

IPSWICH BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2007/08

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1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. The Council's accounts for the year ended 31st March 2008 are set out in this publication and they consist of the following: -

- Statement of Accounting Policies (explains the basis of the figures used in the accounts).
- Responsibilities for the Statement of Accounts.
- Approval of the Statement of Accounts.
- Income and Expenditure Account (summarises the Council's net expenditure for all services).
- Statement of Movement on the General Fund Balance (includes those items in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non statutory proper practices to be charged or credited to the General Fund).
- Statement of Total Recognised Gains and Losses (brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth).
- Balance Sheet (sets out the financial position of the Council on 31st March 2008).
- Cash Flow Statement (summarises the movements of cash arising from transactions with third parties for revenue and capital purposes).
- Housing Revenue Account (covers income and expenditure on council housing).
- Collection Fund (records transactions relating to the Council Tax and National Non-Domestic Rates).
- Group Accounts (provide a summary of financial transactions of those companies over which the Council has a controlling interest or influence).
- Annual Governance Statement
- Glossary of Financial Terms.

2. Revenue Accounts – Financial Position

The main components of the Revenue budget for 2007/08, and how these compare with the out-turn for the year, are set out below: -

A. General Fund Income and Expenditure Account

The Council budgeted for net expenditure of £21.891m (million), which after transferring a net £2.657m to Reserves and Provisions and transferring £1.607m from the Working Balance, left £22.941m to be met from Government Grant and Local Taxpayers. This amount represented the Council's Budget Requirement for 2007/2008.

Actual net expenditure was £20.578m, which was £1.313m less than budgeted. This left the Working Balance at 31st March 2008 £1.313m greater than anticipated.

The main components of the General Fund Revenue Budget and how these compared with the Out-Turn for the year is shown below: -

	2006/07	2007/08		
	Out-Turn £000's	Budget £000's	Out-Turn £000's	Variance £000's
Services (Net Expenditure)	22,656	23,313	21,777	1,536Cr
Capital Financing	1,337	1,606	1,591	15Cr
Interest Received	1,230Cr	1,910Cr	1,672Cr	238
Pension Interest & Return on Assets	524Cr	1,118Cr	1,118Cr	0
Net Expenditure	22,239	21,891	20,578	1,313Cr
Use of Provisions and Reserves	975	2,657	2,657	0
Use of Working Balance	1,271Cr	1,607Cr	294Cr	1,313
Budget Requirement	21,943	22,941	22,941	0
Financing:-				
Revenue Support Grant	1,779Cr	1,643Cr	1,643Cr	0
Non-Domestic Rates National Pool	9,239Cr	9,792Cr	9,792Cr	0
Collection Fund Surplus	25	25Cr	25Cr	0
Council Tax	10,950Cr	11,481Cr	11,481Cr	0
Total Funding	21,943Cr	22,941Cr	22,941Cr	0
Working Balance:-				
Balance 1 April 2007		4,192Cr	4,192Cr	0
Contribution to/from(Cr) General Fund		1,607	294	1,313Cr
Balance 31 March 2008		2,585Cr	3,898Cr	1,313Cr

B. Housing Revenue Account

The Local Government and Housing Act 1989 requires that all income and expenditure relating to the management of Council Housing is contained (ring-fenced) in the Housing Revenue Account.

In 2007/08 the Housing Revenue Account incurred a surplus of £1.574m compared with a budgeted surplus of £0.578m, a reduction of £0.996m in net expenditure compared with the budget. The Working Balance at 31st March 2008 is therefore correspondingly greater than anticipated. After allowing for commitments that have been delayed until 2008/09 (£0.051m), the increase in Working Balance that is available to finance revenue

expenditure in future years is £0.945m.

The main components of the Housing Revenue Account Budget and how these compared with the Out-Turn for the year is shown below: -

	2006/07 Out-Turn £000's	2007/08		Variance £000's
		Budget £000's	Out-Turn £000's	
Services (Net Expenditure)	10,873	11,566	10,900	666Cr
Capital Financing	11,153	10,227	10,223	4Cr
Interest Received	149Cr	129Cr	247Cr	118Cr
Rents (Net of Rebates)	25,225Cr	26,346Cr	26,402Cr	56Cr
Government Subsidy	4,077	4,568	4,567	1Cr
Budgets Carried Forward (Net)	0	51	0	51Cr
Net Expenditure	729	63Cr	959Cr	896Cr
Contribution to Provisions and Reserves (Net)	490Cr	515Cr	615Cr	100Cr
Surplus(Cr)/Deficit	239	578Cr	1,574Cr	996Cr
Use of(Cr)/Contribution to Working Balance	239Cr	578	1,574	996
	0	0	0	0
Working Balance:-				
Balance 1 April 2007		3,667Cr	3,667Cr	0
Contribution to/from(Cr) Housing Revenue Account		578Cr	1,574Cr	996Cr
Balance 31 March 2008		4,245Cr	5,241Cr	996Cr

C. Working Balances

Working Balances are a very important source of finance. Recent years have seen some relaxation in the controls on the spending of local authorities but the availability of balances increases the flexibility the Council has in financing future service costs to meet policy objectives. To provide for contingencies, the Council also recognises the importance of not allowing these balances to fall below prescribed levels and during 2007/08 the prescribed minimum levels were as follows: -

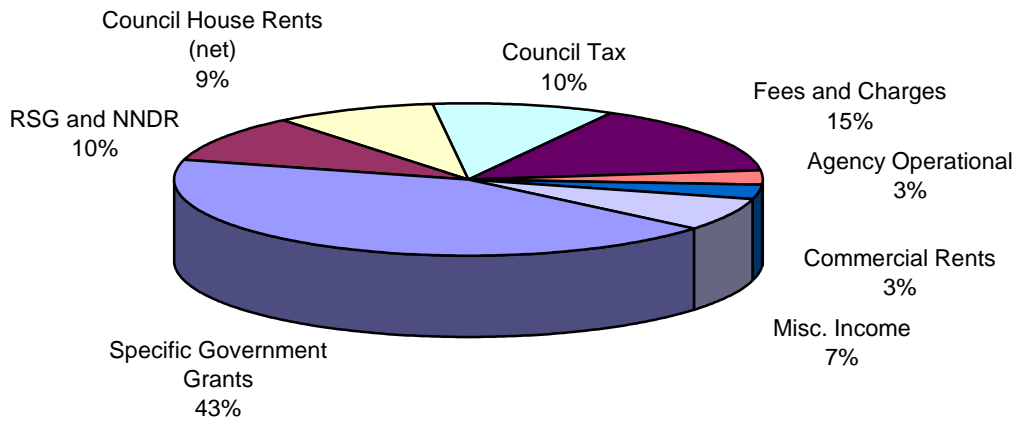
	£000's
General Fund Revenue Account	1,500
Housing Revenue Account	500
	2,000

The Council also has a number of provisions and reserves. The accounting treatment of these is described on *pages 15 to 16*. Details about the nature and purpose of these reserves and provisions, together with their movements in the year, are described on *pages 44 to 48*.

3. Major Influences on the Council's Income and Expenditure

The following two charts show, in broad terms, where the Council's money comes from and how it is spent. The percentages follow from a consolidation of the General Fund and the Housing Revenue Account and are based on total expenditure and matching income of £110 million.

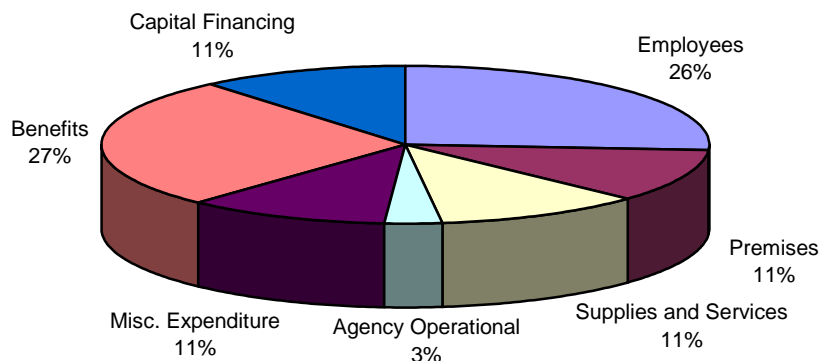
Where the money comes from



The total cost of providing rent rebates to Council tenants is deducted from their rent income, to produce a net figure.

