>-</b>	<b>-</b>	<b>(4,146)</b>
<b>Net Book Value</b>							
<b>At 31 March 2017</b>	<b>204,869</b>	<b>22,157</b>	<b>5,686</b>	<b>1,211</b>	<b>300</b>	<b>1,706</b>	<b>235,929</b>

### Capital Commitments

At 31 March 2018, the Council has entered into a number of contracts for the purchase, construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £2,396k. Similar commitments at 31 March 2017 were £1,062k. The major commitments are:

2017/18 amounts	£'000
HRA Planned Maintenance and other works	1,418
Discretionary Housing Grants	179
Community Fund Projects Grants	150
Disabled Facilities Grants	71
Recycling Bins	63
LED Streetlights	44
New Build of Council Dwellings / Social Housing	28
<b>Total Commitments</b>	<b>1,925</b>

### Revaluations

Valuations are carried out by the Valuation Office and, for land and buildings, are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Under IAS 16 the Council is required to revalue its assets at 5 yearly intervals, or sooner where there is a material change in any year. An annual impairment review is also carried out. The Valuation Office carried out a desk top valuation of Housing Revenue Account properties and General Fund properties at 31 March 2018.

The next full valuation for Housing Revenue Account properties is due on 31 March 2021 and for General Fund Properties on 1 April 2020.

## Notes to the Core Financial Statements

Property, Plant & Equipment Carried at Historical Cost	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	933	402	9,485	1,286	-	711	12,817
Fair Value as at:							
31 March 2018	214,912	23,180	-	-	-	-	238,092
Prior 2015	-	-	47	-	-	-	47
<b>Total Cost or Valuation</b>	<b>215,845</b>	<b>23,582</b>	<b>9,532</b>	<b>1,286</b>	<b>-</b>	<b>711</b>	<b>250,956</b>

### 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.

<b>Intangible Assets - The movement on Intangible Asset balances during the year :</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
<b>Balance at start of year:</b>		
Gross carrying amount	3,241	2,500
Accumulated amortisation	(2,008)	(1,689)
<b>Net carrying amount at start of year</b>	<b>1,233</b>	<b>811</b>
<b>Additions:</b>		
Purchases	550	745
Assets reclassified	-	(4)
Amortisation for the period	(491)	(323)
Other changes	-	4
<b>Net carrying amount at end of year</b>	<b>1,292</b>	<b>1,233</b>
<b>Comprising:</b>		
Gross carrying amount	3,791	3,241
Accumulated amortisation	(2,499)	(2,008)
	<b>1,292</b>	<b>1,233</b>

### Note 14 - Financial Instruments

#### A - Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The Council's non-derivative financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- trade payables for goods and services received

#### Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are held under the following classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- cash in hand
- bank current account with Lloyds and Santander bank
- loans to small companies and housing associations
- trade receivables for goods and services delivered

Available for sale financial assets (those that are quoted in an active market or do not have fixed or determinable payments) comprising:

- money market funds managed by fund managers
- multi asset, equity and property funds managed by fund managers

Unquoted equity investments held at cost because it is impracticable to determine fair value, comprising:

- equity investments in MSDC (Suffolk Holdings) Ltd.

## Notes to the Core Financial Statements

### B - Financial Instruments - Balances

The financial liabilities included in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
<b>Loans at amortised cost:</b>				
Principal sum borrowed	73,787	74,087	29,300	23,307
Accrued interest	130	143	6	6
<b>Total Borrowing</b>	<b>73,917</b>	<b>74,230</b>	<b>29,306</b>	<b>23,313</b>
<b>Liabilities at amortised cost</b>				
Trade payables	-	-	1,877	959
<b>Included in Creditors</b>	<b>-</b>	<b>-</b>	<b>1,877</b>	<b>959</b>
<b>Total Financial Liabilities</b>	<b>73,917</b>	<b>74,230</b>	<b>31,183</b>	<b>24,272</b>

The total short-term borrowing includes £300k (2017 was £800k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

The financial assets included in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31 March 2018 £000s	31 March 2017 £000s	31 March 2018 £000s	31 March 2017 £000s
<b>Loans and receivables:</b>				
Principal at amortised cost	11,615	495	382	304
Accrued interest	86	-	19	24
<b>Available for sale investments:</b>				
Principal at amortised cost	-	-	9,000	9,000
Accrued interest	-	-	77	70
<b>At fair value through profit &amp; loss:</b>				
Investments held for trading	-	-	-	2,000
Unquoted equity investments at cost	1,233	-	-	-
<b>Total Investments</b>	<b>12,934</b>	<b>495</b>	<b>9,478</b>	<b>11,398</b>
<b>Loans and receivables:</b>				
Cash (including bank accounts)	-	-	2,738	3,906
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>2,738</b>	<b>3,906</b>
<b>Loans and receivables:</b>				
Trade receivables	38	41	2,303	855
<b>Included in Debtors</b>	<b>38</b>	<b>41</b>	<b>2,303</b>	<b>855</b>
<b>Total Financial Assets</b>	<b>12,972</b>	<b>536</b>	<b>13,270</b>	<b>16,159</b>

### C - Financial Instruments - Gains and Losses

## Notes to the Core Financial Statements

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	Financial Liabilities Amortised Cost £000s	Financial Assets		2017/18 Total £000s	2016/17 Total £000s
		Loans & Receivables £000s	Available for sale Assets £000s		
Interest expense	2,747	-	-	2,747	2,801
Losses from changes in fair value	-	-	133	133	99
Fees paid	26	-	-	26	17
<b>Interest payable and similar charges</b>	<b>2,773</b>	<b>-</b>	<b>133</b>	<b>2,906</b>	<b>2,917</b>
Interest income	-	2	535	537	317
Gains from changes in fair value	-	-	147	147	4
<b>Interest and investment income</b>	<b>-</b>	<b>2</b>	<b>682</b>	<b>684</b>	<b>321</b>
Net impact or surplus/deficit on provision of services	(2,773)	2	549	(2,222)	(2,596)
<b>Net Gain/(Loss) for the year</b>	<b>(2,773)</b>	<b>2</b>	<b>549</b>	<b>(2,222)</b>	<b>(2,596)</b>

### D - Financial Instruments - Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at 31 March 2018

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2018, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, 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

## Notes to the Core Financial Statements

- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair value of short-term financial liabilities held at amortised cost, 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 authority'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.

	Fair Value Level	Balance Sheet 31 March 2018 £000s	Fair Value 31 March 2018 £000s	Balance Sheet 31 March 2017 £000s	Fair Value 31 March 2017 £000s
Financial Liabilities held at Amortised cost					
Long term loans from PWLB	2	70,200	85,455	70,887	88,092
Long term LOBO loans	2	4,017	7,768	4,000	8,136
<b>Sub Total</b>		<b>74,217</b>	<b>93,223</b>	<b>74,887</b>	<b>96,228</b>
Liabilities for which fair value is not disclosed		30,883	-	23,615	-
<b>Total Financial Liabilities</b>		<b>105,100</b>	<b>93,223</b>	<b>98,502</b>	<b>96,228</b>
Recorded on balance sheet as:					
Short term creditors		1,879		963	
Short term borrowing		29,434		23,452	
Long term borrowing		73,787		74,087	
<b>Total Financial Liabilities</b>		<b>105,100</b>		<b>98,502</b>	

	Fair Value Level	Balance Sheet 31 March 2018 £000s	Fair Value 31 March 2018 £000s	Balance Sheet 31 March 2017 £000s	Fair Value 31 March 2017 £000s
Financial assets held at fair value:					
Money market funds	1	1,500	1,500	3300	3300
Bond, Equity and property funds	1	8,698	8,698	8684	8684
Shares in unlisted companies	3	1,233	1,233	-	-
Financial assets held at amortised cost:					
Long term loans to companies	3	642	646	642	680
<b>Sub Total</b>		<b>12,073</b>	<b>12,077</b>	<b>12,626</b>	<b>12,664</b>
Assets for which fair value is not disclosed		15,117	-	3,947	-
<b>Total Financial Assets</b>		<b>27,190</b>	<b>12,077</b>	<b>16,573</b>	<b>12,664</b>
Recorded on balance sheet as:					
Long term debtors		11,336		124	
Long term investments		1,272		206	
Short term debtors		2,322		872	
Short term investments		9,522		11,425	
Cash and Cash equivalents		2,738		3,906	
<b>Total Financial Assets</b>		<b>27,190</b>		<b>16,573</b>	

The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount.

### E - Unquoted Equity Instruments Measured at Cost

The Council holds shares in MSDC (Suffolk Holdings) Ltd which are carried at cost of £1.233m because their fair value cannot be measured reliably. This is because the company has no established trading history, having only been formed in June 2017, and there are no similar companies whose shares are traded and which might provide comparable market data. The Council therefore intends to hold these shares for the foreseeable future.

**Note 15 – Debtors**

<b>Debtors</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Central government bodies	2,245	1,017
Other local authorities	1,822	1,416
Other entities and individuals	2,637	1,347
<b>Total Debtors</b>	<b>6,704</b>	<b>3,780</b>

**Note 16 - Cash and Cash Equivalents**

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

<b>Cash and Cash Equivalents</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Bank current accounts	894	587
Short-term deposits and Money Market Funds	1,500	3,300
Cash in Transit	344	19
<b>Total Cash and Cash Equivalents</b>	<b>2,738</b>	<b>3,906</b>

**Note 17 – Creditors**

<b>Creditors</b>	<b>31 March 2018 £'000</b>	<b>31 March 2017 £'000</b>
Central government bodies	(621)	(1,251)
Other local authorities	(470)	(548)
Other entities and individuals	(3,599)	(3,045)
<b>Total Creditors</b>	<b>(4,690)</b>	<b>(4,844)</b>

**Note 18 – Provisions**

Movement in Provisions	Balance at 31 March 2017 £'000	Additional Provisions made in year £'000	Amounts used in year £'000	Balance at 31 March 2018 £'000
Non Domestic Rates Appeals	(705)	(905)	1,031	(579)
Accumulated Absence	(131)	(184)	131	(184)
<b>Total</b>	<b>(836)</b>	<b>(1,089)</b>	<b>1,162</b>	<b>(763)</b>

**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 Mid Suffolk'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 31 March 2017. Mid Suffolk 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 2018 £'000	31 March 2017 £'000
Revaluation Reserve	(60,129)	(46,402)
Capital Adjustment Account	(78,102)	(82,075)
Pensions Reserve	28,285	29,806
Collection Fund Adjustment Account	1,032	9
Accumulated Absences Account	184	131
Available for Sale Financial Instruments Reserve	302	316
<b>Total Unusable Reserves</b>	<b>(108,428)</b>	<b>(98,215)</b>

**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).

## Notes to the Core Financial Statements

Revaluation Reserve	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(46,402)	(36,363)
Upward revaluation of assets	(17,431)	(11,753)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,378	913
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	(15,053)	(10,840)
Difference between fair value depreciation and historical cost depreciation	575	296
Accumulated gains on assets sold or scrapped	751	505
<b>Amount written off to the Capital Adjustment Account</b>	1,326	801
<b>Balance at 31 March</b>	<b>(60,129)</b>	<b>(46,402)</b>

### 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 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.

## Notes to the Core Financial Statements

Capital Adjustment Account	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	(82,075)	(78,278)
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	8,905	7,388
Revaluation losses on Property, Plant and Equipment	-	(1,322)
Amortisation of intangible assets	490	323
Revenue expenditure funded from capital under statute	707	684
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	3,357	2,445
	<b>13,459</b>	<b>9,518</b>
Adjusting amounts written out of the Revaluation Reserve	(1,326)	(801)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>12,133</b>	<b>8,717</b>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	(1,116)	(2,807)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,442)	(3,137)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(734)	(555)
Application of grants to capital financing from the Capital Grants Unapplied Account	-	(19)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(657)	(967)
Capital expenditure charged against the General Fund and HRA balances	(2,193)	(3,227)
Capital expenditure charged against Earmarked Reserves	(18)	(1,802)
	<b>(8,160)</b>	<b>(12,514)</b>
<b>Balance at 31 March</b>	<b>(78,102)</b>	<b>(82,075)</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	29,806	25,044
Remeasurement of net defined liability/(asset)	(3,170)	3,931
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	3,780	2,847
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,131)	(2,016)
<b>Balance at 31 March</b>	<b>28,285</b>	<b>29,806</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	9	132
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	1,023	(123)
<b>Balance at 31 March</b>	<b>1,032</b>	<b>9</b>

## Notes to the Core Financial Statements

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	131	124
Settlement or cancellation of accrual made at the end of the preceding year	(131)	(124)
Amount accrued at the end of the current year	184	131
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	53	7
<b>Balance at 31 March</b>	<b>184</b>	<b>131</b>

### 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	2017/18 £'000	2016/17 £'000
<b>Balance at 1 April</b>	<b>316</b>	221
Upward revaluation of investments	(14)	-
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	95
<b>Balance at 31 March</b>	<b>302</b>	<b>316</b>

**Note 20 - Cash Flow Statement: Operating Activities**

<b>Cash Flow Statement - Operating Activities</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
The cash flows for operating activities include the following items:		
Interest received	(506)	(277)
Interest paid	2,758	2,776
	<b>2,252</b>	<b>2,499</b>
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,325)	(4,666)
Impairment and (downward valuations)/reversals	(4,069)	(1,625)
(Increase)/decrease in creditors	731	1,332
Increase/(decrease) in debtors	2,812	402
Increase/(decrease) in inventories	11	1
Movement on pension liability	(1,649)	(831)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,347)	(2,444)
Other non-cash items	71	128
	<b>(10,765)</b>	<b>(7,703)</b>
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	3,994	2,611
Other items for which the cash effects are investing or financing activities	(1,532)	(1,970)
	<b>2,462</b>	<b>641</b>

**Note 21 - Cash Flow Statement: Investing Activities**

<b>Cash Flow Statement - Investing activities</b>	<b>2017/18 £'000</b>	<b>2016/17 £'000</b>
Purchase of property, plant and equipment, investment property and intangible assets	8,059	13,544
Purchase of short-term and long-term investments	55,273	40,417
Other payments for investing activities	75	78
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,994)	(2,611)
Proceeds from short-term and long-term investments	(44,940)	(33,876)
Other receipts from investing activities	(1,677)	(1,058)
	<b>12,796</b>	<b>16,494</b>

## Note 22 - Cash Flow Statement: Financing Activities

Cash Flow Statement - Financing Activities	2017/18 £'000	2016/17 £'000
Cash receipts from short and long term borrowing	(73,250)	(40,500)
Repayments of short-term and long-term borrowing	67,557	29,814
Net cash flows from financing activities	(5,693)	(10,686)

## Note 23 - Members' Allowances

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

Members' Allowances	2017/18 £'000	2016/17 £'000
Basic Allowances	159	173
Special Responsibility Allowance	83	78
Expenses	27	20
<b>Total</b>	<b>269</b>	<b>271</b>

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;

<https://www.midsuffolk.gov.uk/the-council/finance/senior-officers-remuneration/mid-suffolk-member-allowances/>

## Note 24 - Officers' Remuneration

Following the integration with Babergh 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 eight 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 Mid Suffolk District Council employees only. Remuneration for the other officers is published in Babergh District Council's Statement of Accounts. The remuneration paid to the Council's senior employees is as follows: -

## Notes to the Core Financial Statements

Officers' Remuneration	Comparative Years	Salary, Fees and Allowances	Expenses/ Benefits in Kind	Pension Contribution	Exit Packages	Total
		£	£	£	£	£
Deputy Chief Executive (left 15.04.2018)	2017/18	115,070	465	26,271	72,056	213,862
	2016/17	87,819	818	15,149	-	103,786
Strategic Director (from 12.10.2017)	2017/18	39,803	453	9,041	-	49,297
Strategic Director (Place)	2016/17	15,581	145	2,688	-	18,414
Strategic Director (People) (left 31.03.2018)	2017/18	91,713	963	20,828	63,644	177,147
	2016/17	88,698	963	15,270	-	104,931
Assistant Director - Communities & Public Realm	2017/18	70,877	963	16,063	-	87,903
Assistant Director - Communities and Public Access	2016/17	70,308	963	12,239	-	83,510
Assistant Director - Corporate Resources (Section 151 Officer)	2017/18	81,578	-	18,648	-	100,226
	2016/17	80,929	-	14,248	-	95,177
Assistant Director - Environment and Commercial Partnerships	2017/18	71,159	963	16,454	-	88,576
Assistant Director - Environment and Projects	2016/17	71,411	963	12,199	-	84,573
Assistant Director - Investment and Commercial Delivery	2017/18	74,600	963	16,969	-	92,532
	2016/17	65,885	963	11,599	-	78,447
Assistant Director - Law & Governance (from 1.3.2017)	2017/18	64,240	-	14,660	-	78,900
	2016/17	5,250	-	991	-	6,241
Assistant Director - Planning for Growth	2017/18	70,189	963	15,984	-	87,136
	2016/17	65,653	963	11,579	-	78,195
Assistant Director - Supported Living (left 02.06.17)	2017/18	11,969	166	2,753	27,608	42,496
	2016/17	70,600	963	12,219	-	83,782
Head of Economy (left in 2016/17)	2017/18	-	-	-	-	-
	2016/17	5,778	80	-	58,937	64,795

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 previous table shows the full costs of Mid Suffolk's employees who met this definition.

These costs are shared with Babergh District Council under the integration arrangements, as explained in the following paragraphs.

## Notes to the Core Financial Statements

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the amounts shown in 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 Babergh District Council and whose costs may have been shared between the two Councils.

Remuneration band	2017/18 Number of employees	2016/17 Number of employees
£50,000 - £54,999	1	1
£55,000 - £59,999	1	1
£70,000 - £74,999	1	-
<b>TOTAL</b>	<b>3</b>	<b>2</b>

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. Four members of Senior Leadership Team were employed by Babergh 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 2017/18. There is one exception where costs are not shared equally. This relates to the role of the Assistant Director for Investment and Commercial Delivery. These costs are shared 32.5% Babergh and 67.5% Mid Suffolk. In addition, other transactions are disclosed in Note 27, Related Parties.

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

## Notes to the Core Financial Statements

Shared Management Costs	2017/18 Expenditure by Babergh £	2017/18 Expenditure by Mid Suffolk £	2016/17 Expenditure by Babergh £	2016/17 Expenditure by Mid Suffolk £
<b>Senior Management</b>				
Joint Chief Executive	154,196	-	100,995	-
Deputy Chief Executive	-	143,750	-	114,361
Strategic Director (People)	-	190,252	-	115,334
Strategic Director	-	54,415	-	-
Strategic Director (Place)	-	85,438	-	20,290
Interim Strategic Director	31,039	-	-	-
Head of Corporate Organisation	-	-	51	-
Assistant Director Corporate Resources	-	111,327	-	104,983
Assistant Director Communities and Public Access	-	96,870	-	91,489
Assistant Director Customer Services	34,212	-	-	-
Head of Economy	-	-	-	65,816
Assistant Director Investment and Commercial Delivery	-	102,293	-	85,884
Assistant Director Planning for Growth	-	95,863	-	85,563
Assistant Director Environment and Projects	-	97,547	-	92,726
Assistant Director Supported Living	-	44,321	-	91,714
Assistant Director Housing	71,902	-	-	-
Assistant Director Law and Governance	-	87,111	-	6,872
<b>Total Expenditure</b>	<b>291,349</b>	<b>1,109,187</b>	<b>101,046</b>	<b>875,032</b>
Net Adjustment between Councils	404,127	(404,127)	386,993	(386,993)
<b>Total</b>	<b>695,476</b>	<b>705,060</b>	<b>488,039</b>	<b>488,039</b>

## 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	2017/18 £'000	2016/17 £'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	50	43
Fees payable to the external auditor for the certification of grant claims and returns for the year	20	19
<b>Total</b>	<b>70</b>	<b>62</b>

## 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	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non-Specific Grant Income and Expenditure:		
Revenue Grants and Contributions:		
Council Tax Income	(8,258)	(7,938)
Non-Domestic Rates Levy Payable	273	358
Non-Domestic Rates Income	(8,413)	(9,258)
LCTS Support & S31 Grants	(1,033)	(500)
Non-Domestic Rates Payable to Central Government (Tariff)	6,352	6,615
Revenue Support Grant	(410)	(957)
Rural Services Support Grant	(347)	(430)
New Homes Bonus	(2,033)	(2,646)
Grant to Parishes - LCTS Support	-	45
Other Revenue Grants	(24)	(27)
<b>Total Revenue Grants</b>	<b>(13,893)</b>	<b>(14,738)</b>
Capital Grants and Contributions:		
One Public Estate	(25)	-
Section 106	(23)	-
Other	(4)	-
<b>Total Capital Grants</b>	<b>(52)</b>	<b>-</b>
<b>Total Credited to Taxation and Non-Specific Grant Income and Expenditure</b>	<b>(13,945)</b>	<b>(14,738)</b>
Grants and Contributions Credited to Services:		
HB Subsidy & Admin Grant	(15,683)	(16,513)
Disabled Facilities Grant	(675)	(269)
Homelessness	(96)	-
Community Housing Fund	-	(225)
LCTS Admin Grant	-	(80)
Various New Burdens	(35)	(24)
Misc Other Grants	(312)	(151)
<b>Total Grants and Contributions Credited to Services</b>	<b>(16,801)</b>	<b>(17,262)</b>

### 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 2017/18 is shown in Note 23.

#### Babergh / Mid Suffolk Integration (BMI)

Integration between Mid Suffolk and Babergh 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 Overview and Scrutiny Committee, a Joint Audit and Standards Committee and Joint HR Panel.

A total of £4,355k of employee related expenditure was recharged to the Council by Babergh and the Council recharged £5,228k of payroll expenditure to Babergh.

A total of £1,053k of non-employee related expenditure was recharged to the Council by Babergh and the Council recharged £3,548k of non-employee related expenditure to Babergh.

#### 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 Note 1 to the Collection Fund.

#### Suffolk County Council Subsidiaries

Suffolk County Council has a number of wholly-owned subsidiaries including Vertas Group Ltd, Concertus Design and Property Consultants Ltd and Opus People Solutions Ltd. During 2017/18, the Council incurred expenditure of £513k (£1,179k in 2016/17).

### 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 of 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. Mid Suffolk's share represents net expenditure of £1.05m in 2017/18 (£1.11m in 2016/17).

### 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. Expenditure is shared on the following basis; Babergh and Mid Suffolk District Councils 57%, Forest Heath District Council and St Edmundsbury Borough Councils 43%.

### Citizens Advice Bureau (CAB)

The Mid Suffolk CAB was provided with a grant during the year of £87k (£87k in 2016/17) and £7k for the provision of the Money Advice Service for housing. Councillor David Muller has a controlling interest in the organisation but has not been appointed as a council representative. The Council has no significant interest in the CAB nor any entitlement to any surpluses or deficits of this Not for Profit organisation.

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

Related Parties	2017/18 £'000	2016/17 £'000
Suffolk County Council	1,695	1,690
Suffolk County Council - subsidiaries	513	1,179
Grants & Contributions to Parish Councils, Community Councils, Village Halls and Theatres	261	133
Police & Crime Commissioner	1	2
Mid Suffolk Citizens Advice Bureau	91	101
Museum of East Anglian Life	75	80
Wingfield Barns CIC	1	29
<b>Total</b>	<b>2,637</b>	<b>3,214</b>

### Entities Controlled or significantly influenced by the Council

The Council has a wholly owned subsidiary company, MSDC (Suffolk Holdings) Limited, incorporated on 9 June 2017, over which it exerts control. This holding company owns 50% shares of CIFCO Capital Limited and 100% of Gateway 14 Limited, over which the Council exerts significant influence.

Their principal activities are the purchase of commercial property for investment purposes.

The Council incurred expenditure of £18.6k on behalf of the company which has been recharged to the company.

This Holding company owns 50% shares of CIFCO Capital Limited and 100% of Gateway 14 Limited, over which the Council exerts significant influence.

The following officers and members hold positions on the boards of the companies controlled or significantly influenced by the Council:

MSDC (Suffolk Holdings) - 9 June 2017 to 31 March 2018:

Arthur Charvonia (9 June 2017 to 31 March 2018) – Company Secretary

Councillor Gerard Brewster- Director

Councillor Glen Horn – Director

Councillor David Whybrow - Director

CIFCO Capital Ltd (50% Shareholding) - 12 June 2017 to 31 March 2018:

Henry Cooke - Director

Councillor Derrick Haley - Director

Christopher Haworth - Director

Councillor Nicholas Ridley – Director

Mark Sargeantson - Director

Gateway 14 Ltd (100% Shareholding)

Henry Cooke – Director (5 March 2018 to 31 March 2018)

Stephen Davies – Director (from 26 April 2018)

Christopher Haworth – Director (1 November 2017 to 31 March 2018)

William Mason-Jones – Director (5 March 2018 to 31 March 2018)

Councillor John Whitehead – Director (1 November 2017 to 31 March 2018)

Councillor Nicholas Gowrley – Director (1 November 2017 to 22 January 2018)

The Group Accounts are shown on page 99 to page 106.

### 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.

## Notes to the Core Financial Statements

Capital Expenditure and Capital Financing	2017/18 £'000	2016/17 £'000
<b>Opening Capital Financing Requirement</b>	109,000	106,783
<b>Capital investment</b>		
Property, Plant and Equipment	8,087	13,222
Intangible Assets	550	745
Revenue Expenditure Funded from Capital under Statute	715	684
Mortgages/Loans	66	79
Acquisition of Share Capital	1,233	-
Loans to Joint Venture	11,100	-
<b>Sources of finance</b>		
Capital receipts	(1,116)	(2,807)
Government grants and other contributions	(733)	(573)
Sums set aside from revenue:		
Direct Revenue Contributions	(2,211)	(5,028)
Major Repairs Reserve	(3,442)	(3,137)
Minimum Revenue provision for the repayment of debt	(657)	(967)
<b>Closing Capital Financing Requirement</b>	<b>122,592</b>	<b>109,001</b>
<b>Explanation of movements in year</b>		
Increase / (decrease) in underlying need to borrowing (unsupported by government financial assistance)	14,249	3,184
Minimum Revenue provision for the repayment of debt	(657)	(967)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>13,592</b>	<b>2,217</b>

### Note 29 - Leases

#### The Council as Lessee

##### Operating Leases

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

- vehicle trackers and vehicle radios
- photocopiers
- Endeavour House, Ipswich – relates to its shared use with Babergh District Council since November 2017.
- land for car park use (Union Street West, Stowmarket)

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

## Notes to the Core Financial Statements

Leases	31 March 2018 £'000	31 March 2017 £'000
The future minimum lease payments payable under non-cancellable lease in future years are:		
Expires not later than one year	216	63
Expires later than one year and not later than five years	602	127
Expires later than five years	61	63
<b>Total</b>	<b>879</b>	<b>253</b>

### 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 2018 £'000	31 March 2017 £'000
The future minimum lease payments receivable under non-cancellable leases in future years are:		
Not later than one year	58	52
Later than one year and not later than five years	8	15
Later than five years	26	30
<b>Total</b>	<b>92</b>	<b>97</b>

The minimum lease payments receivable does 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 31 March 2018 resulted in a downward revaluation of £4,069k recognised in the surplus/deficit on the Provision of Services (see Note 12 to the Core Financial Statements). This was due to a decrease in the value of council dwellings of £3,698k and an increase in the value of other land and buildings of £371k in the 2017/18 financial year.

The decrease in the value of council dwellings is reflected in the Housing Revenue Account and in the Comprehensive Income and Expenditure Statement. The increase in the value of other land and buildings is in both the General Fund and Housing Revenue Account and is included in the Comprehensive Income and Expenditure Statement.

The fall in the value of the council dwellings is because the dwellings purchased / constructed in the year have been revalued to EUV (existing use value), a fall in value of 62%. As they were new, there was no previous revaluation reserve balance for these properties.

**Note 31 - Termination Benefits**

Termination Benefits - Exit Packages	2017/18				2016/17			
	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £	Number of Employees	Redundancy Costs £	Pension Contribution £	Total £
<b>Voluntary Redundancies</b>								
£0 - £19,999	9	68,594	7,168	75,762	1	6,195	-	6,195
£20,000 - £39,999	3	66,266	6,956	73,222	3	113,152	1,923	115,075
£40,000 - £59,999	1	3,713	53,367	57,080	1	56,836	-	56,836
£60,000 - £79,999	2	135,699	-	135,699	1	38,680	23,405	62,085
£80,000 - £99,999	1	28,559	63,539	92,098	0	-	-	-
<b>Total</b>	<b>16</b>	<b>302,831</b>	<b>131,030</b>	<b>433,861</b>	<b>6</b>	<b>214,863</b>	<b>25,328</b>	<b>240,191</b>

As part of the integration with Babergh District Council it has been agreed that the costs for 2017/18 will generally 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 2017/18 accounts reflects seven occasions where a member of staff left the organisation and costs were shared 50:50, seven members of staff whose costs were 100% to Mid Suffolk, one member of staff whose costs were 20% to Babergh and one member of staff whose costs were 100% to Babergh.