The largest item of income is Specific Government Grants that contribute significantly towards the cost of Housing and Council Tax Benefit payments. Altogether, such grants provide 43% of the total income. 9% of income is provided through Council House Rents and 10% through the Revenue Support Grant and contributions from the National Non-Domestic Rate Pool (General Government Grants). The other main sources of income are Council Tax and Fees and Charges paid by users of the Council's facilities.

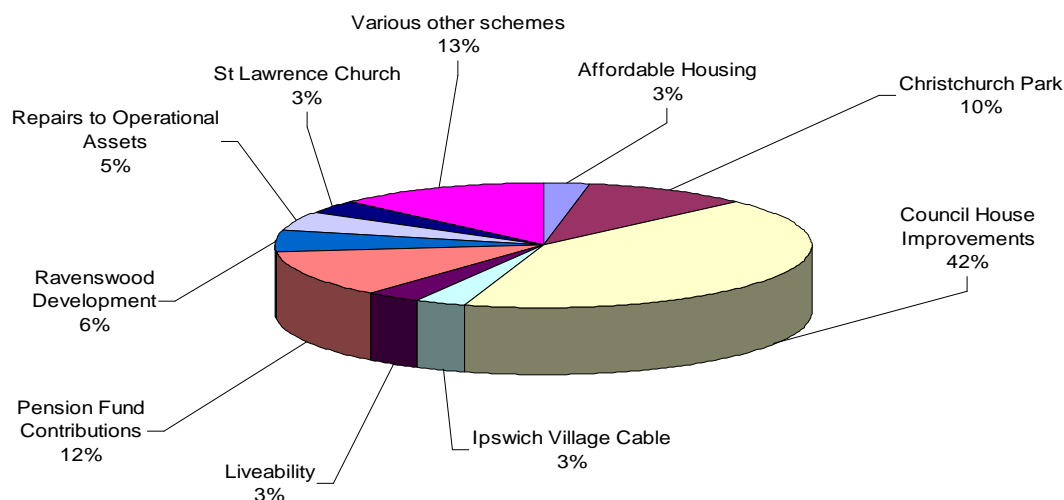
How the money was spent



Benefit payments cover Rent Allowances, paid to private sector tenants and Council Tax Benefits. Capital Financing Costs relate to the repayments of principal and interest on loans. Agency expenditure relates mainly to the operation of Highways functions on behalf of Suffolk County Council.

4. Capital Expenditure and Financing

The major items of capital expenditure in 2007/08 were as follows: -



Details of the Council's 2007/08 capital expenditure by service groupings, together with details of financing are shown below. The main sources of financing are capital receipts arising from the sale of assets, external contributions, revenue contributions to capital outlay and the major repairs allowance.

	2006/07 £000's	2007/08 £000's
<u>SERVICES EXPENDITURE</u>		
Council Housing (HRA)	11,146	9,564
Central and Support Services	4,982	3,770
Highways, Roads and Transport	1,324	1,391
Other (Non HRA) Housing Services	1,804	1,377
Planning and Development	1,303	1,306
Environmental Services	431	119
Cultural Services	2,325	5,225
DLO	11	24
TOTAL	23,326	22,776
<u>FINANCING</u>		
Usable Capital Receipts	7,957	7,684
Borrowing	750	320
External Contributions	950	4,197
Government Grants	3,058	1,158
Major Repairs Allowance (HRA)	4,992	5,073
Use of Credit Approvals	1,314	1,314
Revenue Contributions to Capital Outlay	4,305	3,030
TOTAL	23,326	22,776

5. Pensions

Employees of Ipswich Borough Council may participate in the Suffolk County Council Pension Fund, part of the Local Government Pension Scheme, which is a statutory defined benefit scheme. The Fund is administered by Suffolk County Council in accordance with the Local Government Pension Scheme Regulations 1997.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £160.4m (*page 53*) has a substantial impact on the net worth of the authority as recorded in the balance sheet (*page 22*), resulting in a negative overall balance of £12.8m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

6. Changes

There have been changes in the Council's accounting policies during the year, introduced by the 2007 Statement of Recommended Practice (SORP):

- The replacement of the Fixed Asset Restatement Account and Capital Financing Account by a Revaluation Reserve and Capital Adjustment Account. The SORP requires the change to be made prospectively and consequently the opening Revaluation Reserve is zero.
- Balance Sheet – the lines for deferred premiums on early repayment of debt and deferred discounts on early payment of debt have been deleted since any premiums (losses) or discounts (gains) arising on early repayment of debt that are required by the SORP to be carried forward on the Balance Sheet should be used to adjust the carrying amount of the replacement or modified loan debt.
- Balance Sheet – a new Available-for-Sale Reserve to hold the gains and losses arising from the policy of carrying available-for-sale financial assets at fair value should be set up.
- Balance Sheet – a new reserve called the Financial Instruments Adjustment Account to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
- Due to the new accounting regulations on the presentation of Financial Instruments, the Balance Sheet for 2006/07 has been restated to facilitate meaningful comparisons with 2007/08.
- The 2005 SORP introduced a requirement to disclose by way of a note to the

accounts information in relation to Business Improvement District (BID) schemes operating in the year. The scheme in Ipswich started from 1st April 2007 and therefore the appropriate information is disclosed from this year.

There have been no significant changes in the Council's statutory functions during the year.

7. Further Information

Further information about the accounts can be obtained from the Head of Finance at Grafton House. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The glossary of financial terms on *pages 94 to 98* provides definitions of the accounting terms used in the Statement of Accounts.

The Accounts have been prepared in accordance with the 2007 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply therefore with the “proper accounting practice” under the terms of the Local Government and Housing Act 1989.

The Accounts are based on historic cost subject to departures to measure and depreciate the fixed assets on a current value basis.

2. Tangible Fixed Assets - Recognition

Fixed assets are classified into the groupings required by the Code of Practice, i.e.

- Operational assets including land, buildings, vehicles, plant and equipment.
- Non-operational assets including investments and land held awaiting development.

All expenditure on the acquisition, creation and enhancement of fixed assets is capitalised on an accruals basis. Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the authority and the services it provides for a period of more than one year.

The balance sheet value for each asset category is identified in accordance with the Code of Practice:

- Infrastructure assets (roads, street lighting etc.) and community assets (parks, museum exhibits etc.) are recorded at historical cost. Short life assets (e.g. computer equipment) are also recorded at historical cost where the difference between this and current cost are insignificant.
- Operational land, buildings and other assets are recorded at the lower of net current replacement cost or net realisable value in existing use.
- Non-operational and investment land, buildings and other assets are recorded at the lower of net current replacement cost or net realisable value. For assets where a market exists this will usually be open market value. Assets under construction are recognised at historical cost until they are brought into commission.

The Council uses the following valuation bases to determine net current replacement cost referred to above:

- Non-specialised operational properties are valued on the basis of existing use value (EUV).

- Specialised operational properties are valued on the basis of depreciated replacement cost.
- Investment properties and properties surplus to the Council's requirements are valued on the basis of open market value (OMV).

Assets acquired through finance leases and having a capital value in excess of the de-minimus levels mentioned in *note 3* below, are capitalised and capital charges are made to the revenue account of the service using the asset on the same basis as owned assets (see *note 4* below).

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset is recognised and included in the balance sheet at fair value.

3. Tangible Fixed Asset Valuation

Fixed Assets are initially recorded at the directly attributable cost to bring the asset into working condition for its intended use.

All assets valued at £10,000 or more are included in the Accounts. The assets were last revalued on 1st April 2004. Subsequent revaluations will be carried out at intervals of no more than 5 years.

A qualified valuer revalues assets recorded at current value at least once every 5 years. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31st March 2008 in accordance with the requirements of Resource Accounting for the Housing Revenue Account.