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

Shared Exit Package Costs 2017/18	Number of Employees Mid Suffolk	Number of Employees Babergh	Total Expenditure Mid Suffolk £	Total Expenditure Babergh £
£0 - £19,999	9	8	75,762	48,480
£20,000 - £39,999	3	3	73,222	91,624
£40,000 - £59,999	1	0	57,080	-
£60,000 - £79,999	2	1	135,699	68,024
£80,000 - £99,999	1	1	92,098	82,468
<b>Total</b>	<b>16</b>	<b>13</b>	<b>433,861</b>	<b>290,596</b>
Net Adjustment between Councils			(47,841)	47,841
<b>Total Cost to each Council</b>			<b>386,020</b>	<b>338,437</b>

## 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.

<b>Local Government Pension Scheme -</b>	
<b>Salary Bandings for Employee Contributions</b>	<b>2017/18</b>
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:

## Notes to the Core Financial Statements

Local Government Pension Scheme - Transactions relating to post-employment benefits	2017/18 £'000	2016/17 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services:		
Current service cost	3,043	1,871
Past Service cost/(gain) including curtailments	4	102
Financing and Investment Income and Expenditure:		
Net interest expense	753	874
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>3,800</b>	<b>2,847</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets (excluding amounts included in net interest expense)	1,264	11,683
Actuarial gains and losses arising on changes in financial assumptions	1,736	(13,770)
Other experience	170	(1,844)
<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,170</b>	<b>(3,931)</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(3,800)	(2,847)
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(2,131)	(1,987)
Contributions in respect of unfunded benefits	(20)	(29)

### 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 in the following table:

Local Government Pension Scheme - Pensions Assets and Liabilities Recognised in the Balance Sheet	2017/18 £'000	2016/17 £'000
Present value of the defined benefit obligation	(102,714)	(101,580)
Fair value of plan assets	74,429	71,774
<b>Net liability arising from defined benefit obligation</b>	<b>(28,285)</b>	<b>(29,806)</b>

## Notes to the Core Financial Statements

### 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	2017/18 £'000	2016/17 £'000
<b>Opening fair value of scheme assets 1 April</b>	71,774	58,628
Interest income	1,791	2,042
Remeasurement gains and (losses):		
Return on plan assets (excluding net interest)	1,264	11,683
Employer contributions	2,131	1,987
Contributions in respect of unfunded benefits	20	29
Contributions from employees into the scheme	506	470
Benefits paid	(3,037)	(3,036)
Unfunded Benefits paid	(20)	(29)
<b>Closing fair value of scheme assets 31 March</b>	<b>74,429</b>	<b>71,774</b>

### 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)	2017/18 £'000	2016/17 £'000
<b>Opening balance 1 April</b>	(101,580)	(83,672)
Current service cost	(3,043)	(1,871)
Interest cost	(2,544)	(2,916)
Contributions by scheme participants	(506)	(470)
Remeasurement gains and (losses): -		
Actuarial gains/losses arising from changes in financial assumptions	1,736	(13,770)
Other	170	(1,844)
Past Service Costs	(4)	(102)
Benefits paid	3,037	3,036
Unfunded benefits paid	20	29
<b>Closing balance at 31 March</b>	<b>(102,714)</b>	<b>(101,580)</b>

## Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised of:

Local Government Pension Scheme - Assets comprised:	2017/18 Fair Value of Scheme Assets £'000	2016/17 Fair Value of Scheme Assets £'000
<b>Cash and Cash Equivalents</b>	773	1,479
<b>Equity Instruments (by industry)</b>		
Consumer	5,392	6,273
Manufacturing	1,912	1,949
Energy & Utilities	1,127	1,308
Financial Institutions	2,483	2,445
Health & Care	1,154	2,045
Information Technology	2,176	2,563
Other	778	892
<b>Sub-total Equity Instruments</b>	<b>15,022</b>	<b>17,475</b>
<b>Bonds (by sector)</b>		
Corporate Bonds (investment grade)	18,042	10,484
UK Government	2,830	3,032
Other	-	-
<b>Sub-total Bonds</b>	<b>20,872</b>	<b>13,516</b>
<b>Private Equity</b>		
All	2,682	2,315
<b>Sub-total Private Equity</b>	<b>2,682</b>	<b>2,315</b>
<b>Property</b>		
UK Property	7,215	6,685
<b>Sub-total Property</b>	<b>7,215</b>	<b>6,685</b>
<b>Other Investment Funds</b>		
Equities	17,257	21,491
Bonds	-	-
Infrastructure	1,941	1,637
Hedge Funds	3,035	2,190
Commodities	-	-
Other	5,635	4,965
<b>Sub-total Other Investment Funds</b>	<b>27,868</b>	<b>30,283</b>
<b>Derivatives</b>		
Foreign Exchange	(3)	21
<b>Sub-total Derivatives</b>	<b>(3)</b>	<b>21</b>
<b>Total Assets</b>	<b>74,429</b>	<b>71,774</b>

### 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	2017/18	2016/17
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	26 years
Rate of inflation	3.4%	3.4%
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

### 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
<b>Change in assumptions at year ended 31 March 2018 :</b>		
0.5% decrease in Real Discount Rate	9%	9,012
1 year increase in member life expectancy	3% - 5%	2,153 - 3,589
0.5% increase in the Salary Increase Rate	1%	1,077
0.5% increase in the Pension Increase Rate	8%	7,830

### 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 2018. 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 2019 are £2.358m. This includes a contribution of £0.584m towards the Council's pension fund deficit.

### Note 33 - Contingent Liabilities and Assets

The Council has an outstanding legal case relating to dangerous structures which may result in potential costs of £600k incurred by the Council. Depending on the outcome, the Council may be able to recover some or all this.

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

#### Financial Instruments - Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

## Notes to the Core Financial Statements

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- **Credit Risk:** The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- **Liquidity Risk:** The possibility that the Council might not have the cash available to make contracted payments on time.
- **Market Risk:** The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

### Credit Risk: Investments

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 £2m /10% of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). The Council also sets limits on investments in certain sectors. No more than £2m /10% in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2018		31 March 2017	
	Long term £000s	Short term £000s	Long term £000s	Short term £000s
AAA	-	1,500	-	3,300
A+	-	894	-	574
A	-	-	-	11
Unrated pooled funds	8,698	-	8,684	-
Unrated companies	12,809	361	485	194
Central Government	-	-	-	2,000
<b>Total investments</b>	<b>21,507</b>	<b>2,755</b>	<b>9,169</b>	<b>6,079</b>

### Credit Risk: Trade and Lease Receivables

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade and lease receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

## Notes to the Core Financial Statements

Trade Receivables	31 March 2018 £'000	31 March 2017 £'000
Neither past due nor impaired	117	254
Past due < 3 months	14	11
Past due 3 - 6 months	8	3
Past due 6 - 12 months	60	45
Past due 12+ months	38	41
<b>Total receivables</b>	<b>237</b>	<b>354</b>

### Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

Time to maturity (Years)	31 March 2018			31 March 2017		
	Liabilities £000s	Assets £000s	Net £000s	Liabilities £000s	Assets £000s	Net £000s
Not over 1	(31,313)	11,982	(19,331)	(24,415)	15,848	(8,567)
Over 1 but not over 2	(300)	28	(272)	(300)	30	(270)
Over 2 but not over 5	(450)	251	(199)	(750)	326	(424)
Over 5 but not over 10	(15,000)	-	(15,000)	(15,000)	-	(15,000)
Over 10 but not over 20	(30,000)	-	(30,000)	(15,000)	-	(15,000)
Over 20 but not over 40	(24,037)	-	(24,037)	(39,037)	-	(39,037)
Over 40	(4,000)	-	(4,000)	(4,000)	-	(4,000)
Uncertain date	-	13,680	13,680	-	369	369
<b>Total</b>	<b>(105,100)</b>	<b>25,941</b>	<b>(79,159)</b>	<b>(98,502)</b>	<b>16,573</b>	<b>(81,929)</b>

The Council has £4m (2017 was £4m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely repay these loans. The maturity date is therefore uncertain.

### Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited 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 at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as "available for sale" will be reflected in Other Comprehensive Income and Expenditure.

## Notes to the Core Financial Statements

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2018, £74.087million (2017 was £82.355m) of principal borrowed was exposed to fixed rates and £29m (2017 was £22.5m) to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>31 March 2018 £000s</b>	<b>31 March 2017 £000s</b>
Increase in interest payable on variable rate borrowings	61	210
Increase in interest receivable on variable rate investments	(157)	(117)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(96)</b>	<b>93</b>
Decrease in fair value of available for sale financial assets	(31)	(32)
<b>Impact on Comprehensive Income and Expenditure</b>	<b>(31)</b>	<b>(32)</b>
Decrease in fair value of loans and receivables	(109)	(15)
Decrease in fair value of fixed rate borrowings/liabilities	(12,471)	(12,701)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

The Council has £4m (2017 was £4m) of “Lender’s option, borrower’s option” (LOBO) loans with maturity date 2078 where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. In the current low interest rate environment, the likelihood of lender increasing the rate is low; however, the likelihood will increase in later years should market interest rates rise.

### Market Risks: Price Risk

The market prices of the Council’s fixed rate bond investments and its units in pooled bond funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate 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 £5m. A 5% fall in commercial property prices would result in a £233k charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investment was sold.

The Council’s investment in a pooled equity fund is subject to the risk of falling share prices. This risk is limited by the Council’s maximum exposure to equity investments of £2m. A 5% fall in share prices would result in a £97k charge to Other Comprehensive Income & Expenditure – this would have no impact on the Surplus or Deficit on the Provision of Services until the investments were sold.

### Note 35 - Accounting Policies

#### A General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 and SeRCOP, the Service Reporting Code of Practice 2017/18, 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 2018 the balance on these funds was £1.5m (2016/17 £3.3 m). 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. 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 (Minimum Revenue Provision (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 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 Accumulating Compensated Absences Adjustment Account through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. Further details can be found at Note 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 expectations of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices. The discount rate employed for the 2017/18 accounts is 2.6% 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)

## Notes to the Core Financial Statements

- 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.
  - 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 a 100% shareholding in MSDC (Suffolk Holdings) Limited. The holding company has a 50% shareholding in CIFCO Capital Limited and 100% shareholding Gateway 14 Limited. This relationship has created a requirement for the Council to prepare Group Accounts.

In the Council's single entity accounts, its interest in these companies are classified as financial assets and measured at cost less provision for any losses.

### **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.

Needham Market offices, Stowmarket Leisure Centre, Stowmarket depot and Stradbroke swimming pool are depreciated on a component basis as per the agreed £500,000 de-minimis policy. Non-specialised properties assets have been split into five components: land, structure, roof, services, and, fixtures and fittings. For specialised assets such as the Leisure Centre additional specialised components have been considered.

### **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 Babergh District Council (BDC)**

Costs or savings that arose through integration with Babergh District Council during 2017/18 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 Heritage Assets**

All assets in excess of £10,000 maintained principally for their contribution to knowledge and culture will be recognised at valuation in the Balance Sheet as Heritage Assets. Valuations may be made by any method that is appropriate and relevant; this may include, for example, insurance valuations. Where it is not practicable to obtain a valuation the assets will be measured at historical cost. Where information on cost or value is not available, the asset will not be recognised in the Balance Sheet but a disclosure will be made in the notes to the accounts.

Acquisitions of heritage assets will initially be recognised at cost.

assets will be reviewed annually to ensure they remain current. An impairment review will only be undertaken where it is evident that the asset has suffered physical deterioration.

Heritage Assets will not be subject to a depreciation charge.

### **W Basis of consolidation for Group Accounts**

The Group Accounts have been prepared using the Group Accounts requirements of the CIPFA Code of Practice. Companies that are within the Council's group boundary have been included in the Council's Group Accounts to the extent that they are either quantitatively or qualitatively material to users of the financial statements.

This will give the reader the ability to see the complete economic activities of the Council and its exposure to risk through interests and participation in their activities.

The Council's subsidiary, MSDC (Suffolk Holdings) Limited, its joint venture, CIFCO Capital Ltd, and its wholly owned subsidiary, Gateway 14 Ltd have been consolidated on a line by line basis, subject to elimination of intra-group transactions from the statements, in accordance with The Code.

No amendments have been necessary to the accounts of the group, since the accounting policies are the same.

### **Note 36 – Interest in Companies**

The Council holds an interest in MSDC (Suffolk Holdings) Limited which was incorporated on 9 June 2017, and the company registration number is 10812689. It issued 100 of £1 ordinary shares to the Council.

The Council has prepared Group Accounts which can be found on pages 99 to 106. The statements are intended to present financial information about the parent company (the Council) and to reflect the Council's share of the holding company's net assets.

### **Note 37 - Heritage Assets**

At 31 March 2018 the Council recognises that it holds non-current assets meeting the heritage asset criteria. However, it is not material to classify these assets separately in the Balance Sheet.

The Council recognises Eye Castle as meeting the heritage asset criteria. Eye Castle is a Norman Motte and Bailey castle with medieval walls and a Victorian folly. The castle is held within community assets valued at historical cost (£43,000).

The Council also has two Bronze Age ring ditches at Needham Lake, meeting the heritage asset requirements. These ditches are of a diverse nature and have no comparable market value. The Council therefore does not consider that reliable cost or valuation information can be obtained for these assets and as a result the assets are not carried in the Balance Sheet.

## 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.

2016/17 £'000	Housing Revenue Income & Expenditure Statement	HRA Note	2017/18 £'000
	<b>Expenditure</b>		
	Repairs, Maintenance and Management:		
3,063	- Repairs and Maintenance	1	3,025
2,837	- Supervision and Management	2	3,324
72	Rents, rates and other charges		111
4,898	Depreciation, Impairment and Revaluation losses of Non-current	3	7,238
37	Debt Management Costs		20
68	Increase/(Decrease) in Bad Debt allowance	4	17
10,975			13,735
	<b>Income</b>		
	Gross Rental Income:		
(14,060)	- Dwelling Rents	5	(14,019)
(369)	- Non-Dwelling Rents	5	(410)
(744)	Charges for Services and Facilities	6	(642)
(28)	Contributions towards expenditure	7	(46)
(51)	Other Income		
(15,252)			(15,117)
(4,277)	<b>Net Income of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		(1,382)
191	HRA share of Corporate and Democratic Core	8	147
(107)	HRA share of other amounts included in Net Cost of Services but not allocated to specific services	9	(221)
(4,193)	<b>Net Income for HRA Services</b>		(1,456)
	<b>HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:</b>		
(76)	(Gain) / Loss on the disposal of non current assets	10	(682)
2,770	Interest payable and similar charges	11	2,704
(8)	Interest receivable and similar income	11	(7)
173	Net interest on the net defined benefit liability / (asset)	12	151
(1,334)	<b>Surplus for the year on HRA services</b>		710

## 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.

2016/17 £'000	Movement on the HRA Statement	HRA Note	2017/18 £'000
(1,210)	Balance on the HRA at the end of the previous reporting period		(1,210)
(1,332)	Surplus for the year on the HRA Income and Expenditure Statement		710
1,404	Adjustments between accounting basis and funding basis under statute (Note 7 to the Core Statements)		(1,176)
72	Net increase before transfers to reserves		(466)
(72)	Transfers to / (from) earmarked reserves	19	468
-	Increase in year on the HRA		2
<u>(1,210)</u>	Balance on the HRA at the end of the current reporting period		<u>(1,208)</u>

### 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	2017/18 £'000	2016/17 £'000
HRA accounting authorities are required to show depreciation charges for all of the HRA's non current assets, as follows:		
Dwellings	3,345	3,095
Other Land and Buildings	36	25
Other HRA property	60	17
Impairment of Dwellings and Other Land and Buildings charged to the Income and Expenditure Account	3,797	1,761
<b>Total</b>	<b>7,238</b>	<b>4,898</b>

## Note 4 – Movement in the Allowance for Bad Debts

The following table shows the change in rent arrears during the year, and the corresponding overall decrease in the allowance for bad debts:

<b>Movement in Arrears and for the Allowance for Bad Debts</b>	<b>2017/18</b>	<b>2016/17</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Total Arrears</b>			
Rent arrears - current tenants	329	262	67
Rent arrears - former tenants	87	60	27
<b>Total Arrears at end of year</b>	<b>416</b>	<b>322</b>	<b>94</b>
<b>Bad Debt Provision at start of year</b>	<b>176</b>	<b>146</b>	<b>30</b>
Write offs in the year	(39)	(38)	(1)
Increase / (Decrease) in Provision in the year	17	68	(51)
<b>Bad Debt Provision at end of year</b>	<b>154</b>	<b>176</b>	<b>(22)</b>

## 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 2017/18 was £82.74 (in 2016/17 £83.05)

### 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 Council 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	2017/18 £'000	2016/17 £'000
Cost of selling Council Dwellings	34	24
Carrying value of disposed assets	3,301	2,430
Receipts	(4,017)	(2,530)
(Gain) / Loss on disposal of Housing Non Current Assets	<u>(682)</u>	<u>(76)</u>

## 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. 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	2017/18	2016/17 Restated
<b>The stock of dwellings has changed as follows:</b>		
Opening stock of dwellings	3,269	3,269
Add: additions/conversions	37	38
Less: sales - Right to Buy (RTB)	(31)	(26)
- Non-RTB	(1)	-
Less: properties lost to conversion, disposal and deletion	-	(12)
<b>Closing stock of dwellings</b>	<b>3,274</b>	<b>3,269</b>
<b>Analysis of closing stock numbers:</b>		
Houses and Bungalows	2,723	2,730
Flats	259	247
Sheltered Housing - Bungalows, Flats & Bedsits	292	292
<b>Total</b>	<b>3,274</b>	<b>3,269</b>

### 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 2018.

Non Current Assets at Balance Sheet Value	31 March 2018 £'000	31 March 2017 £'000
<b>Operational Assets</b>		
Dwellings -General Stock	215,839	204,871
Other Land and Buildings	4,465	4,366
Community Assets	55	55
Intangible Assets	247	177
Vehicles, Plant and Equipment	26	33
<b>Non-Operational Assets</b>		
Surplus Assets not Held for Sale	-	300
Assets under construction	523	1,701
<b>Total Balance Sheet Value of HRA Non Current Assets</b>	<b>221,155</b>	<b>211,503</b>

The District Valuer carried out a desktop valuation as at 31 March 2018.

The net decreases in value resulted in impairment losses of £3,797k. 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 2021.

### Note 15 – Council Dwellings at Vacant Possession Value

The vacant possession value of Council dwellings at 31 March 2018 is based on valuations at 1 April 2017. They are £526m for 2017/18 (2016/17 £501.7m).

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:	2017/18 £'000	2016/17 £'000
Capital Expenditure:		
Dwellings	4,995	5,554
Assets under Construction	1,797	3,488
Other (including IT Infrastructure)	124	264
<b>Total Expenditure</b>	<b>6,916</b>	<b>9,306</b>
Financed by:		
Useable Capital Receipts	(1,060)	(2,703)
Revenue Contributions	(2,193)	(3,198)
Major Repairs Reserve	(3,442)	(3,137)
Grants and Contributions	(221)	(268)
<b>Total Financing</b>	<b>(6,916)</b>	<b>(9,306)</b>

## Note 17 - Capital Receipts

The following table summarises the number and types of assets sold and the total capital receipts generated during 2017/18.

Capital receipts from the sale of Council Dwellings	2017/18 No's	2016/17 Restated No's
Number of dwellings disposed in year		
Right to Buy	31	26
Shared Ownership	3	1
	<b>34</b>	<b>27</b>
	<b>£'000</b>	<b>£'000</b>
Receipts from disposals		
Right to Buy	3,142	2,411
Shared Ownership	650	119
Other Land and Buildings	200	-
Vehicles, Plant and Equipment	36	-
	<b>4,028</b>	<b>2,530</b>

## 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

## Notes to the Housing Revenue Account

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	2017/18	2016/17
	£'000	£'000
<b>Balance at 1 April</b>	-	-
Charged in the Comprehensive Income and Expenditure Statement	(3,442)	(3,137)
Transfer to Capital Adjustment Account	3,442	3,137
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>

### Note 19 - HRA Reserves

The surplus on this year's HRA activity of £467k has been transferred from 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 a countywide non-domestic rates pooling arrangement, which includes provision for the risks and benefits to be shared on an agreed basis.

Council Tax 2016/17 £'000	Non Domestic Rates 2016/17 £'000	Collection Fund Income & Expenditure Account	Note	Council Tax 2017/18 £'000	Non Domestic Rates 2017/18 £'000
		<b>Income:</b>			
(55,124)	-	Income from Council Tax	3	(57,374)	
-	(22,568)	Income from Non Domestic Ratepayers	2		(20,103)
<b>(55,124)</b>	<b>(22,568)</b>			<b>(57,374)</b>	<b>(20,103)</b>
		<b>Expenditure:</b>			
		<b>Precepts and Demands</b>			
40,602	2,228	Suffolk County Council	4	42,352	2,298
6,128	-	Suffolk Police & Crime Commissioner	4	6,329	
7,901	8,910	Mid Suffolk District Council	4	8,194	9,192
-	11,138	Central Government	4		11,490
<b>54,631</b>	<b>22,276</b>			<b>56,875</b>	<b>22,980</b>
		<b>Charges to the Collection Fund</b>			
-	61	Transitional Protection Payments			(140)
		Impairment of Debts and Appeals:			
231	29	Increase/(Decrease) in Bad Debt Allowance		54	10
-	(335)	Increase/(Decrease) in Provisions for Appeals			(313)
-	128	Cost of Collection			127
-	294	Energy Scheme credited to General Fund			335
835	(643)	Contributions towards previous year's estimated Collection Fund Surplus / (Deficit)		615	(343)
<b>55,697</b>	<b>21,810</b>			<b>57,544</b>	<b>22,656</b>
573	(758)	<b>Movement on Fund Balance - (Surplus) / Deficit</b>	1	170	2,553
(1,187)	985	<b>(Surplus) / Deficit Brought Forward 1 April</b>	1	(614)	227
<b>(614)</b>	<b>227</b>	<b>(Surplus) / Deficit Carried Forward 31 March</b>		<b>(444)</b>	<b>2,780</b>

## 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	Balance 31 March 2016	Movement 2016/17	Balance 31 March 2017	Movement 2017/18	Balance 31 March 2018
Preceptors	£'000	£'000	£'000	£'000	£'000
Mid Suffolk District Council	(171)	82	(89)	25	(64)
Suffolk County Council	(883)	427	(456)	125	(331)
Police and Crime Commissioner	(133)	64	(69)	20	(49)
(Surplus) / Deficit	(1,187)	573	(614)	170	(444)

### Non-Domestic Rates

Movements on the Collection Fund Balance - NDR	Balance 31 March 2016	Movement 2016/17	Balance 31 March 2017	Movement 2017/18	Balance 31 March 2018
Preceptors	£'000	£'000	£'000	£'000	£'000
Central Government	493	(380)	113	1,277	1,390
Suffolk County Council	98	(75)	23	255	278
Mid Suffolk District Council	394	(303)	91	1,021	1,112
(Surplus) / Deficit	985	(758)	227	2,553	2,780

## 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 2017. The next revaluation of all non-domestic properties is due in April 2021.

## Notes to the Collection Fund

The total non-domestic rateable value at the year-end and the national non-domestic rate multiplier for the year	2017/18	2016/17
Total Rateable Value of Business Properties in March	£60.271m	£56.338m
National Rate in the £	47.9p	49.7p
Small Business Rate Multiplier	46.6p	48.4p

The actual income of £20.103m, shown in the accounts, differs to the estimate of £28.869m 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 2017/18 as 35,785.68 (2016/17 was 35,336.10) as shown in the following table.

Council Tax Band	Chargeable Dwellings	Factor	Band D Equivalents £
Disabled A	12.75	5/9ths	7.08
A	4,421.79	6/9ths	2,947.86
B	10,826.44	7/9ths	8,420.56
C	8,918.97	8/9ths	7,927.97
D	6,578.97	9/9ths	6,578.97
E	5,000.55	11/9ths	6,111.78
F	2,708.80	13/9ths	3,912.71
G	1,513.76	15/9ths	2,522.93
H	97.25	18/9ths	194.50
<b>Total</b>	<b>40,079.28</b>		<b>38,624.36</b>
Less Council Tax Reduction Scheme			(2,659.83)
Adjustment for Collection Rate for Year which was estimated at 99.5%			(178.85)
Taxbase (Band D Equivalent)			<u>35,785.68</u>
			<b>2017/18</b>
Average Band D Council Tax			<b>1,589.32</b>
Mid Suffolk's Share			<b>161.97</b>

To meet the demands of Suffolk County Council, Suffolk Police and Crime Commissioner, Mid Suffolk District Council and Parish/Town Councils, a council tax of £56.875m (£54.631m for 2016/17) was levied on the tax base, providing an average Band D Council Tax of £1,589.32 (£1,546.04 for 2016/17).

The actual income of £57.374m, shown in the accounts, differs to the estimate of £56.875m 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 Mid Suffolk District Council's demand on the Collection Fund of £8.194m for 2017/18 (£7.901m for 2016/17). For 2017/18 the total of the Parish Precepts was £2.398m (£2.269m for 2016/17).

#### 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 Mid Suffolk's £9.192m, £6.352m 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 £2.840m payment to the Council's General Fund in 2017/18.

Actual income and expenditure for the year is then reflected in the Fund Balance (see Note 1 above). It should be noted that although there is a deficit shown, it was offset by the Government providing extra rate relief for small businesses during 2017/18 and giving Councils a Section 31 (new burdens) grant to cover the cost. For Mid Suffolk, this grant was £1.031m (for 2016/17 £0.500m).

## Group Accounts and Explanatory Notes

### Introduction

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 sets out comprehensive requirements for Group Accounts requiring Councils to consider all their interests in subsidiaries, associates and joint ventures.

The purpose of Group Accounts is to provide a picture of Mid Suffolk District Council and the group of companies which are either controlled or are significantly influenced by the Council.

The Group Accounts show the full extent of the Council's wider assets and liabilities and show its exposure to risk through interests in other entities and participation in their activities.

While the Group Accounts are not primary statements, they provide transparency and enable comparison with other entities that have different corporate entities.

The Group Accounts include the following:

- Group Movement in Reserves:

This shows the movement in the year on the Council's single entity usable and unusable reserves together with the Council's share of the Group Reserves.

- Group Comprehensive Income and Expenditure Statement:

This summarises the resources that have been generated and consumed in providing services and managing the group during the year. It includes all day to day expenses and related income on an accruals basis.

- Group Balance Sheet:

This reports the Council Group financial position at the year end.

- Group Cash Flow Statement:

This shows the changes in cash and cash equivalents of the group during the year. The statement shows how the group generates and uses cash and cash equivalents by classifying cashflows as operating, financing and investing activities.

- Notes to the Group Accounts:

This shows where the balances are materially different to those in the single entity accounts.

### Results of Subsidiary

MSDC (Suffolk Holdings) Limited was incorporated as a private limited company on 9 June 2017 as a commercial investment vehicle for the Council.

The Council owns 100% of the shareholding, has full voting rights and can appoint and remove directors. The Council's chief executive officer is the company secretary and three councillors are the board members.

The holding company owns 50% shares of CIFCO Capital Limited which has two councillors on its board of five directors and owns 100% of Gateway 14 Limited which has two councillors on its board of six directors. Both boards must provide regular reports of the activities and results to the holding company board.

## Group Accounts

For 2017/18, the company's result showed a deficit of £49k.

The company appointed Ensors Chartered Accountants who have prepared management accounts for the period ending 31 March 2018. The first fully audited accounts will be for the period ending 30 June 2018.

The company's registered office is c/o Babergh and Mid Suffolk District Councils, Endeavour House, 8 Russel Road, Ipswich, Suffolk, IP1 2BX.

## Group Movement in Reserves Statement

Group Movement in Reserves Statement	General Fund Balance £'000	Earmarked General Fund Reserves £'000	HRA Balance £'000	Earmarked HRA Reserves £'000	Usable Capital Receipts £'000	Deferred Credits £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000	Authority's share of Reserves of Subsidiary and Joint Venture £'000	Total Reserves (Including Group) £'000
<b>Opening Balance at 1 April 2017</b>	(1,052)	(11,676)	(1,209)	(4,234)	(4,544)	(7)	(22,722)	(98,215)	(120,937)	-	(120,937)
<b>Movement in reserves during 2017/18</b>											
Total Comprehensive Income and Expenditure	(594)	-	710	-	-	-	116	(18,237)	(18,121)	-	(18,121)
Adjustments between Group Accounts and Council Accounts	49	-	-	-	-	-	49	-	49	-	49
Adjustments between accounting basis and funding basis under regulations (Note 7)	(4,231)	-	(1,176)	-	(2,618)	-	(8,025)	8,025	-	-	-
<b>Net (Increase) / Decrease before Transfers to Earmarked Reserves</b>	(4,776)	-	(466)	-	(2,618)	-	(7,860)	(10,212)	(18,072)	-	(18,072)
Transfers to / (from) reserves (Note 8)	4,776	(4,825)	468	(468)	-	-	(49)	-	(49)	49	-
<b>(Increase)/Decrease in 2017/18</b>	-	(4,825)	2	(468)	(2,618)	-	(7,909)	(10,212)	(18,121)	49	(18,072)
<b>Balance at 31 March 2018</b>	(1,052)	(16,501)	(1,207)	(4,702)	(7,162)	(7)	(30,631)	(108,427)	(139,058)	49	(139,009)

## Group Comprehensive Income and Expenditure Statement

2016/17 Restated			Group Comprehensive Income & Expenditure Statement	Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
			<b>General Fund</b>				
-	-	-	BMS Invest	187	(35)	152	
-	-	-	Communities	2,898	(890)	2,008	
-	-	-	Corporate Resources	19,887	(16,567)	3,320	
-	-	-	Customer Services	1,963	(10)	1,953	
-	-	-	Env & Comm P'ships	5,480	(2,523)	2,957	
-	-	-	Housing	1,525	(207)	1,318	
-	-	-	Law & Governance	1,552	(464)	1,088	
-	-	-	Planning for Growth	2,451	(3,915)	(1,464)	
-	-	-	Senior Leadership Team	913	(84)	829	
-	-	-	Charge to HRA & Capital	(1,556)	-	(1,556)	
			<b>HRA</b>	13,896	(15,352)	(1,456)	
-	-	-	<b>Cost of Services</b>	49,196	(40,047)	9,149	
-	-	-	Other Operating Expenditure	2,021	-	2,021	
-	-	-	Financing and Investment Income and Expenditure	3,500	(590)	2,910	
-	-	-	Taxation and Non-Specific Grant Income and Expenditure	6,352	(20,297)	(13,945)	
-	-	-	<b>(Surplus) on Provision of Services</b>	61,069	(60,934)	135	
			Associates & Joint Ventures accounted for on an equity basis			30	
			<b>Group (Surplus) / Deficit on Provision of Services - A</b>			165	
			(Surplus) or Deficit on revaluation of property, plant and equipment assets			(15,053)	
			Remeasurement of the net defined liability/(asset)			(3,170)	
			(Surplus) or Deficit on revaluation of available for sale financial assets			(14)	
			<b>Other Comprehensive Income and Expenditure - B</b>			(18,237)	
			<b>Total Comprehensive Income and Expenditure (A+B)</b>			<b>(18,072)</b>	

## Group Balance Sheet

2016/17 £'000	Group Balance Sheet	Note	2017/18 £'000
-	Property, Plant and Equipment		246,817
-	Intangible Assets		1,292
-	Long Term Investments		1,242
-	Long Term Debtors		11,336
-	<b>Long Term Assets</b>		<b>260,687</b>
-	Short Term Investments		9,522
-	Inventories		73
-	Short Term Debtors	G3	6,685
-	Cash and Cash Equivalents		2,738
-	<b>Current Assets</b>		<b>19,018</b>
-	Short Term Borrowing		(29,434)
-	Short Term Creditors		(4,690)
-	Provisions		(764)
-	<b>Current Liabilities</b>		<b>(34,888)</b>
-	Long Term Borrowing		(73,787)
-	Capital Grants & Contributions Received in Advance		(3,735)
-	Defined Benefit Pension Scheme Liability		(28,285)
-	<b>Long Term Liabilities</b>		<b>(105,807)</b>
-	<b>Net Assets</b>		<b>139,010</b>
-	Usable reserves - (Profit) & Loss		49
-	Usable reserves		(30,632)
-	Unusable reserves		(108,427)
-	<b>Total Reserves</b>		<b>(139,010)</b>

## Group Cash Flow Statement

2016/17 £'000	Group Cash Flow Statement	Note	2017/18 £'000
-	Net (Surplus) or deficit on the provision of services		165
-	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(10,814)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,714
-	<b>Net cash flows from Operating Activities</b>	G2	(5,935)
-	Investing Activities		12,796
-	Financing Activities		(5,693)
-	<b>Net increase or decrease in cash and cash equivalents</b>		1,168
-	Cash and cash equivalents at the beginning of the reporting period		(3,906)
-	<b>Cash and cash equivalents at the end of the reporting period</b>		(2,738)

### Notes to the Group Accounts

Where added value is provided, additional disclosures are presented below in respect of the Group Accounts. These are referenced with a **G** and can be referred to against the main statements of the Group Accounts on pages 99 to 104.