Each category of assets is reviewed at the end of each financial year for any material change in its values. The values of fixed assets, excluding non-depreciable land, where either no depreciation charge is made or the estimated useful life exceeds 50 years have been reviewed. A material change in value (known as impairment) may occur due to a decline in the fixed assets' market value, obsolescence and physical damage. The Council's Operations Manager, Asset and Property Department, who carried out the asset valuation in 2004/05, has confirmed that all valuations reflect impairment and depreciation where appropriate.

4. Basis of Charges for Use of Tangible Fixed Assets

Revenue accounts are charged for the use of all fixed assets used in providing services. The capital charge covers the annual provision for depreciation and provision for impairment if appropriate.

Depreciation is provided for on all fixed assets with an identifiable finite useful life, excluding non-depreciable land and non-operational investment properties, in accordance with FRS15. The depreciation charge is based on the asset value shown in the Balance Sheet.

Depreciation has been calculated using the "Straight Line Method" (i.e. equal annual

charges based on the replacement cost and total life expectancy) as this is a fair basis for allocating costs to the future years expected to benefit from the asset's use. The remaining useful lives of assets are reviewed annually and revised where appropriate.

In order to ensure that the charges for the use of Fixed Assets do not impact on Council Tax, the depreciation charges are removed and replaced by actual interest paid on external borrowing.

5. Intangible Assets

Intangible Assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. There are three categories:

- Development Expenditure
- Goodwill
- Other Intangible Assets, including software licences

Purchased intangible assets (e.g. software licences) are capitalised as assets. Internally developed intangible assets are only capitalised where there is a readily ascertainable market value, which is unlikely to occur in a local authority's single entity financial statements.

6. Debtors and Creditors

For revenue expenditure and income, the Council generally adopts the 'accruals' concept, in accordance with the Code of Practice and FRS18. That is, sums due to or from the Council for services provided or goods received in the year of account are included in the income and expenditure accounts and shown as debtors or creditors.

There are certain exceptions to this principle that do not have a material affect on the accounts:

- Periodic payments, including utilities, rentals – these are charged into the Accounts when they are due, rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Weekly paid wages – basic pay, together with related employer's National Insurance and Superannuation contributions, are charged to the Accounts for the week in which they were earned. Related bonus is charged in the following week, and is not accrued at the year-end. No accrual is made for part weeks at the beginning and end of the year.
- Rent Income – a smoothing adjustment is applied each year to evenly spread the rent when an additional rent week occurs.

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and

known uncollectible debts are written off. An annual contribution to the Bad Debt provision is made allowing for likely bad debt levels to ensure the provision is maintained at a satisfactory level.

7. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created. Generally, these relate to grants paid to other organisations or individuals for them to undertake capital works.

The expenditure is financed from capital resources but is written off over a period for which the Council receives benefit from such expenditure. In most cases, this is written off in the year of expenditure.

8. Government Grants

Specific revenue government grants are accounted for on an accruals basis when the conditions for their receipt have been complied within the year in which they arise. They are credited to the service where the expenditure to which they relate is charged.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution should be credited to the government grants deferred account and written off to the capital adjustment account over the useful life of the asset to match the depreciation of the asset to which it relates.

9. Prior Period Adjustments

Prior Period Adjustments are defined as “those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors”.

10. Capital Receipts

On the disposal of fixed assets, the capital receipt is initially credited to the Usable Capital Receipts Reserve. The proportion that is required to be paid over to Central Government as a ‘housing pooled capital receipt’ is charged in the Net Operating Expenditure Section of the Income and Expenditure Account (see *page 18*) and the same amount appropriated from Usable Capital Receipts Reserve and credited to the Statement of Movement on the General Fund Balance. The balance of the receipt (non-reserved) remaining in the Usable Capital Receipts Reserve is available either for financing new capital expenditure or available to repay debt. The interest earned on the non-reserved proportion of capital receipts pending their use is credited to the General Fund.

11. Leasing

The Council has entered into leasing agreements with financial institutions in respect of computer equipment, plant, vehicles etc. There are two categories of leases: finance leases and operating leases. Most of the Council's vehicles and equipment are acquired

using operating leases. The acquisition cost is not shown as part of Fixed Assets, and a note on leasing acquisitions is included in *note 22 on page 34*. Annual payments under lease agreements are charged directly to revenue on a straight-line basis over the term of leases.

The Council complies with SSAP 21.

12. Stocks and Work-in-Progress

The accounting standard relating to stocks (SSAP9) states that the value at which stocks should be included in financial statements is the lower of cost and net realisable value. The Council's method of valuing stock is consistent with SSAP9.

Work-in-progress at 31st March 2008 is included in the accounts at cost, including any attributable overheads.

13. Support Services

In general, overheads, including support services, are recharged to service accounts in accordance with the Best Value Accounting Code of Practice (BVACOP), and on the following basis:

- Central, Administrative and Technical Departments - Time spent/volume related charge
- Office Accommodation - Charge related to area occupied

The basis of apportionments adopted are used consistently for all the services to which apportionments are made.

Corporate management costs are defined as expenditure relating to the need to coordinate and account for all the services provided by the Council.

The costs of the corporate and democratic core, and of the unapportionable central overheads are not apportioned to individual services, and are shown separately in the Net Cost of Services section of the Income and Expenditure Account, on *page 18*, under the heading of Non Distributed Costs.

14. Pensions

The Council participates in the Local Government Pension Scheme. Contribution rates, which are included in the Accounts, are determined by triennial actuarial valuations. The rates payable in 2007/08 were determined by the valuation on 31st March 2004. Under superannuation fund regulations, contributions must be set at a level sufficient to ensure the fund's solvency. The Actuary recommended that this could only be achieved through a phased increase in minimum employer's contributions over a period of 3 years. A triennial actuarial valuation was undertaken at 31st March 2007 and this will determine annual contribution rates from 2008/09 onwards.

The attributable assets of the scheme are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities

such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method.

The deficit in the scheme is the shortfall of the value of assets in the scheme below the present value of the scheme liabilities. The liability to the extent that it reflects a legal or constructive obligation is recognised in the Accounts.

The cost of pension provision is charged to the Accounts in accordance with the statutory requirements of the Local Government Pension Scheme. The current service cost is included within Net Cost of Services (except insofar as the related employee remuneration is capitalised in accordance with the Code and statute). The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses in the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service costs are recognised immediately.

Whilst FRS17 requires the cost of those benefits earned, to be shown against the net cost of services, the charge to local taxation is based on the cash payable in the year. As a consequence, the cost of retirement benefits earned is reversed out of the Statement of Movement on the General Fund Balance and the actual amount charged against council tax is the employer's contributions payable to the pension fund.

The pensions liability is balanced by a pensions reserve of the same value, which reflects the fact that the Council is not required to raise council tax to cover liability.

As the pension cost is determined triennially in arrears, the liabilities included in the Balance Sheet may be understated. These additional costs are disclosed as part of the notes to the Accounts (see *note 48* on *page 51*). These notes are provided in accordance with the Financial Reporting Standard 17 "Retirement Benefits".

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement, in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have taken the view that an allowance for 25% of employees to commute additional pension up to the maximum tax-free cash on retirement should be provided. In addition, an allowance for improvements in life expectancy after retirement for non-pensioners up to calendar year 2017 (i.e. 10 years' worth of projected improvements) should be provided. Both these changes are incorporated into the service cost figures for 2007/08 and the balance sheet liabilities as at 31st March 2008.

15. Redemption of Debt and Interest Charges

The Council has adopted the minimum revenue provision, which is 4% for the General

Fund.

It has also undertaken voluntary minimum revenue provision payments for assets that have been acquired using Prudential Borrowing.

External debt and investments are managed centrally. Interest paid and received is accounted for on an accruals basis. Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which the repurchase or early settlement is made. Where, however, the repurchase of the borrowing is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replaced borrowing, or in accordance with the item 8 determination with respect to HRA debt.

16. Investments and Borrowings

Investments and borrowings are shown on the balance sheet at amortised cost and is the total of the principal invested plus the accrued interest as at 31 March. This is a change in Accounting practice from 2006/07, where only the principal amount was shown under investments and borrowings and the accrued interest was shown under debtors and creditors respectively. The most significant investment held is in Ipswich Buses Limited, a company set up by the Council under the Transport Act 1985. Ipswich Buses restructured their accounts during 2007/08 and the investment shown in the balance sheet as at 31 March 2008 reflects the accumulated profit.