Where there are no changes to values from the accounts of Mid Suffolk District Council then no additional notes have been prepared as these are referred to in the notes in the single entity accounts.

### Note G1 - Accounting Policies for the Group

The Group Accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The Council has consolidated its interests in the entities over which it exercises control or significant influence because they are material to the Council's balance sheet.

The results of the Council's subsidiary have been consolidated on a line by line basis. Intra-group transactions have been eliminated before consolidation.

The Accounting Policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Mid Suffolk District Council, as set out in Note 35 of the Notes to the Core Statement of Accounts.

**Note G2 – Cash Flow Statement: Operating Activities**

Cash Flow Statement - Operating Activities	2017/18 £'000	2016/17 £'000
The cash flows for operating activities include the following items:		
Interest received	(506)	-
Interest paid	2,758	-
	2,252	-
The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:		
Depreciation and amortisation	(5,325)	-
Impairment and (downward valuations)/reversals	(4,069)	-
(Increase)/decrease in creditors	731	-
Increase/(decrease) in debtors	2,793	-
Increase/(decrease) in inventories	11	-
Movement on pension liability	(1,649)	-
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(3,347)	-
Other non-cash items	41	-
	(10,814)	-
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	3,994	-
Other items for which the cash effects are investing or financing activities	(1,532)	-
	2,462	-

**Note G3 - Debtors**

Debtors	31 March 2018 £'000	31 March 2017 £'000
Central government bodies	2,245	-
Other local authorities	1,822	-
Other entities and individuals	2,618	-
<b>Total Debtors</b>	<b>6,685</b>	<b>-</b>

### Independent auditor's report to the Members of Mid Suffolk District Council

#### Opinion on the Authority's financial statements

We have audited the financial statements of Mid Suffolk District Council's for the year ended 31 March 2018 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 2017/18.

This report is made solely to the members of Mid Suffolk 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 2017/18 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 Mid Suffolk District Council as at 31 March 2018 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 2017/18.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2017/18 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 Mid Suffolk 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 2017, as to whether the Mid Suffolk 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 Mid Suffolk 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 2018.

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, Mid Suffolk 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 2017, we are satisfied that, in all significant respects, Mid Suffolk District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### **Certificate**

We certify that we have completed the audit of the accounts of Mid Suffolk 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 Mid Suffolk 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.

### Glossary of Terms

#### 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.

### **Community Infrastructure Levy**

An income stream introduced in April 2016 following changes to planning legislation. Provides a charging schedule that maximises the funding for infrastructure within the District but does not prevent or stall development.

### **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.

### **Depreciation**

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

### **De Minimis**

A threshold which anything falling below is too small to be of concern

### **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 local authority a minimum grant increase. Grant increases to other councils in the same class are scaled back to pay to bring all local authorities up to the appropriate floor increase.

### **General Fund**

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 Council spending. They may be specific to a particular service e.g. Housing Benefits Grant; or general (see Revenue Support Grant).

### **Group Accounts**

Report the full extent of the assets, liabilities, income and expenditure of the Council and the companies which the Council either control or significantly influence. The Council has consolidated the interests which are financially material to the Council, to provide a full picture of the Council's arrangements for good governance.

### **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.

### **Investments (Pensions)**

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

### **Lender Option Borrower Option (LOBO)**

This is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

### **Market Value**

This is generally applied to the valuation of non-current assets. It is the value that could be achieved if the asset was offered for sale with no restrictions that could affect its value

### **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.

### **Ministry for Housing, Communities and Local Government (MHCLG)**

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

### **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.

### **New Homes Bonus (NHB)**

A grant paid by Central Government to the Council to reflect and incentivize housing growth in the District. It is based on the amount of additional Council Tax revenue raised for new build homes, conversions, and long term empty homes brought back into use.

### **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 falling due after the valuation date.

### **Section 31 (S31) Grant**

Grants paid to the Council by Central Government for small business rate relief and new discretionary rate reliefs.

### **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.

# Agenda Item 8

## BABERGH and MID SUFFOLK DISTRICT COUNCILS

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> <b>JAC/18/3</b>
<b>FROM:</b> Katherine Steel, Assistant Director, Corporate Resources	<b>DATE OF MEETING:</b> 30 July 2018
<b>OFFICERS:</b> Melissa Evans, Corporate Manager - Finance Sue Palmer, Senior Financial Services Officer	

### JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2017/18

#### 1. PURPOSE OF REPORT

- 1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the year.
- 1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed in the past year and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.
- 1.3 The report also includes performance on Prudential Indicators which were set in the 2017/18 Treasury Management Strategy.
- 1.4 The figures contained in this report are subject to the external auditor's review which will conclude at the end of this month.

#### 2. OPTIONS CONSIDERED

- 2.1 This report fulfils the Councils' legal obligations to have regard to the Code and there are no options to consider.

#### 3. RECOMMENDATIONS

- 3.1 That the Treasury Management activity for the year 2017/18 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2017/18.
- 3.2 That Babergh District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £120k, as mentioned in Paragraph 4.6, the Council has complied with all the Treasury Management Indicators for this period be recommended to Council for noting.

3.3 That Mid Suffolk District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded their daily bank account limit with Lloyds by £79k, as mentioned in Paragraph 4.7, the Council has complied with all the Treasury Management Indicators for this period be recommended to Council for noting.

3.4 The Committee is asked to make a recommendation to Full Council on the above matters.

#### **REASON FOR DECISION**

For Members to recommend to full Council.

#### **4. KEY INFORMATION**

4.1 The 2017/18 Treasury Management Strategy for both Councils was approved in February 2017.

4.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the year.

4.3 The following key points for the year are as follows:

- Interest rates continued at very low levels
- The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.4% in the calendar year 2017, compared with 1.6% in 2016.
- No new long term external borrowing was taken out by Babergh or Mid Suffolk to finance the 2017/18 capital programme. All the existing long-term debt relates to the HRA for both Councils.
- Babergh increased its short term borrowing by £6m. Mid Suffolk increased its short term borrowing by £6.5m and reduced its long term borrowing by £0.8m (see Appendix B, Table 3).
- Investment activity was undertaken in accordance with the approved counterparty policy and investment limits (see Appendix C, Table 8)

4.4 Specific highlights relating to 2017/18 activity are provided below:

<b>Area/Activity</b>	<b>Babergh</b>	<b>Mid Suffolk</b>	<b>Comments</b>
Long Term Borrowing – average interest rate	3.28%	3.6%	All HRA and fixed rate
Credit Risk Scores during the year (value weighted average)	4.81 – 6.21	4.63– 6.29	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix D

4.5 There was one breach of the strategy for each Council during the year as follows:

4.6 Babergh District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy except for one occasion on 2 June 2017 when the Council exceeded its daily bank account limit with Lloyds by £120k, as mentioned in Appendix C Paragraphs 4.5 and 4.6.

4.7 Mid Suffolk District Council Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy except for one occasion on 2 January 2018 when the Council exceeded its daily bank account limit with Lloyds by £79k, as mentioned in Appendix C Paragraphs 4.5 and 4.6.

## **5. LINKS TO THE JOINT STRATEGIC PLAN**

5.1 Ensuring that the Council has the resources available underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

## **6. FINANCIAL IMPLICATIONS**

6.1 As detailed in the report and appendices.

## **7. LEGAL IMPLICATIONS**

7.1 There are no legal implications arising from this report.

## **8. RISK MANAGEMENT**

8.1 This report is linked to the Councils' Significant Risk Register risk 5(e) "If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan".

8.2 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investment this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils receive a poor return on investments, there will be fewer resources available to deliver services.	Highly Probable (4)	Noticeable (2)	Focus is on security and liquidity, therefore, careful cashflow management in accordance with the TM Strategy is undertaken throughout the year.
If the Councils have liquidity problems, they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.
If the Councils incur higher than expected borrowing costs, there will be fewer resources available to deliver services.	Unlikely (2)	Noticeable (2)	Benchmark is to borrow from the Public Works Loan Board whose rates are very low and can be on a fixed or variable basis. Research lowest rates available within borrowing boundaries and use other sources of funding and internal surplus funds temporarily.

## 9. CONSULTATIONS

- 9.1 None, although it should be noted that Babergh and Mid Suffolk have regular joint strategy meetings with the external treasury advisor, Arlingclose, who provide updates and advice on treasury management issues as they arise.

## 10. EQUALITY ANALYSIS

- 10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

## 11. ENVIRONMENTAL IMPLICATIONS

- 11.1 None directly related to this report.

## 12. APPENDICES

Title	Location
A Regulatory Framework, External and Local Context	Attached
B Borrowing activity	Attached
C Investment activity	Attached
D Prudential Indicators	Attached
E Glossary of Terms	Attached

## 13. BACKGROUND DOCUMENTS

13.1 CIPFA's Code of Practice on Treasury Management ("the Code").

13.2 Joint Treasury Management Strategy 2017/18 (Paper JAC93).

**1. Regulatory Framework**

- 1.1. In February 2012 the Councils adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Councils to approve a treasury management annual report after the end of each financial year.
- 1.2. This report fulfils the Councils' legal obligation to have regard to the CIPFA Code.
- 1.3. The Councils' treasury management strategy for 2017/18 was approved at meetings on 21 February 2017 (Babergh) and 23 February 2017 (Mid Suffolk) The Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils' treasury management strategy.

**2. External Context**

**2.1. Economic background:**

- 2.1.1. 2017/18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.
- 2.1.2. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.4% in the calendar year 2017, compared with 1.6% in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.
- 2.1.3. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November 2017 before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.2% in March 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now span Q2 of 2019 to Q4 of 2020. The Withdrawal Treaty has received royal assent in the UK but is yet to be ratified by the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

- 2.1.4. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate increase in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February *Inflation Report* indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. In June 2018 three MPC members voted to increase policy rates immediately but the MPC itself stopped short of committing itself to the timing of the next increase in rates, saying that any future increases will be at a gradual pace and to a limited extent. It seems likely that there will be an increase in 2018.
- 2.1.5. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and has yet to confirm its QE intention when asset purchases end in September 2018, the Central Bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Federal Reserve is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

## **2.2. Financial markets:**

- 2.2.1. The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31 March 2018 were 0.43%, 0.72% and 1.12% respectively.
- 2.2.2. Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.
- 2.2.3. The FTSE 100 had a strong finish to the calendar year 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

## **2.3. Credit background:**

- 2.3.1. In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

- 2.3.2. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1 January 2019. As there was some uncertainty surrounding which banking entities the Authority would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.
- 2.3.3. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non-ring-fenced bank.
- 2.3.4. The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21 January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends converting to the LVNAV structure and awaits confirmation from each fund.
- 2.4. **Credit Rating developments**
- 2.4.1. The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.
- 2.4.2. Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).
- 2.4.3. Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.
- 2.4.4. Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

### **3. Local Authority Regulatory Changes**

#### **3.1. Revised CIPFA Codes**

- 3.1.1. CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code will be incorporated into the forthcoming Treasury Management Strategies and monitoring reports.
- 3.1.2. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. The Code also expands on the process and governance issues of capital expenditure and investment decisions.
- 3.1.3. Both Councils will produce a Capital Strategy alongside the Treasury Management Strategy.
- 3.1.4. In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is to be identified and reported.

#### **3.2. MHCLG Investment Guidance and Minimum Revenue Provision (MRP)**

- 3.2.1. In February 2018 the Ministry of Housing, Communities and Local Government (MHCLG) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).
- 3.2.2. Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income returns and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should be in place in the event of investment yields falling.
- 3.2.3. The definition of prudent MRP has been changed to "put aside revenue over time to cover the Capital Financing Requirement" (CFR); it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment. The new policy must be applied to the outstanding CFR going forward only.

**3.3. MiFID II**

3.3.1. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3 January 2018 local authorities were automatically treated as retail clients but could “opt up” to professional client status, providing certain criteria were met which includes having an investment balance of at least £10m and the person(s) authorised to make investment decisions on behalf of the Council have at least a year’s relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

3.3.2. Both Councils have met the conditions to opt up to professional status and have done so in order to maintain their erstwhile MiFID II status prior to January 2018. The Councils will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

**4. Local Context**

4.1. On 31 March 2018, Babergh had net borrowing of £96.471m and Mid Suffolk had net borrowing of £110.309m arising from the revenue and capital income and expenditure activities. This is an increase of £19.732m for Babergh and £14.074m for Mid Suffolk from the 31 March 2017 position. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in Table 1 below.

**4.2. Table 1: Borrowing Summary**

<b>Babergh</b>	<b>31.3.17 Actual £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Actual £m</b>
General Fund CFR	18.609	12.577	31.186
HRA CFR	86.253	(0.500)	85.753
<b>Total CFR</b>	<b>104.862</b>	<b>12.077</b>	<b>116.939</b>
Less: Usable reserves	(22.254)	(2.795)	(25.049)
Add / (Less): Working Capital	(5.869)	10.450	4.581
<b>Net Borrowing</b>	<b>76.739</b>	<b>19.732</b>	<b>96.471</b>

<b>Mid Suffolk</b>	<b>31.3.17 Actual £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Actual £m</b>
General Fund CFR	22.241	13.592	35.833
HRA CFR	86.759	0.000	86.759
<b>Total CFR</b>	<b>109.000</b>	<b>13.592</b>	<b>122.592</b>
Less: Usable reserves	(22.723)	(6.660)	(29.383)
Add: Working Capital	9.958	7.142	17.100
<b>Net Borrowing</b>	<b>96.235</b>	<b>14.074</b>	<b>110.309</b>

## Appendix A cont'd

4.3. Both Councils' net borrowing has increased due to a rise in the CFR as new capital expenditure was higher than the financing applied, including minimum revenue provision. This was offset by an increase in usable reserves and a decrease in working capital due to the timing of receipts and payments and an increase in short term borrowing.