For 2007/08 onwards the fair value of investments and borrowings also needs to be shown as a disclosure to the accounts. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where a financial instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

17. Financial Relationships with Companies

A summarised group financial statement has been produced in accordance with the Code of Practice 2007 to reflect the Council's material interests in subsidiary, associated and joint venture companies. The Council's only related company is Ipswich Buses Limited (referred to in *note 16* above).

The group financial statement shows an income and expenditure account, statement of total recognised gains and losses, cash flow statement and balance sheet. This includes all assets and liabilities arising from the activities of the group.

18. Estimation Techniques

The final Housing Benefit and Housing Revenue Account Subsidy claims are due to be certified by 30th November 2008. It is necessary to employ estimation techniques to determine the level of subsidy for the period. This has been achieved by analysing the benefit awarded and the payments made in the period into the subsidy claim's component parts and applying the appropriate subsidy rate.

The Council's pension liability also employs significant estimation techniques and these are identified in *note 48* on *page 51*.

19. Provisions

Provisions are required to be recognised when:

- The local authority has a present obligation (legal or constructive) as a result of a past event;
- It is probable that a transfer of economic benefits will be required to settle the obligation;

and

- A reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

Provisions are charged to the appropriate revenue account. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision. The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events.

Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision will be reversed.

The carrying amount of debtors is adjusted for doubtful debts, which are provided for in a separate provision. Uncollectible debts are written off.

20. Reserves

The Council sets aside amounts for purposes falling outside the definition of provisions. Transfers to and from them are recognised separately from service expenditure disclosed in the Statement of Accounts. Expenditure is not to be charged direct to any reserve. For each reserve established, the purpose, usage and the basis of transactions are clearly identified. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes.

The Major Repairs Reserve is required by statutory provision to be established in relation to the HRA in England. The items to be credited to the Major Repairs Reserve are an amount equal to HRA depreciation for the year, and transfers from the HRA required by statutory provision. The former is debited to the Capital Adjustment Account and the latter to the statement of movement on the HRA balance. The amounts debited to the Major Repairs Reserve are expenditure for the HRA capital purposes; repayment of principal on amounts borrowed and transfers to the HRA required by statutory provision.

21. Miscellaneous Accounts

Where sums are received in advance and the proportion of revenue and capital expenditure is not known, the Council records these sums under Miscellaneous Accounts in the Balance Sheet until the nature of these transactions can be determined. Further detail is given in *note 44* on *page 50*.

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In the Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31st March 2008.

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies in accordance with FRS18 and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code

The Chief Financial Officer has also:

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

This Statement of Accounts presents fairly the financial position of the Authority at 31st March 2008 and its income and expenditure for the year ended on that date. The accounts were authorised for issue by Ian Blofield on 25th June 2008, being the date up to which all events have been considered.

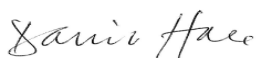


Chief Financial Officer

Date: 25th June 2008

APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts for 2007/08 was considered and approved by Full Council at the meeting on 25th June 2008.



The Worshipful, The Mayor of Ipswich, Councillor David Hale

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07 Net Expenditure £000's	Note	2007/08 Gross Expenditure £000's	2007/08 Gross Income £000's	2007/08 Net Expenditure £000's
3,256	Central services to the public	15,124	12,061Cr	3,063
21,012	Cultural, environmental and planning services	43,022	16,610Cr	26,412
2,637	Highways, roads and transport services	12,228	8,803Cr	3,425
182Cr	Housing services	60,502	59,803Cr	699
3,955	Corporate and democratic core	4,659	870Cr	3,789
2,813	Non distributed costs	1,675	0	1,675
33,491	Net Cost of Services	137,210	98,147Cr	39,063
0	Gain(Cr)/Loss on the disposal of fixed assets			0
424Cr	Surpluses(Cr)/deficits on trading undertakings not included in Net Cost of Services	3		130Cr
2,730	Interest payable and similar charges			2,669
2,800	Contribution of housing capital receipts to Government Pool	38.5		2,107
1,319Cr	Interest and investment income			1,842Cr
524Cr	Pensions interest cost and expected return on pensions assets	48		1,118Cr
36,754	Net Operating Expenditure			40,749
10,925Cr	Demand on the Collection Fund			11,506Cr
1,779Cr	General Government Grants			1,643Cr
9,239Cr	Non-domestic rates redistribution			9,792Cr
14,811	Surplus (Cr)/Deficit for the Year			17,808

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

Capital Investment is accounted for as it is financed, rather than when the fixed assets are consumed.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under-spent against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2006/07 £000's	2007/08 £000's
14,811 Surplus (Cr) /Deficit for the year on the Income and Expenditure Account	17,808
13,540Cr Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	17,514Cr
1,271 Increase(Cr)/Decrease in General Fund Balance for the Year	294
5,463Cr General Fund Balance brought forward	4,192Cr
<u>4,192Cr General Fund Balance carried forward</u>	<u>3,898Cr</u>
4,192Cr Amount of General Fund Balance generally available for new expenditure	3,898Cr
<u>4,192Cr</u>	<u>3,898Cr</u>

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2006/07 £000's	Note	2007/08 £000's
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
77Cr Amortisation of intangible fixed assets	17	77Cr
9,948Cr Depreciation and impairment of fixed assets	17	16,369Cr
1,842Cr Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy		3,124Cr
375 Government Grants Deferred amortisation		399
4,560Cr Write downs of deferred charges to be financed from capital resources		4,040Cr
0 Net gain(Cr)/loss on sale of fixed assets		0
5,206Cr Net charges made for retirement benefits in accordance with FRS 17	48	3,992Cr
21,258Cr		27,203Cr
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
46 Minimum revenue provision for capital financing	16	217
4,322 Capital expenditure charged in-year to the General Fund Balance		3,358
2,800Cr Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	38.5	2,107Cr
5,955 Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	48	7,435
7,523		8,903
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
239Cr Housing Revenue Account balance		1,574
374 Voluntary revenue provision for capital financing	16	484
60 Net transfer to or from (Cr) earmarked reserves		1,272Cr
195		786
13,540Cr		17,514Cr
Net additional amount required to be credited to the General Fund balance for the year		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

2006/07 £000's	Note	2007/08 £000's
14,811	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	17,808
47,384Cr	Surplus arising on revaluation of fixed assets	25,927Cr
12,588Cr	Actuarial gains (Cr)/losses on pension fund assets and liabilities	12,288Cr
0	Revaluation gains (Cr)/losses on available-for-sale financial assets	1,297Cr
	Any other gains and losses required to be included:	
293Cr	Movement in Collection Fund Balance	161Cr
74Cr	Capital Financing - External Contributions	0
0	Re-measurement of Financial Instruments	524
45,528Cr	Total recognised gains(Cr)/losses for the year	21,341Cr

BALANCE SHEET

	Note	Restated 31 March 2007 £000's	31 March 2008 £000s
Fixed Assets			
Intangible Fixed Assets	25	212	135
Tangible Fixed Assets	17		
Operationable Assets:			
Council Dwellings		426,990	428,430
Other Land & Buildings		59,385	49,420
Infrastructure		1,219	1,263
Community Assets		3,605	6,644
Vehicles, Plant, Equipment etc.		1,676	1,658
Non Operational Assets:			
Investment Properties		8,825	8,825
Assets under Construction		0	0
Other		46,252	49,417
Total Fixed Assets		548,164	545,792
Long Term Investments	35	11,133	12,702
External Lending: -	27		
to House Purchasers		19	15
to Voluntary Bodies		235	0
Deferred Premiums on Early Repayment of Debt	38.4	799	0
TOTAL LONG TERM ASSETS		560,350	558,509
Current Assets: -			
Work in Progress	28	137	147
Stocks	28	282	267
Debtors	29	14,706	13,174
Investments	35	15,324	25,783
Cash at Bank	49	1,186	355
Cash in Hand	49	718	839
Less Current Liabilities: -			
Creditors	30	19,626Cr	17,634Cr
Borrowing repayable within 12 months	35	9,491Cr	4,078Cr
Cash Overdrawn	49	0	0
NET CURRENT ASSETS		3,236	18,853
TOTAL NET ASSETS		563,586	577,362
Long Term Borrowing	35	41,797Cr	44,950Cr
Government Grants Deferred	31	9,900Cr	13,441Cr
Deferred Discounts on Early Repayment of Debt	38.4	191Cr	0
Revenue Provisions	37	1,232Cr	1,205Cr
Miscellaneous Accounts	44	7	34
Other Grants/Contributions Deferred	32	3,529Cr	5,246Cr
Asset/Liability(Cr) relating to Pension Scheme	48	28,550Cr	12,819Cr
		478,394	499,735
Specific Revenue Reserves	38.6	6,163Cr	5,216Cr
Revaluation Reserve	38.1	0	13,211Cr
Available-for-sale Financial Instruments Reserve	38.3	0	1,297Cr
Capital Adjustment Account	38.2	491,656Cr	471,365Cr
Usable Capital Receipts	38.5	1,014Cr	12,438Cr
Financial Instruments Adjustment Account	38.4	0	524
Deferred Capital Receipts	33	17Cr	13Cr
Pensions Reserve	48	28,550	12,819
Legacies	42	122Cr	125Cr
Revenue Balances: -			
General Fund		4,192Cr	3,898Cr
Housing Revenue Account		3,668Cr	5,242Cr
Collection Fund Balance	41	112Cr	273Cr
TOTAL EQUITY	26	478,394Cr	499,735Cr



Chief Financial Officer

Date: 25th June 2008

CASH FLOW STATEMENT

	2006/07	2007/08	
	£000's	£000's	£000's
Revenue Activities			
Expenditure			
Cash paid to & on behalf of employees	35,179	34,060	
Other Operating Costs	40,408	36,163	
Housing Benefits paid out	19,657	19,739	
Precepts paid (incl surplus/deficit adjustment)	43,553	46,578	
Payments to NNDR Pool	41,263	43,398	
Payments to Capital Receipts Pool	2,609	2,856	
Income			
Rents (after rebates)	9,840Cr	9,691Cr	
Council Tax receipts (incl Community Charge)	45,644Cr	49,348Cr	
Non Domestic rates receipts	42,141Cr	43,745Cr	
Receipts from NNDR Pool	9,239Cr	9,792Cr	
Revenue Support Grant	1,779Cr	1,643Cr	
DSS Grants for Rebates	43,140Cr	47,895Cr	
Other Government Grants	3,285	4,078	
Cash received for Goods & Services	18,287Cr	19,063Cr	
Other Revenue Cash receipts	10,535Cr	10,599Cr	
Net Cash Inflow(Cr)/Outflow from Revenue activities	5,349		4,904Cr
Dividends from Subsidiaries			
Dividends Received	0		976Cr
Servicing of Finance			
Expenditure			
Interest Paid	1,621	3,517	
Income			
Interest Received	826Cr	3,218Cr	
	795		299
Capital Activities			
Expenditure			
Purchase of Fixed Assets	13,657	18,109	
Other Capital payments	1,392	753	
Income			
Sale of Fixed Assets	8,196Cr	21,380Cr	
Capital Grants received	251Cr	375Cr	
Other Capital Cash income	2,977Cr	5,061Cr	
	3,625		7,954Cr
Acquisitions & Disposals			
Investments in subsidiary undertakings	0		0
Net Cash Inflow(Cr)/Outflow before Financing	9,769		13,535Cr
Management of Liquid Resources			
Net increase(Cr)/decrease in short-term deposits	2,145		11,870
Financing Expenditure			
Repayments of Amounts borrowed	22,399	23,820	
Capital elements of Finance Lease Rental Payments	0	0	
Income			
New Loans Raised	18,730Cr	119Cr	
New Short-term Loans	12,670Cr	21,326Cr	
	9,001Cr		2,375
Increase(Cr)/Decrease in Cash	2,913		710

NOTES TO THE CORE FINANCIAL STATEMENTS

Notes to Income & Expenditure Account

1. Discontinued and Expanded Operations

There were no significant discontinued or expanded operations during the year.

2. Prior Period Adjustments

Prior Period Adjustments are defined as “those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors”.

No such adjustments have been identified during 2007/08, which affect the Income and Expenditure Account.

3. Trading Undertakings

3.1 The following table provides a summary of the turnover and surplus or deficit for each of the services originally established, in accordance with the Local Government, Planning and Land Act 1980 or the Local Government Act 1988. The accounts are no longer subject to the directions and regulations made under those Acts but much of the work of these services continues to be undertaken in a competitive environment (i.e. the right to undertake work has been won in competition against other bidders for the work).

Summary of Accounts for Ipswich Borough Contracts 2007/08

	Income	Expenditure	Surplus (Cr) / Deficit
	£000's	£000's	£000's
Building Maintenance (Maintenance of Council Dwellings)	3,815Cr	3,443	372Cr
Highways and Sewerage (Highways Agency work)	2,896Cr	3,138	242
Totals	6,711Cr	6,581	130Cr

Accumulated Profits

	2006/07 £000's	2007/08 £000's
Balance 1 April	1,023Cr	1,146Cr
Surplus(Cr)/Deficit for year	423Cr	130Cr
	1,446Cr	1,276Cr
Transfer to I&E Summary	300	1,246
Balance 31 March	1,146Cr	30Cr

3.2 A number of other Council services are involved in a significant level of trading with third parties. The turnover and surplus/deficit of these services are included within the Net Cost of Services on the Income and Expenditure Account and include the following: -

Other Trading Services Summary

	2006/07	2007/08		
	Net Expenditure/ Income(Cr)	Income	Expenditure	Net Expenditure/ Income(Cr)
	£000's	£000's	£000's	£000's
Corporate Properties	664Cr	2,319Cr	1,486	833Cr
Council Halls/Theatres	3,511	3,755Cr	7,716	3,961
Car Parks	269Cr	3,132Cr	3,127	5Cr
Crematorium	629Cr	1,169Cr	621	548Cr
Trade Refuse	155	1,175Cr	1,191	16
	2,104	11,550Cr	14,141	2,591

4. Discretionary Expenditure

4.1 The Local Government Act 2000 granted new powers to local authorities to promote economic, social and environmental well-being to their inhabitants. Expenditure under section 137 of the Local Government Act has been repealed with the exception of contributions to UK charities, not for profit bodies providing public services within the UK, and mayoral appeals.

4.2 Grants to charitable and voluntary organisations amounted to £483,000 in 2007/08 (£412,000 in 2006/07).

4.3 There were no mayoral appeals during 2007/08.

5. Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires that local authorities must keep a separate account of expenditure on publicity. In accordance with this requirement a summary of expenditure incurred in the year 2007/08 and a comparison with the previous year, is set out below: -

	2006/07 £000's	2007/08 £000's
Staff Recruitment	75	93
General Advertising	336	301
Publicity & Information (including Ipswich Angle)	294	282
Tourist Information	143	191
Other Promotional Expenditure	3	15
	851	882

6. Building Control

The Building (Local Authority Charges) Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit, divided between the chargeable (i.e. work for which building regulation charges can be made) and non-chargeable activities.

Building Regulations Account 2007/08

	2006/07	2007/08		Total £000's
	Total £000's	Chargeable £000's	Non Chargeable £000's	
<u>Expenditure</u>				
Employee Expenses	502	277	200	477
Transport	13	10	7	17
Supplies & Services	45	75	4	79
Central & Support Service Charges	144	68	54	122
Capital Financing	76	17	0	17
Total Expenditure	780	447	265	712
<u>Income</u>				
Building Regulations Charges	485Cr	437Cr	0	437Cr
Miscellaneous Income	52Cr	31Cr	26Cr	57Cr
Total Income	537Cr	468Cr	26Cr	494Cr
Surplus(Cr)/Deficit for Year	243	21Cr	239	218

7. Agency Services

The Council carries out work on an agency basis, for which it is reimbursed. The main area of work is as highways agent for Suffolk County Council. The Borough Engineer supervises work related to highways in the Borough, including road surface and street lighting maintenance, footway repairs, verge maintenance and winter gritting. A summary of expenditure incurred is as follows:

	2006/07 £000's	2007/08 £000's
Footway Maintenance	599	321
Carriageway Maintenance	2,085	1,804
Electrical Services	974	1,066
Other	386	418
Total Amount Reimbursable	4,044	3,609

8. Business Improvement District Schemes

The Council is the billing authority for a Business Improvement District (BID): Ipswich BID started in April 2007.