4.4. The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, to reduce risk and keep interest costs low.

### 4.5. **Table 2: Treasury Management Summary**

4.6. The treasury management position as at 31 March 2018 and the year-on-year change is shown in Table 2 below.

<b>Babergh</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Rate %</b>
Long-term borrowing	86.797	(0.500)	86.297	3.29%
Short-term borrowing	6.000	6.000	12.000	0.68%
<b>Total borrowing</b>	<b>92.797</b>	<b>5.500</b>	<b>98.297</b>	
Long-term investments	9.638	0.000	9.638	4.96%
Short-term investments	2.000	(2.000)	0.000	0.17%
Cash and Cash equivalents	4.039	(1.594)	2.445	0.22%
<b>Total investments</b>	<b>15.677</b>	<b>(3.594)</b>	<b>12.083</b>	
<b>Net Borrowing</b>	<b>77.120</b>	<b>9.094</b>	<b>86.214</b>	

<b>Mid Suffolk</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Rate %</b>
Long-term borrowing	74.887	(0.800)	74.087	3.88%
Short-term borrowing	22.500	6.500	29.000	0.79%
<b>Total borrowing</b>	<b>97.387</b>	<b>5.700</b>	<b>103.087</b>	
Long-term investments	9.642	0.000	9.642	4.94%
Short-term investments	2.000	(2.000)	0.000	0.15%
Cash and Cash equivalents	3.872	(1.478)	2.394	0.25%
<b>Total investments</b>	<b>15.514</b>	<b>(3.478)</b>	<b>12.036</b>	
<b>Net Borrowing</b>	<b>81.873</b>	<b>9.178</b>	<b>91.051</b>	

4.7. The figures in Table 2 are from the balance sheet in the statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.

4.8. Babergh and Mid Suffolk have both increased net borrowing to finance capital expenditure.

**1. Borrowing Activity**

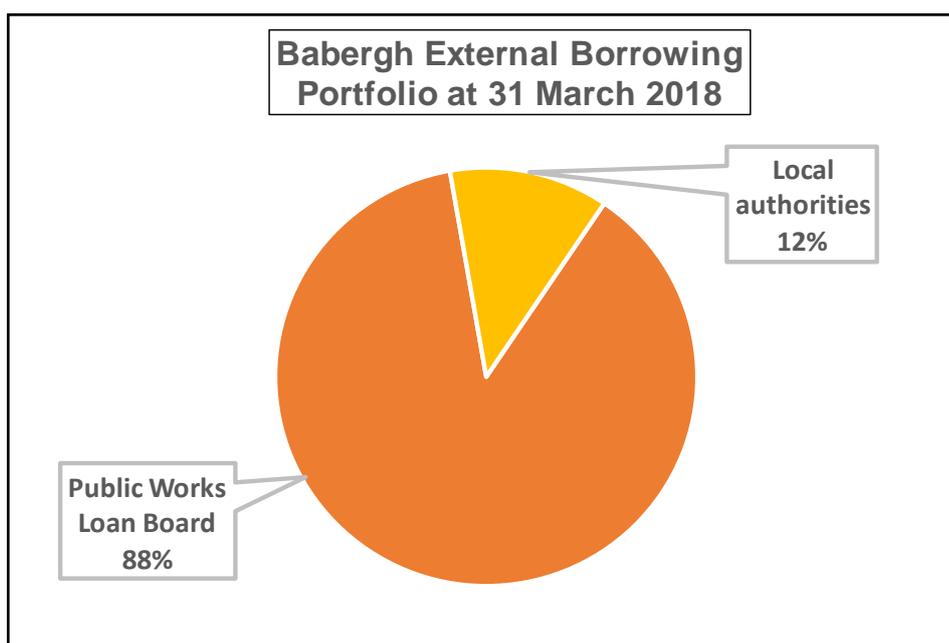
1.1. At 31 March 2018, Babergh held £98.297m of loans an increase of £5.5m on the previous year. Mid Suffolk held £103.087m of loans and increase of £5.7m on the previous year. These increases are part of both councils' strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in Table 3 below.

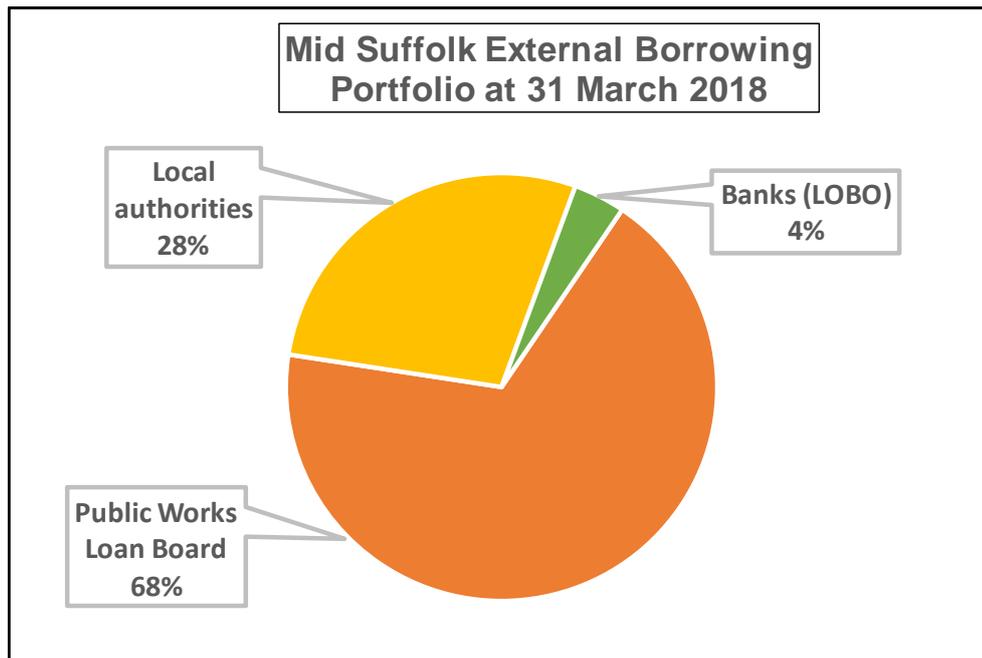
**1.2. Table 3: Borrowing Position**

<b>Babergh</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Average Rate %</b>
Public Works Loan Board	86.797	(0.500)	86.297	3.29%
Local authorities (short-term)	6.000	6.000	12.000	0.68%
<b>Total borrowing</b>	<b>92.797</b>	<b>5.500</b>	<b>98.297</b>	

<b>Mid Suffolk</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Average Rate %</b>
Public Works Loan Board	70.887	(0.800)	70.087	3.55%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (short-term)	22.500	6.500	29.000	0.79%
<b>Total borrowing</b>	<b>97.387</b>	<b>5.700</b>	<b>103.087</b>	

**1.3. Table 3 - Charts: Borrowing Position**





- 1.4. The Councils' objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Councils' long-term plans change being a secondary objective.
- 1.5. All new loans for Babergh and Mid Suffolk were taken as short term local authority borrowing to take advantage of low interest rates in 2017/18. This strategy enabled the Councils to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The "cost of carry" analysis performed by the Councils' treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.
- 1.6. Mid Suffolk continues to hold £4m of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The banks did not exercise their option during 2017/18.

**1. Investment Activity**

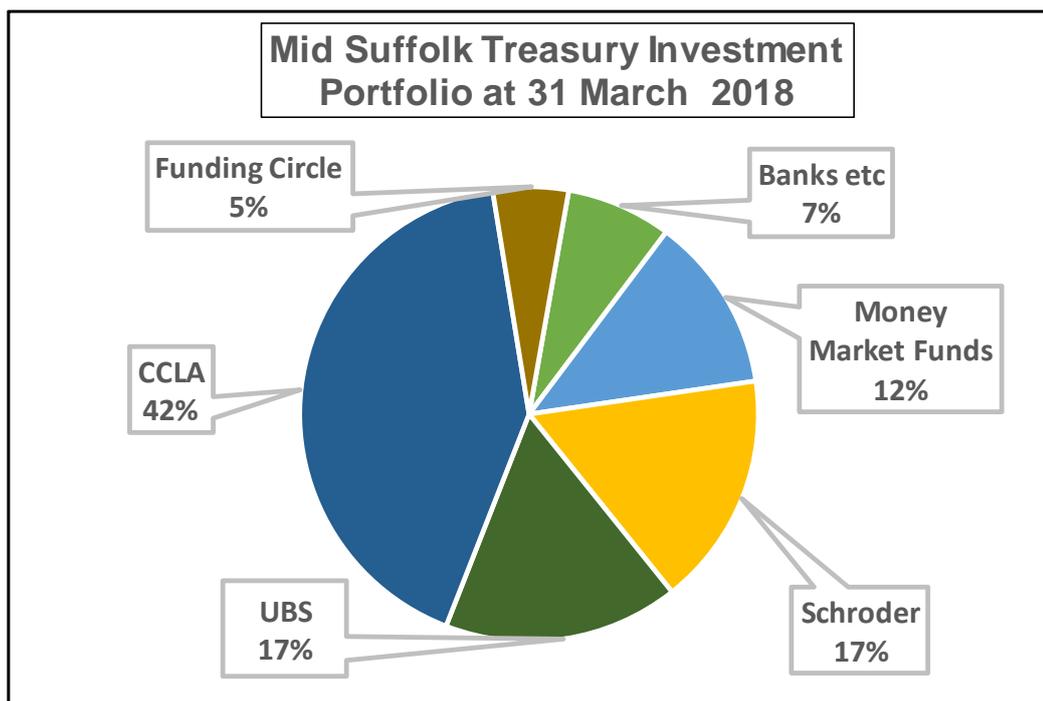
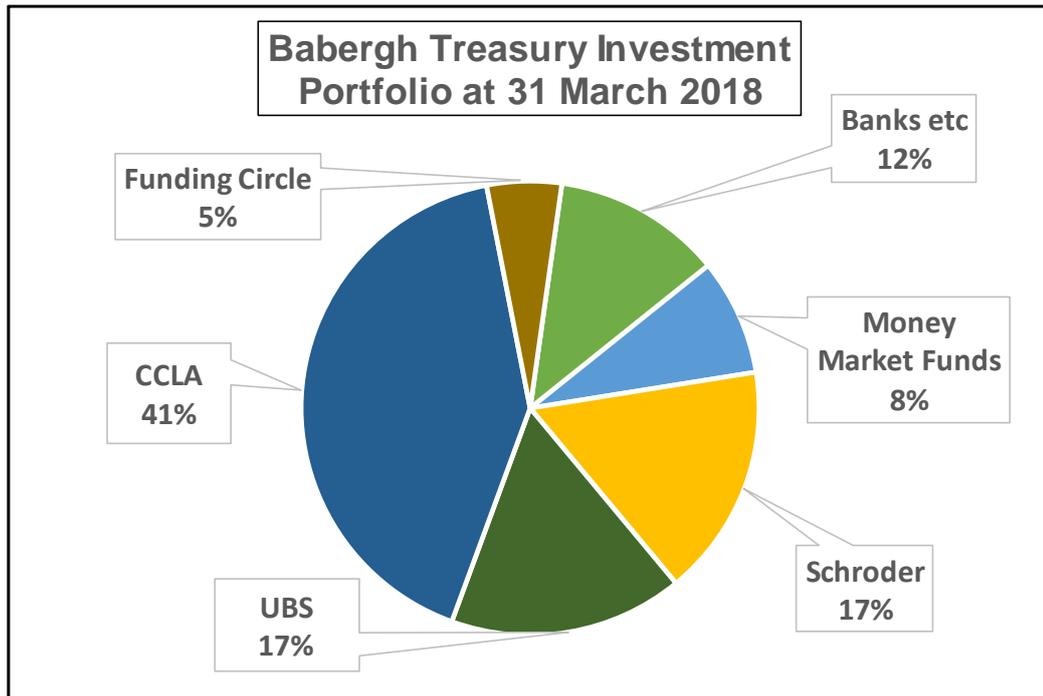
1.1. Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2017/18, Babergh's Investment balance ranged between £11.667m and £23.335m. Mid Suffolk's investment balance ranged between £11.089m and £22.709m. These movements are due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4 below.

**1.2. Table 4: Investment Position**

<b>Babergh</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Average Rate %</b>
Banks & building societies (unsecured)	1.339	0.106	1.445	0.15%
Government (incl. local authorities)	2.000	(2.000)	0.000	0.17%
Money Market Funds	2.700	(1.700)	1.000	0.24%
Schroder	2.000	0.000	2.000	6.86%
UBS	2.000	0.000	2.000	3.74%
CCLA	5.000	0.000	5.000	4.54%
Funding Circle	0.638	0.000	0.638	4.54%
<b>Total investments</b>	<b>15.677</b>	<b>(3.594)</b>	<b>12.083</b>	

<b>Mid Suffolk</b>	<b>31.3.17 Balance £m</b>	<b>2017/18 Movement £m</b>	<b>31.3.18 Balance £m</b>	<b>31.3.18 Average Rate %</b>
Banks & building societies (unsecured)	0.572	0.322	0.894	0.15%
Government (incl. local authorities)	2.000	(2.000)	0.000	0.15%
Money Market Funds	3.300	(1.800)	1.500	0.28%
Schroder	2.000	0.000	2.000	6.86%
UBS	2.000	0.000	2.000	3.73%
CCLA	5.000	0.000	5.000	4.47%
Funding Circle	0.642	0.000	0.642	4.63%
<b>Total investments</b>	<b>15.514</b>	<b>(3.478)</b>	<b>12.036</b>	

**1.3. Table 4 - Charts: Investment Position**



1.4. Both the CIPFA Code and government guidance requires Councils to invest their funds prudently, and to have regard to the security and liquidity of investments before seeking the highest rate of return, or yield. The Councils' objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

## Appendix C cont'd

- 1.5. Babergh and Mid Suffolk have both followed the treasury strategy to move investments into long term pooled funds. No new investments were made in these during 2017/18. They have generated higher returns for the Councils in a period when interest rates are falling. The remaining investments are short term and highly liquid to ensure both Councils can meet their liabilities.
- 1.6. As a result, Credit Scores and Bail-in Exposure has increased for both Councils. Bail-in exposure is the percentage of our investments that could be lost if banks were to fail, while the average rate of return has increased from 3.69% to 5.10% for Babergh and from 3.50% to 5.08% for Mid Suffolk respectively. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

### 1.7. **Table 5: Investment Benchmarking**

<b>Babergh</b>	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Rate of Return</b>
31.03.2017	4.81	A+	61%	3.69%
30.06.2017	5.53	A	88%	4.78%
30.09.2017	5.29	A+	90%	4.69%
31.12.2017	5.37	A+	94%	4.35%
31.03.2018	6.21	A	85%	5.10%
<b>Similar LAs</b>	<b>4.22</b>	<b>AA-</b>	<b>53%</b>	<b>1.32%</b>
<b>All Las</b>	<b>4.24</b>	<b>AA-</b>	<b>55%</b>	<b>1.08%</b>

<b>Mid Suffolk</b>	<b>Credit Score</b>	<b>Credit Rating</b>	<b>Bail-in Exposure</b>	<b>Rate of Return</b>
31.03.2017	4.63	A+	59%	3.50%
30.06.2017	5.29	A+	88%	4.87%
30.09.2017	5.25	A+	90%	4.93%
31.12.2017	6.29	A	83%	6.17%
31.03.2018	5.85	A	85%	5.08%
<b>Similar LAs</b>	<b>4.22</b>	<b>AA-</b>	<b>53%</b>	<b>1.32%</b>
<b>All Las</b>	<b>4.24</b>	<b>AA-</b>	<b>55%</b>	<b>1.08%</b>

- 1.8. Both Councils' Bail-in Exposure is above the Similar and All Local Authority averages because the investments are mainly in unsecured deposits (e.g. pooled funds and money market funds). These are generally higher risk with higher expected returns.
- 1.9. Babergh's best performing investments in 2017/18 were its £9.6m of externally managed pooled equity, property and multi asset funds. These generated an average total return on investment of 4.99%.
- 1.10. Mid Suffolk's best performing investments in 2017/18 were its £9.6m of externally managed pooled equity, property and multi asset funds. These generated an average total return on investment of 4.97%.