The Ipswich Experience Company Ltd manages the Ipswich BID, working with local organisations to provide a variety of projects additional to services provided by the Council. Projects include Safe and Secure, Clean and Bright, Out and About, Target and Tell, Look and Feel and Aims and Ambitions.

The Council acts as agent for the Ipswich BID, collecting levies for the BID company from business ratepayers within the BID area. The Council pays the total amounts collected to the BID company. In 2007/08, the Council paid £503,000 to Ipswich BID.

9. Local Authority (Goods and Services) Act 1970

The Council is empowered by the above act to provide goods and services to other public bodies. During 2007/08 Ipswich Borough Contracts provided services to a number of Housing Associations. Income from these services amounted to £54,000 (£10,000 in 2006/07) and the related expenditure was £37,000 (£7,000 in 2006/07). Streetcare Highways provided services to a number of lottery funded and minor projects. Income from these services amounted to £835,000 (£80,000 in 2006/07) and the related expenditure was £830,000 (£50,000 in 2006/07). In addition, the Council provided an internal audit service to Babergh and Suffolk Coastal District Councils. Income from these services amounted to £28,000 (£26,000 in 2006/07) and the related expenditure was £28,000 (£26,000 in 2006/07).

10. Local Area Agreement Grant

The Council is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three-year agreement.

The purpose of the LAA is:

to form an agreement between the Suffolk Local Strategic Partnership, Government (represented by Government Office for the Eastern Area), and other external agencies for the area to ensure that together we achieve the 2028 vision in the Transforming Suffolk Communities Strategy.

The LAA sets out the priorities for Suffolk in defined areas of service provision and agrees specific outcomes and targets that will be achieved each year for the three years of the agreement. It also aims to improve the effectiveness and efficiency of public services in Suffolk by pooling and aligning funding streams where appropriate.

The LAA partners include:

Local government bodies – Babergh District Council, Forest Heath District Council, Ipswich Borough Council, Mid Suffolk District Council, St Edmundsbury Borough Council, Suffolk Coastal District Council, Suffolk County Council, Waveney District Council.

Community protection authorities – Suffolk Police Authority, Suffolk Criminal Justice Board.

Health bodies – Suffolk Primary Care Trust, Great Yarmouth & Waveney Primary Care Trust.

Learning bodies – Suffolk Learning and Skills Council, University Campus Suffolk, West Suffolk College.

Voluntary organisations – East Suffolk Mind, One Voice Suffolk, Suffolk Carers, Suffolk Association of Voluntary Organisations.

Suffolk County Council acts as the accountable body for the LAA. It is responsible for managing the distribution of grant paid by the Government Office to the partners involved, but does not determine which bodies are due payments – this is determined either by the Government Office or the partnership. In this context, it acts as agent to the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the County Council in providing services.

The total amount of LAA Grant received by the Local Strategic Partnership in 2007/08 was £15.6m. Ipswich Borough Council received £0.336m of this total to fund its own services.

11. Councillor's Allowances

The total value of Councillors' allowance paid in the year was £255,679 (£245,302 in 2006/07). A detailed analysis of these payments is published in the July/August 2008 edition of "The Ipswich Angle".

12. Officer Emoluments

The number of employees, whose remuneration fell in each bracket of a scale of multiples of £10,000 starting with £50,000, are as follows: -

Range	2006/07	2007/08
£110,000 - £119,999	1	1
£100,000 - £109,999	0	0
£90,000 - £99,999	0	0
£80,000 - £89,999	0	1
£70,000 - £79,999	2	2
£60,000 - £69,999	1	4
£50,000 - £59,999	7	17

The numbers for 2007/08 include 13 posts deleted as part of management restructuring. Redundancy costs included in figures have been capitalised.

13. Related Parties

The Council is required to disclose details of transactions with related parties. Related parties are generally either individuals or organisations that could exert direct or indirect control over the other party or where the parties to a transaction are subject to common control from the same source.

No material transactions have been identified for disclosure, which are not already disclosed elsewhere in the Statement of Accounts.

14. Audit and Inspection

In 2007/08, the Council incurred the following fees relating to external audit inspection:

	2006/07 £000's	2007/08 £000's
Fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor	152	149
Fees paid in respect of other services provided by the appointed auditor	20	15
Fees paid to the Audit Commission in respect of statutory inspection	6	6
Fees paid to the Audit Commission for the certification of grant claims and returns	55	40
TOTAL FEES	233	210

15. Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure account and STRGL for 2007/08 in relation to financial instruments are made up as follows.

	Financial Liabilities Liabilities measured at amortised cost £000's	Loans and Receivables £000's	Financial Assets Available for sale assets £000's	Fair Value through the I&E £000's	Total
Interest Expenses	2,669Cr	0	0	0	-2,669
Losses on derecognition	0	0	0	0	0
Impairment Losses	0	0	0	0	0
Interest payable and similar charges	2,669Cr	0	0	0	-2,669
Interest Income	0	1,840	2	0	1,842
Gains on derecognition	0	0	0	0	0
Interest and Investment Income	0	1,840	2	0	1,842
Gains on revaluation	0	0	1,297	0	1,297
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I & E Account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	1,297	0	1,297
Net gain/loss(cr) for the year	2,669Cr	1,840	1,299	0	470

The Council owns all the shares in Ipswich Buses, who undertook a financial restructuring of their balance sheet during the year. The gain on revaluation recognises the accumulated profit of Ipswich Buses as at 31 March 2008.

Notes to Balance Sheet

16. Minimum Revenue Provision

Section 63 of the Local Government and Housing Act 1989 requires local authorities to set aside a minimum revenue provision (MRP) each year to provide for the repayment of external loans. Due to the effect of the Commutation Adjustment, there was a £217,000 provision for MRP in 2007/08 (£46,000 in 2006/07).

The Council has taken advantage of the new rules introduced from 1st April 2004 and undertaken Prudential Borrowing. For prudence, the Council has charged voluntary MRP so the charges match the life of the assets.

Within the General Fund, depreciation is regarded as part of the MRP and the balance is charged (or credited) to the revenue account to meet the total required, in accordance with the following table: -

	2006/07 £000's	2007/08 £000's
Non-Housing value of MRP - 4% of Credit Ceiling (defined in Local Government and Housing Act 1989)	634	675
Effect of commuted sum payment (in 1992/93) in lieu of future grant reimbursements due in respect of pre 1990 Improvement Grant expenditure. This gives rise to losses which the Council is allowed to offset against MRP.	588Cr	458Cr
MRP charged to General Fund	46	217
Voluntary MRP charged to General Fund	374	484
Total MRP	420	701
Amount charged to (non-housing) revenue accounts for depreciation	10,025Cr	9,861Cr
Difference - provision for loan repayment/depreciation	9,605Cr	9,160Cr

17. Fixed Assets

Movements in net fixed assets during the year were as follows: -

	Balance at 01/04/07 £000's	Revaluations during year £000's	Reclassifications / Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 31/03/08 £000's
Intangible Fixed Assets	212	0	0	0	0	77	135
Tangible Fixed Assets							
Operational Assets							
Council Dwellings	426,990	2,829	0	9,493	2,890	7,992	428,430
Other Land & Buildings	59,385	4,551	61Cr	2,293	8,177	8,571	49,420
Infrastructure	1,219	0	0	100	0	56	1,263
Community Assets	3,605	0	0	3,039	0	0	6,644
Vehicles, Plant, Equipment etc.	1,676	0	0	458	8	468	1,658
Non Operational Assets							
Investment Properties	8,825	0	0	0	0	0	8,825
Assets under Construction	0	0	0	0	0	0	0
Other	46,252	11,954	61	2,206	10,162	894	49,417
Total	548,164	19,334	0	17,589	21,237	18,058	545,792

18. Capital Expenditure and Financing

Section 40 of the Local Government and Housing Act 1989 defines capital purposes expenditure, which may be financed from capital resources (mainly borrowing within approved Government limits and usable capital receipts).

Under local government capital accounting arrangements, only expenditure, which adds value to fixed assets, is capitalised.

Some expenditure falling within the capital purposes definition is not capitalised and is therefore charged to a revenue account. In such circumstances, the charge to a revenue account is deemed to form part of the statutory obligation to provide a Minimum Revenue Provision for debt redemption.

Capital Expenditure and Finance

	2006/07 £000's	2007/08 £000's
<u>Capital Expenditure</u>		
Intangible Assets	0	0
Operational Assets	9,020	15,344
Non-Operational Assets	1,943	2,206
Fixed Asset Restatement Account	6,269	0
Deferred Charges	6,094	5,226
	23,326	22,776
<u>Capital Financing</u>		
Use of Credit Approvals	1,314	1,314
Borrowing	750	320
Government Grants	3,058	1,158
Major Repairs Allowance	4,992	5,073
Usable Capital Receipts	7,957	7,684
External Contributions	950	4,197
Revenue Contribution to Capital Outlay	4,305	3,030
	23,326	22,776

19. Deferred Charges

Deferred charges are defined in *note 7* to the Statement of Accounting Policies on *page 11*. Movements during the year were as follows: -

	Balance at 01/04/07 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/08 £000's
Improvement Grant	0	742	0	742	0
Housing Association Grants	0	622	0	622	0
Other Capital Expenditure not creating a Fixed Asset	0	3,862	0	3,862	0
Total	0	5,226	0	5,226	0

20. Commitments Under Capital Contracts

Significant Capital Commitments as at 31 March 2008

Scheme	Amount £000's	Period of Investment	Purpose of Investment
Affordable Housing	721	2 Years	To help fund Affordable Housing
Block Paving - Town Centre	432	1 Year	Pedestrianisation of Town Centre
Capitalised IT	552	1 Year	Development of IT systems
Capitalised Repairs	271	1 Year	Maintenance of stock
Community Improvements	274	1 Year	Environmental Improvements
Crown Street Car Park	380	3 Years	Essential maintenance to prolong life
HRA Capital Programme	12,873	1 Year	Investment to help meet the Decent Homes Standard
Liveability Schemes	253	1 Year	Environmental Improvements
Ravenswood Scheme	449	1 Year	Infrastructure on the Ravenswood Development
St Lawrence Church refurbishment	313	1 Year	Bring back into use
Corn Exchange Roof Repairs	320	1 Year	Maintenance
Ipswich Village Car Park Cable	378	1 Year	Re-routing cable
Christchurch Park Lottery	710	1 Year	Refurbishment of Park
	17,926		

21. Tangible Fixed Assets Held

Tangible Fixed Assets include: -	31 March 2007 (No's)	31 March 2008 (No's)
Council Dwellings	8,260	8,221
Town Hall/Corn Exchange	1	1
Regent Theatre	1	1
Offices	4	4
Depots & Workshops	6	6
Off Street Car Parks	12	11
Swimming Pools	3	3
Sports Centres	4	4
Museums & Galleries	2	2
Parks & Recreation Grounds	496 Ha approx	496 Ha approx
Cemeteries	4	4
Crematorium	1	1
Factory Units	24	24
Other commercial property lettings	200 approx	200 approx

22. Leases

22.1 Expenditure on lease rentals paid in the year and included in the Income and Expenditure Account was as follows: -

	2006/07		2007/08	
	£000's	£000's	£000's	£000's
Finance Leases:				
Misc Equipment		5		2
Operating Leases:				
Premises	702		830	
Transport	535		655	
IT Equipment	118		38	
Misc Equipment	191		155	
		1,546		1,678
		1,551		1,680

22.2 The value of assets held under finance leases, as at 31st March 2008 is detailed below:

	2006/07	2007/08
	Vehicles, Plant & Equipment £000's	Vehicles, Plant & Equipment £000's
Net Book Value at 1 April 2007	12	10
Additions during year	0	0
Depreciation	2Cr	2Cr
Net Book Value at 31 March 2008	10	8

The value of interest payments made in respect of Finance Leases during 2007/08 was £1,052.

22.3 The payments which the Council is committed to make during 2007/08 in respect of leases are analysed below:

	Operating Leases £000's	Finance Leases £000's
Leases expiring in 2008/09	102	0
Leases expiring between 2009/10 & 2012/13	648	2
Leases expiring after 2012/13	834	0
	1584	2

23. Asset Valuation Information

The general principles associated with asset valuation, as part of the capital accounting regulations, are set out in *note 3* of the Statement of Accounting Policies on *page 9*. Revised Balance Sheet figures for fixed assets, with the exception of Council dwellings are based on values as at 1st April 2004. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31st March 2008, in accordance with the requirements of Resource Accounting for the Housing Revenue Account in 2007/08. The valuations were carried out under the direction of Mr David Mapus-Smith Bsc(Hons) MRICS FAAV AAPM, the Council's Operations Manager, Asset and Property

Department. Asset values have been reviewed in compliance with FRS11 and the 2007 SORP and specifically considered whether any impairment had occurred because of general price decreases or because of consumption of economic benefits. The review considered aspects of impairment including any decline in the fixed asset's market value, evidence of obsolescence or physical damage, adverse changes in the statutory or other regulatory environment in which the Council operates and any commitment to undertake a significant reorganisation. The judgement is that there was no such impairment loss during 2007/08.

24. Depreciation

The cumulative amount of provisions for depreciation is as follows: -

	Balance at 01/04/07 £000's	Depreciation during year £000's	Balance at 31/03/08 £000's	Useful Life (Years)
Intangible Fixed Assets	141	77	218	2 to 3
Tangible Fixed Assets				
Operational Assets				
Council Dwellings	44,513	7,992	52,505	10 to 60
Other Land & Buildings	31,738	8,572	40,310	3 to 40
Infrastructure	316	56	372	25 to 100
Community Assets	0	0	0	N/A
Vehicles, Plant, Equipment etc.	2,567	468	3,035	1 to 10
Non Operational Assets				
Investment Properties	0	0	0	
Assets under Construction	0	0	0	
Other	2,633	893	3,526	2 to 33
Total	81,908	18,058	99,966	

The Council has a policy of not depreciating land.

Depreciation is provided for on all fixed assets with an identifiable finite useful life, excluding non-depreciable land and non-operational investment properties, in accordance with FRS15. The depreciation charge is based on the asset value in the Balance Sheet. Only where this charge would not be material is depreciation not charged.

Depreciation has been calculated using the "Straight Line Method" (i.e. equal annual charges based on the replacement cost and total life expectancy) as this is a fair basis for allocating costs to the future years expected to benefit from the asset's use. The remaining useful lives of assets are reviewed annually and revised where appropriate.

The basis of the charge for depreciation is detailed in *note 4* to the Statement of Accounting Policies on *pages 9 & 10*.

25. Intangible Assets

Intangible Assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. There are three categories:

- Development Expenditure
- Goodwill
- Other Intangible Assets, including software licences

All the Council's intangible assets are currently in respect of software licences.

26. Net Assets Employed

The net assets employed by the Council analysed between revenue accounts are as follows: -

	31 March 2007 £000's	31 March 2008 £000's
General Fund	62,521Cr	116,881Cr
Housing Revenue Account	412,819Cr	380,983Cr
Trading Accounts	2,942Cr	1,598Cr
Collection Fund	112Cr	273Cr
Total Equity	478,394Cr	499,735Cr

27. External Lending

Details of the Council's external lending are shown below:

	Balance 31 March 2007 £000's	Additions during year £000's	Repayments during year £000's	Balance 31 March 2008 £000's
House Purchasers	19	0	4	15
Ipswich Building Preservation Trust	80	0	80	0
Womens Refuge	150	0	150	0
Gymnastics in Ipswich	5	0	5	0
Total	254	0	239	15

28. Stocks and Work-in-progress

The bases for stock and work-in-progress valuations are described in *note 12* to the

Statement of Accounting Policies on page 12.