1.11. These funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils' investment objectives is regularly reviewed. In light of their strong performance and the latest cash flow forecasts, investment in these funds has been maintained for the 2018/19 financial year.

## **2 Other Non-Treasury Holdings and Investment Activity**

### **2.1 Investment Property**

2.1.1 During 2016/17 Babergh District Council purchased Borehamgate Shopping Centre in Sudbury for £3.56m. This has been classified as an investment property and on 31 March 2018, the District Valuer assessed its Fair Value at £4m. Net Income, after the deduction of direct costs, was £260k in 2017/18 (£143k in 2016/17).

### **2.2 Trading Companies**

2.2.1 Following approval by both Full Councils in April 2017 to set up a holding company for each Council, activity to invest £50m for capital investment began with their first purchase in December 2017. During 2017/18 a total of £24.6m of the £50m has been spent, with the remainder expected to be invested by December 2018.

2.2.2 Interest receivable by the Councils during the year was £173k, in total, for both Councils.

## **3 Performance Report**

3.1 The Councils measure the financial performance of treasury management activities in terms of their impact on the General Fund and HRA budgets as shown in Table 6 below.

### **3.2 Table 6 Treasury Activity - Performance**

<b>Babergh</b>	<b>2017/18 Actual £m</b>	<b>2017/18 Budget £m</b>	<b>2017/18 Adverse/ (Favourable) £m</b>	<b>2017/18 Actuals Compared to budget %</b>	<b>2017/18 Adverse / (Favourable) Budget %</b>
Interest receivable	(0.551)	(0.433)	(0.118)	127.25	0.273
GF Interest Payable	0.011	0.008	0.003	137.50	0.375
HRA Interest Payable	2.844	2.803	0.041	101.46	0.015

<b>Mid Suffolk</b>	<b>2017/18 Actual £m</b>	<b>2017/18 Budget £m</b>	<b>2017/18 Adverse/ (Favourable) £m</b>	<b>2017/18 Actuals Compared to budget %</b>	<b>2017/18 Adverse / (Favourable) Budget %</b>
Interest receivable	(0.535)	(0.381)	(0.154)	140.42	0.404
GF Interest Payable	0.043	0.083	(0.040)	51.81	(0.482)
HRA Interest Payable	2.704	3.042	(0.338)	88.89	(0.111)

## Appendix C cont'd

3.3 The interest receivable income for both Babergh and Mid Suffolk were above budget by £118k and £154k respectively. This is due to the higher than expected returns from long term pooled funds in the CCLA, UBS, Funding Circle and Schroder Income Maximiser Fund.

3.4 The short-term interest payable for the year was under budget by £40k for Mid Suffolk. The budgets for the PWLB interest payable (HRA only) were slightly understated for Babergh and overstated for Mid Suffolk. These have been reviewed for 2018/19.

### 3.5 Long term investment returns

3.5.1 Babergh and Mid Suffolk have both invested in long term pooled funds. Below are details of how these investments have performed from the date of the initial investment to 31 March 2018.

<b>CCLA</b>	<b>Babergh £</b>	<b>Mid Suffolk £</b>
Amount Invested	5,000,000	5,000,000
Investment Valued at 31 March 2018	4,927,415	4,851,201
Interest received from date of initial investment	658,404	605,239
Management Expenses Paid	(76,996)	(71,041)
<b>Net Interest received from date of initial investment</b>	<b>581,407</b>	<b>534,198</b>
<b>Net Interest received 2017/18</b>	<b>227,028</b>	<b>223,516</b>
<b>Rate of Return 2017/18</b>	<b>4.54%</b>	<b>4.47%</b>

3.5.2 Babergh and Mid Suffolk both invested into the Schroder Income maximiser fund on 10 February 2017.

<b>Schroder Maximiser Fund</b>	<b>Babergh £</b>	<b>Mid Suffolk £</b>
Amount Invested	2,000,000	2,000,000
Investment Valued at 31 March 2018	1,926,959	1,926,959
<b>Net Interest received</b>	<b>137,129</b>	<b>137,129</b>
<b>Rate of Return 2017/18</b>	<b>6.86%</b>	<b>6.86%</b>

3.5.3 Babergh District Council invested into the UBS on 26 November 2015, whilst Mid Suffolk invested into the fund on 28 March 2017.

<b>UBS</b>	<b>Babergh £</b>	<b>Mid Suffolk £</b>
Amount Invested	2,000,000	2,000,000
Investment Valued at 31 March 2018	1,923,289	1,919,890
<b>Net Interest received from date of initial investment</b>	<b>192,368</b>	<b>96,210</b>
<b>Net Interest received 2017/18</b>	<b>74,744</b>	<b>74,612</b>
<b>Rate of Return 2017/18</b>	<b>3.74%</b>	<b>3.73%</b>

3.5.4

<b>Funding Circle</b>	<b>Babergh £</b>	<b>Mid Suffolk £</b>
Amount Invested - National	613,000	617,000
Amount Invested - Local	25,000	25,000
<b>Total Amount Invested</b>	<b>638,000</b>	<b>642,000</b>
Bad debts	(15,540)	(16,357)
<b>Net Investments</b>	<b>622,460</b>	<b>625,643</b>
Income received	70,855	74,643
Cash back	20	20
Servicing costs	(8,332)	(8,823)
<b>Net Income received from date of initial investment</b>	<b>62,543</b>	<b>65,840</b>
Invested but still Unallocated - National	165,834	178,360
Invested but still Unallocated - Local	24,166	24,166
<b>Net Interest received 2017/18</b>	<b>28,996</b>	<b>29,703</b>
<b>Rate of Return 2017/18</b>	<b>4.54%</b>	<b>4.63%</b>

**4. Compliance Report**

- 4.1. The Section 151 Officer is pleased to report that all treasury management activities undertaken during 2017/18 complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy.
- 4.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 7 below.
- 4.3. **Table 7: Debt Limits**

<b>Total Borrowing</b>	<b>2017/18 Maximum £m</b>	<b>31.3.18 Actual £m</b>	<b>2017/18 Operational Boundary</b>	<b>2017/18 Authorised Limit</b>	<b>Complied</b>
Babergh	98.297	98.297	123.000	126.000	✓
Mid Suffolk	103.090	103.087	127.000	146.000	✓

- 4.4. Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

**4.5. Table 8: Investment Limits**

Compliance with specific investment limits is demonstrated in Table 8 as follows.

<b>Babergh</b>	<b>2017/18 Maximum</b>	<b>31.3.18 Actual</b>	<b>2017/18 Limit</b>	<b>Complied</b>
Any single organisation, except the UK Central Government	£2.120m	£1.445m	£2m	x
Any group of organisations under the same ownership	£0m	£0m	£1m	✓
Any group of pooled funds under the same management	£5m	£5m	£5m	✓
Negotiable instruments held in a broker's nominee account	£0m	£0m	£10m	✓
Foreign countries	£0m	£0m	£2m	✓
Registered Providers	£0m	£0m	£5m	✓
Unsecured investments with Building Societies	£0m	£0m	£2m	✓
Loans to unrated corporates	£0.638m	£0.638m	£1m	✓
Money Market Funds	£2m	£2m	£2m	✓

<b>Mid Suffolk</b>	<b>2017/18 Maximum</b>	<b>31.3.18 Actual</b>	<b>2017/18 Limit</b>	<b>Complied</b>
Any single organisation, except the UK Central Government	£1.079m	£0.894m	£1m	x
Any group of organisations under the same ownership	£0m	£0m	£1m	✓
Any group of pooled funds under the same management	£5m	£5m	£5m	✓
Negotiable instruments held in a broker's nominee account	£0m	£0m	£10m	✓
Foreign countries	£1m	£1m	£2m	✓
Registered Providers	£0m	£0m	£5m	✓
Unsecured investments with Building Societies	£0m	£0m	£2m	✓
Loans to unrated corporates	£0.642m	£0.642m	£1m	✓
Money Market Funds	£2m	£2m	£2m	✓

4.6. It should be noted that both Councils' Treasury Management activity for 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one day for both Councils, exceeded their daily bank account limits with Lloyds, (Babergh by £120k and Mid Suffolk by £79k) both Councils have complied with all the Treasury Management Indicators for this period.

**5. Treasury Management Indicators**

5.1. The Councils measure and manage their exposure to treasury management risks using the following indicators:

5.2. **Security:** Babergh and Mid Suffolk have adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

**5.3. Table 9: Credit Scores**

<b>Credit Scores</b>	<b>31.3.18 Actual</b>	<b>2017/18 Target</b>	<b>Complied</b>
Babergh Portfolio average Credit Score	6.21	7.00	✓
Mid Suffolk Portfolio average Credit Score	5.85	7.00	✓

5.4. **Interest Rate Exposures:** This indicator is set to control the Councils' exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed was:

5.5. **Table 10: Fixed Interest rate exposure**

<b>Fixed Interest rate exposure</b>	<b>31.3.18 Actual £m</b>	<b>2017/18 Limit £m</b>	<b>Complied</b>
Babergh Upper limit on fixed interest rate exposure	86.30	138.00	✓
Babergh Upper limit on variable interest rate exposure	12.00	35.00	✓
Mid Suffolk Upper limit on fixed interest rate exposure	74.09	127.00	✓
Mid Suffolk Upper limit on variable interest rate exposure	29.00	40.00	✓

5.6. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

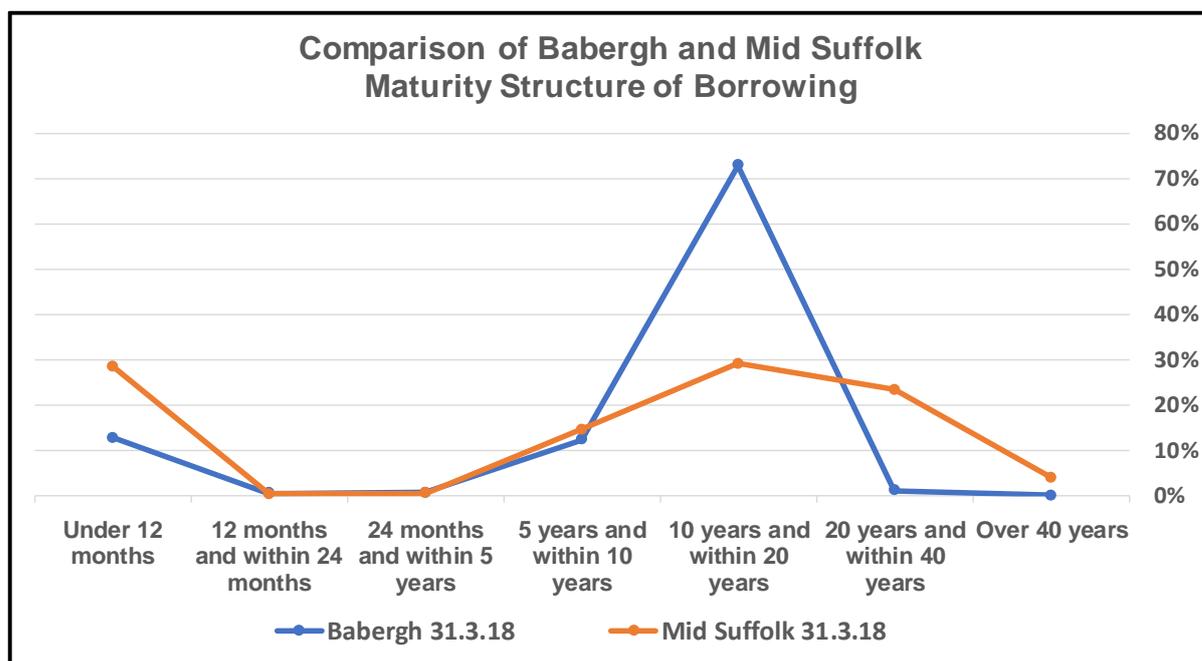
5.7. **Maturity Structure of Borrowing:** This indicator is set to control the Councils' exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

5.8. **Table 11: Maturity Structures**

<b>Age Profile of Maturity</b>	<b>Babergh 31.3.18 Actual</b>	<b>Mid Suffolk 31.3.18 Actual</b>	<b>Lower Limit</b>	<b>Upper Limit</b>	<b>Complied</b>
Under 12 months	12.72%	28.42%	0%	50%	✓
12 months and within 24 months	0.51%	0.29%	0%	50%	✓
24 months and within 5 years	0.56%	0.44%	0%	50%	✓
5 years and within 10 years	12.21%	14.55%	0%	100%	✓
10 years and within 20 years	72.89%	29.10%	0%	100%	✓
20 years and within 40 years	1.12%	23.32%	0%	100%	✓
Over 40 years	0.00%	3.88%	0%	100%	✓

5.9. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**5.10. Table 11 Chart: Maturity Structures**



**5.11. Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

**5.12. Table 12: Principal Sums**

<b>Babergh</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

<b>Mid Suffolk</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

**5.13.** Whilst the investments that have been made in CCLA, UBS, Schroder and Funding Circle are intended to benefit from longer term higher returns, they can be redeemed on a short-term basis.

**1. Prudential Indicators**

**1.1. Introduction**

1.1.1. The Local Government Act 2003 requires the councils to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.1.2. This report compares the approved indicators with the outturn position for 2017/18. Actual figures have been taken from or prepared on a basis consistent with, the Councils' statements of accounts.

**1.2. Capital Expenditure**

1.2.1. The Councils' capital expenditure and financing may be summarised as follows:

<b>Babergh District Council</b>		
<b>Capital Expenditure and Financing</b>	<b>2017/18 Estimate £m</b>	<b>2017/18 Actual £m</b>
General Fund	14.450	13.908
HRA	13.046	8.528
<b>Total Expenditure</b>	<b>27.496</b>	<b>22.436</b>
Capital Receipts	3.754	0.895
Grants and Contributions	0.366	0.563
Revenue Contributions and Reserves	4.405	4.339
Major Repairs Reserve	2.735	3.235
Borrowing	16.236	13.404
<b>Total Financing</b>	<b>27.496</b>	<b>22.436</b>

<b>Mid Suffolk District Council</b>		
<b>Capital Expenditure and Financing</b>	<b>2017/18 Estimate £m</b>	<b>2017/18 Actual £m</b>
General Fund	31.873	14.835
HRA	7.751	6.916
<b>Total Expenditure</b>	<b>39.624</b>	<b>21.751</b>
Capital Receipts	2.002	1.116
Grants and Contributions	0.406	0.733
Revenue Contributions and Reserves	3.074	2.211
Major Repairs Reserve	2.762	3.442
Borrowing	31.380	14.249
<b>Total Financing</b>	<b>39.624</b>	<b>21.751</b>

**2. Prudential Indicator Compliance**

**2.1. Capital Financing Requirement**

2.1.1. The Capital Financing Requirement (CFR) measures the Councils' underlying need to borrow for capital purposes.

<b>Babergh District Council</b>			
<b>Capital Expenditure and Financing</b>	<b>31.3.18 Estimate £m</b>	<b>31.3.18 Actual £m</b>	<b>Difference £m</b>
General Fund	31.564	31.186	(0.378)
HRA	88.119	85.753	(2.366)
<b>Total CFR</b>	<b>119.683</b>	<b>116.939</b>	<b>(2.744)</b>

<b>Mid Suffolk District Council</b>			
<b>Capital Expenditure and Financing</b>	<b>31.3.18 Estimate £m</b>	<b>31.3.18 Actual £m</b>	<b>Difference £m</b>
General Fund	52.964	35.833	(17.131)
HRA	86.759	86.759	0.000
<b>Total CFR</b>	<b>139.723</b>	<b>122.592</b>	<b>(17.131)</b>

2.1.2. As shown in Appendix A Table 1, the CFR increased during the year for Babergh by £12.077m and for Mid Suffolk by £13.592m as capital expenditure financed by debt outweighed resources put aside for debt repayment.