	31 March 2007 £000's	31 March 2008 £000's
Work in Progress: -		
Rechargeable Works	137	147
	137	147
Stocks: -		
Ipswich Borough Contracts	127	124
Other Services	155	143
	282	267

29. Debtors

	Restated 31 March 2007 £000's	31 March 2008 £000's
Amounts falling due within one year: -		
Sundry Debtors	9,626	8,150
Council Tax	3,213	3,048
Business Rates	1,981	1,959
Housing Rents	910	774
Payments in Advance	972	1,270
Customs & Excise	389	855
Government Departments	986	269
Car Loans & Car Leasing to Employees	32	37
	18,109	16,362
Amounts falling due after one year: -		
Car Loans & Car Leasing to Employees	22	14
	18,131	16,376
Less Provision for Bad Debts: -		
Housing Rents	587Cr	615Cr
Sundry Debtors	860Cr	654Cr
Business Rates	379Cr	376Cr
Council Tax	1,599Cr	1,557Cr
	14,706	13,174

The HRA Bad Debt Provision was established under the terms of the Housing and Local Government Act 1989 to cover bad debts on Council dwellings relating to a period prior to 1st April 1990. Annual provision continues to be made to cover debts arising since that date.

The General Fund Bad Debt provision was established to cover bad debts arising from, in particular, sundry debtors, commercial rents and court cost awarded.

The Collection Fund Bad Debt provision covers debts on Council Tax and Non-Domestic Rates.

30. Creditors

	Restated 31 March 2007 £000's	31 March 2008 £000's
Sundry Creditors	11,355	7,098
Business Rates	661	536
Income in Advance	1,680	2,898
Agency Takings etc.	4,030	4,050
Council Tax	886	919
Housing Rents	626	892
Government Departments	180	993
Other Public Authorities	135	135
Inland Revenue	1	0
Revenue and Customs	72	113
	19,626	17,634

31. Government Grants Deferred

Fixed assets which are acquired with the aid of grants and external contributions are recorded in the accounts at gross cost. The grants are held in this grant deferred account and released to revenue over the life of the asset to offset depreciation.

32. Other Grants/Contributions Deferred

The other grants/contributions balance is analysed as follows:

	2006/07 £000's	2007/08 £000's
Section 106 Contributions	2,913Cr	4,551Cr
Miscellaneous Contributions from Developers	75Cr	59Cr
Miscellaneous Grants	541Cr	636Cr
	3,529Cr	5,246Cr

33. Deferred Capital Receipts

Deferred capital receipts are derived from the sale of assets, which will be received in instalments over agreed periods of time. They normally arise from mortgages on the sale of Council Houses.

34. Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2008	Historical experience of default	Adjustment for market conditions at 31 March 2008	Estimated maximum exposure to default
	£000s	%	%	£000s
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AA rated counterparties	6,145	0.006%	0.006%	0
A rated counterparties	24,000	0.007%	0.007%	2
Other counterparties	5,000	0.108%	0.108%	5
Trade debtors	16,376	4.240%	4.240%	694
	<u>51,521</u>			<u>701</u>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its debtors, such that £15.350m of the £16.376m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000s
Less than three months	10,382
Three to six months	842
Six months to one year	1,335
More than one year	2,791
	<u>15,350</u>

To offset the debtors outstanding the Council does have £3.203m of provisions.

Collateral – During the reporting period the council held no collateral as security.

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day-

whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2007	31 March 2008
	£000's	£000's
Less than one year	9,492	4,078
Between one and two years	647	713
Between two and five years	8,458	3,384
More than five years	32,692	40,853
	<u>51,289</u>	<u>49,028</u>

The maturity analysis of financial assets is as follows:

	31 March 2007	31 March 2008
	£000s	£000s
Less than one year	15,324	25,928
Between one and two years	0	2,168
Between two and three years	4,301	6,830
More than three years	6,514	2,089
	26,139	37,015

All trade and other payables are due to be paid in less than one year and trade debtors of £16.376m are not shown in the table above.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings will not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

As the Council still has its own housing stock and is still subject to Housing Subsidy, the risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

Price risk - The Council does not generally invest in equity shares but does have shareholdings to the value of £1.296m in Ipswich Buses Ltd, which is wholly owned by the Council. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

35. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 March 2007 £000's	31 March 2008 £000's	31 March 2007 £000's	31 March 2008 £000's
Financial liabilities at cost	41,703	44,831	9,463	4,072
Accrued Interest on Financial Liabilities	94	119	28	6
Financial liabilities at fair value through the I&E	0	0	0	0
Total Borrowings	41,797	44,950	9,491	4,078
Loans and Receivables	10,000	10,000	15,000	25,000
Accrued Interest on Loans and Receivables	815	1,087	324	783
Available for sale financial assets	318	1,615	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total Investments	11,133	12,702	15,324	25,783

36. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost.

	31 March 2007		31 March 2008	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
PWLB Debt	36,991	39,182	36,478	41,394
Non-PWLB Debt	14,297	14,486	12,550	14,087
Total Debt	51,288	53,668	49,028	55,481
Creditors arising through contract	17,475	17,475	14,659	14,659
Total Financial Liabilities	68,763	71,143	63,687	70,140
Money Market loans < 1 year	15,324	15,324	25,783	25,783
Money Market loans > 1 year	10,815	10,717	11,087	11,130
Long Term Investments	318	318	1,615	1,615
Debtors arising through contract	8,770	8,770	7,730	7,730
Total Loans and Receivables	35,227	35,129	46,215	46,258

The fair value of the financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

The differences on total loans and receivables is attributable to fixed interest instruments payable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2008. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments. It should be noted that the redemption rules applying to PWLB debt changed on 1 November 2007, and are less favourable than the previous procedures. As a result the fair value figures for 31 March 2008 are relatively higher (more costly to redeem) than the 31 March 2007 comparators.

The fair value of the investment in Ipswich Buses is the accumulated profit as at 31 March 2008.

37. Provisions

Provisions are defined in *note 19* to the Statement of Accounting Policies on *page 15*. Movements during the year were as follows:

	Balance 31 March 2007 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2008 £000's
Insurance	1,232Cr	220Cr	247	1,205Cr
Total	1,232Cr	220Cr	247	1,205Cr

The Insurance Provision at 31st March 2008 represents funds set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise. Insurance claims are met by an insurance fund operated by the Council. Insurance premiums are paid into the fund from the revenue account by services requiring insurance cover. Insurance claims less than the policy excesses, and policy excesses, are then met from the Insurance Fund. Risks covered by the fund include: Employers Liability; Third Party Claims; Property; Motor Vehicles; Terrorism and Officials Indemnity within agreed excess levels.

38. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and other have been set up voluntarily to earmark resources for future spending plans.

Summary Statement of Movements on Reserves

Reserve	Balance 1 April 2007 £000's	Net Movement in Year £000's	Balance 31 March 2008 £000's	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	0	13,211Cr	13,211Cr	Records unrealised revaluation gains arising from holding fixed assets	38.1 below
Capital Adjustment Account	491,656Cr	20,291	471,365Cr	Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system	38.2 below
Available-for-sale Financial Instruments Reserve	0	1,297Cr	1,297Cr	Records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets	38.3 below
Financial Instruments Adjustment Account	0	524	524	Provides a balancing mechanism between the different rates at which gains and losses are recognised under the SORP and are required by statute to be met from the General Fund	38.4 below
Usable Capital Receipts	1,014Cr	11,424Cr	12,438Cr	Proceeds of fixed asset sales available to meet future capital investment	38.5 below
Pensions Reserve	28,550	15,731Cr	12,819	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet	Note 48 to the Core Financial Statements, pages 51-55
Housing Revenue Account	3,668Cr	1,574Cr	5,242Cr	Resources available to meet future running costs for council houses.	HRA statements, page 58
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing	Note 10 to the HRA statements, page 64
General Fund	4,192Cr	294	3,898Cr	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 19
Legacies	122Cr	3Cr	125Cr	Resources invested to provide a yearly income for the purchase of Museum items.	Note 42 to the Core Financial Statements, page 49
Other Reserves	6,163Cr	947	5,216Cr	Earmarked reserves that are set aside for specific policy purposes	38.6 below and HRA statements, pages 