**3. Actual Debt**

3.1. The Councils' actual debt at 31 March 2018 was as follows:

<b>Total Debt</b>	<b>31.3.18 Estimate £m</b>	<b>31.3.18 Actual £m</b>	<b>Difference £m</b>
Babergh District Council	109.033	98.297	(10.736)
Mid Suffolk District Council	143.763	103.087	(40.676)

**4. Gross Debt and the Capital Financing Requirement**

4.1. In order to ensure that over the medium-term debt will only be for a capital purpose, the Councils should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

<b>Babergh District Council</b>			
<b>Debt and CFR</b>	<b>31.3.18 Actual £m</b>	<b>31.3.19 Estimate £m</b>	<b>31.3.20 Estimate £m</b>
Total Debt	98.297	127.020	133.760
Capital financing requirement	116.939	136.236	141.365
<b>Headroom</b>	<b>18.642</b>	<b>9.216</b>	<b>7.605</b>

<b>Mid Suffolk District Council</b>			
<b>Debt and CFR</b>	<b>31.3.18 Actual £m</b>	<b>31.3.19 Estimate £m</b>	<b>31.3.20 Estimate £m</b>
Total Debt	103.087	143.760	147.100
Capital financing requirement	122.592	154.309	156.238
<b>Headroom</b>	<b>19.505</b>	<b>10.549</b>	<b>9.138</b>

4.2. The total debt remained below the CFR during the forecast period.

**5. Operational Boundary for External Debt**

5.1. The operational boundary is based on the Councils' estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Councils' estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring.

<b>Operational Boundary and Total Debt</b>	<b>31.3.18 Boundary £m</b>	<b>31.3.18 Actual Debt £m</b>	<b>Complied</b>
Babergh District Council	120.000	98.297	√
Mid Suffolk District Council	140.000	103.087	√

**6. Authorised Limit for External Debt**

6.1. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Councils can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit and Total Debt</b>	<b>31.3.18 Limit £m</b>	<b>31.3.18 Actual Debt £m</b>	<b>Complied</b>
Babergh District Council	130.000	98.297	√
Mid Suffolk District Council	150.000	103.087	√

**7. Ratio of Financing Costs to Net Revenue Stream**

7.1. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Babergh District Council</b>			
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31.3.18 Estimate %</b>	<b>31.3.18 Actual %</b>	<b>Difference %</b>
General Fund	3.03%	2.36%	(0.67)%
HRA	17.79%	17.95%	0.16%

<b>Mid Suffolk District Council</b>			
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31.3.18 Estimate %</b>	<b>31.3.18 Actual %</b>	<b>Difference %</b>
General Fund	0.12%	1.23%	1.11%
HRA	19.28%	19.24%	(0.04)%

**8. Adoption of the CIPFA Treasury Management Code**

8.1. The Councils adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice 2011 Edition" in February 2012.

**9. HRA Limit on Indebtedness**

9.1. The Councils' HRA CFRs should not exceed the limit imposed by the Ministry for Housing, Communities and Local Government (MHCLG).

<b>HRA CFR</b>	<b>31.3.18 Limit £m</b>	<b>31.3.18 Actual £m</b>	<b>Complied</b>
Babergh District Council	97.849	85.753	√
Mid Suffolk District Council	90.851	86.759	√

**Glossary of Terms**

CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CPIH	Consumer Price Index Housing. A measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
LVNAV	Low Volatility Net Asset Value. A new type of Low Volatility Net Asset Value Money Market Fund - a new fund category introduced as part of a new regulatory reform of the sector in Europe.
MiFiD	The Markets in Financial Instruments Directive (2014/65/EU) (MiFiD II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

# Agenda Item 9

## BABERGH and MID SUFFOLK DISTRICT COUNCILS

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> <b>JAC/18/4</b>
<b>FROM:</b> Katherine Steel, Assistant Director - Corporate Resources	<b>DATE OF MEETING:</b> 30 July 2018
<b>OFFICERS:</b> Melissa Evans, Corporate Manager - Finance Sharon Bayliss, Senior Finance Business Partner	

### NON-SALARY EXPENSES 2017/18

#### 1. PURPOSE OF REPORT

- 1.1 To provide information in relation to the non-salary expenses of the Senior Leadership Team across Babergh and Mid Suffolk District Councils.

#### 2. OPTIONS CONSIDERED

- 2.1 This report is to provide information to the committee

#### 3. RECOMMENDATION

- 3.1 To review the information contained within the report and to outline whether any further information or explanation is required.

#### REASON FOR DECISION

No decision is required, this is purely for review and comment

#### 4. KEY INFORMATION

- 4.1 This report shows the non-salary expenses paid to the Chief Executive, Deputy Chief Executive, Strategic Directors, and Assistant Directors for the financial year 2017/18. The details of these expenses are shown in Appendix A. Please note the job titles are those that were applicable during the financial year being reported.
- 4.2 Travel costs are the largest element of the expenses (75%) shown in Appendix A, they are however, lower than in 2016/17 (90%). An important element of this is travel undertaken to work collaboratively across Suffolk and East Anglia and to promote the Councils' reputation at a national level.
- 4.3 Conferences are attended in order to keep up to date with what is happening in the public sector as a whole, and also in specialist areas to ensure that the Councils are reflecting current and best practice. This is increasingly important as the Councils' move towards working within a more commercial environment. These events provide a good opportunity to network and learn from other local authorities across the country to ensure officers are well equipped to take advantage of the opportunities that the changing landscape of local government presents.

4.4 The total non-salary expenses paid in 2017/18 represents 1.5% of the salary costs of this particular group of staff for the same time period.

4.5 The last report that was presented to the Joint Audit and Standards Committee on 17 July 2017 (Paper JAC/17/3) showed the expenses for 2016/17. These totals along with the detailed 2017/18 expenses have been included in Appendix B for comparative purposes.

## **5. LINKS TO JOINT STRATEGIC PLAN**

5.1 Ensuring that our financial resources are used as efficiently and effectively as possible is an aim of the Enabled and Efficient Organisation theme – the right people are doing the right things, in the right way, at the right time, for the right reasons.

## **6. FINANCIAL IMPLICATIONS**

6.1 As outlined in the information in the report.

## **7. LEGAL IMPLICATIONS**

7.1 None.

## **8. RISK MANAGEMENT**

8.1 This report is not closely linked with the Council's Corporate / Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the expenses are not reviewed, then there is a risk they could become excessive.	2 - Unlikely	2 - Noticeable	Quarterly budget monitoring to Cabinet and then annually by Joint Audit and Standards Committee.

## **9. CONSULTATIONS**

9.1 None.

## **10. EQUALITY ANALYSIS**

10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

## **11. ENVIRONMENTAL IMPLICATIONS**

11.1 None.

## **12. APPENDICES**

	Title	Location
A	Non Salary Expenses for 2017/18	Attached
B	Non Salary Expenses for 2016/17	Attached

	Note	Travel	Subsistence	Conference Attendance Fees	Professional Subscriptions	TOTAL
Chief Executive		2,943	263	392	377	3,975.75
Deputy Chief Executive	1	1,060	-	-	203	1,263.11
Strategic Director - Place		133	-	-	232	364.72
Strategic Director	2	514	506	987	-	2,006.17
Strategic Director - People		1,735	-	-	-	1,735.16
Strategic Director		241	-	-	-	240.75
Assistant Director Corporate Resources		654	-	336	155	1,144.88
Assistant Director Communities and Public Access		1,359	-	-	-	1,358.50
Assistant Director Law and Governance		294	-	345	102	740.50
Assistant Director Environment and Projects		1,759	-	-	-	1,758.91
Assistant Director Supported Living	3	166	-	-	-	165.85
Assistant Director Housing		125	28	-	-	152.34
Assistant Director Customer Services		575	99	-	-	674.03
Assistant Director Investment and Commercial Delivery		1,541	225	646	-	2,411.97
Assistant Director Planning for Growth		1,178	-	-	-	1,178.46
<b>2017/18 TOTAL</b>		<b>14,277</b>	<b>1,120</b>	<b>2,706</b>	<b>1,068</b>	<b>19,171.10</b>

Note

- 1) Deputy Chief Executive on secondment to Kingston Upon Thames (25/09/17 to 31/03/2018)
- 2) Strategic Director - started 14/10/2017
- 3) Assistant Director Supported Living left the organisation on 02/06/2017. Assistant Director Housing started 30/11/2017

## Non Salary Expenses 2016/17

	Note	Travel	Subsistence	Conference Attendance Fees	Professional Subscriptions	TOTAL
Chief Executive	1	1,648	82	-	-	1,730
Deputy Chief Executive / Strategic Director Place		2,787	-	470	102	3,358
Strategic Director - People		2,103	-	627	102	2,831
Assistant Director Corporate Resources		902	-	114	155	1,171
Assistant Director Communities and Public Access		1,672	-	-	-	1,672
Assistant Director Law and Governance	2	-	-	-	-	-
Assistant Director Environment and Commercial Partnerships		2,685	10	-	-	2,695
Assistant Director Housing		2,093	-	-	-	2,093
Assistant Director Investment and Commercial Delivery		1,796	-	-	-	1,796
Assistant Director Planning for Growth		1,268	-	169	-	1,437
<b>2016/17 TOTAL</b>		<b>16,955</b>	<b>91</b>	<b>1,379</b>	<b>358</b>	<b>18,783</b>

Note

- 1) Includes both previous and current post-holder expenses
- 2) Assistant Director Law and Governance in post from 1 March 2017

# Agenda Item 10

## BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

<b>COMMITTEE:</b> Joint Audit and Standards Committee	<b>REPORT NUMBER:</b> <b>JAC/18/5</b>
<b>FROM:</b> Monitoring Officer	<b>DATE OF MEETING:</b> 30 July 2018
<b>OFFICER:</b> Emily Yule – Assistant Director for Law & Governance and Monitoring Officer	

### CODE OF CONDUCT COMPLAINTS MONITORING REPORT

#### 1. PURPOSE OF REPORT

- 1.1 To report on Code of Conduct complaints received or determined since the last time that such complaints were reported to the Committee

#### 2. OPTIONS CONSIDERED

- 2.1 The Monitoring Officer is required by the constitution to regularly report complaints to the Joint Audit and Standards Committee. Therefore no other options are applicable.

#### 3. RECOMMENDATION

- 3.1 That the Code of Conduct Complaints monitoring information be noted.

#### 4. KEY INFORMATION

- 4.1 This report covers complaints received in the 3 months from 1 March to 30 June 2018. The complaints are listed in the table below:

Table 1: Summary of complaints

	<b>BDC</b>	<b>MSDC</b>	<b>TOTAL</b>
<b>Number of complaints received since last meeting</b>	7	3	10
<b>Number of complaints against District Councillors</b>	5	2	7
<b>Number of complaints against Parish Councillors</b>	2	1	3
<b>Number of complaints upheld &amp; action taken</b>	0	0	0
<b>Number of findings of no breach of the Code &amp; no action taken</b>	4	1	5
<b>Number of complaints under consideration/ pending decision</b>	3	2	5

- 4.2 The volume of complaints received has remained consistent with the previous quarter. However, there were more complaints received about district Councillors than town and parish Councillors in the past three months. There is no obvious reason for this.

- 4.3 None of the complaints were determined to be breaches of the code of conduct. One of the complaints related to the alleged non-disclosure of a disclosable pecuniary interest and the complainant was advised that this should be referred to the police. A number of the complaints related to comments posted on social media.
- 4.4 The Monitoring Officer and Deputies continue to receive a high number of enquiries for pre-complaint advice and from Town and Parish councils requesting procedural and governance advice.

## **5. LINKS TO JOINT STRATEGIC PLAN**

- 5.1 Good governance underpins the delivery of all priorities within the Joint Strategic Plan. The Suffolk Local Code of Conduct is an integral part of that governance framework.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 There are no direct financial implications arising from this report.

## **7. LEGAL IMPLICATIONS**

- 7.1 Under the Localism Act 2011, the Monitoring Officer is required to establish a local code of conduct for councillors and to investigate complaints made relating to breaches of that code.

## **8. RISK MANAGEMENT**

- 8.1 Key Risks are set out below:

<b>Risk Description</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation Measures</b>
Complaints are not handled promptly	2 - Unlikely	1 - Minimal	Monitoring of complaints
Decisions are not sound	2 - Unlikely	3 - Bad	Apply adopted procedures

## **9. CONSULTATIONS**

- 9.1 Where appropriate the Monitoring Officer is required to consult the

## **10. EQUALITY ANALYSIS**

- 10.1 Equality Impact Assessment (EIA) not required.

## **11. ENVIRONMENTAL IMPLICATIONS**

- 11.1 There are no environmental implications associated with this report.

## **12. BACKGROUND DOCUMENTS**

- 12.1 None.

# Agenda Item 11

## BABERGH AND MID SUFFOLK DISTRICT COUNCILS

<b>From: Corporate Manager – Democratic Services</b>	<b>Report Number: JAC/18/6</b>
<b>To: Joint Audit and Standards Committee</b>	<b>Date of Meeting: 30 July 2018</b>

### JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN

#### Date of Committee – 24 September 2018

Topic	Purpose	Lead Officer
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

#### Date of Committee – 12 November 2018

Topic	Purpose	Lead Officer
Mid Year Report on Treasury Management 2018/19	To note and make Recommendations to both full Councils	Corporate Manager – Financial Services
Joint Annual Audit Letter for 2017/18	For comment and agreement	Corporate Manager – Financial Services
Interim Internal Audit Report 2018/19	To note the progress of the Audit Plan	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

#### Date of Committee – 14 January 2019

Topic	Purpose	Lead Officer
Joint Treasury Management Strategy	To note and make Recommendations to both full Councils	Cabinet Members - Finance
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

**Date of Committee – 11 March 2019**

<b>Topic</b>	<b>Purpose</b>	<b>Lead Officer</b>
Certification of Claims and Returns	To note	Ernst and Young
Joint Audit Plan 2018/19	To note	Ernst and Young
Managing the Risk of Fraud and Corruption - Annual Report	For comment and agreement	Corporate Manager – Internal Audit
Internal Audit Plan 2019/20	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer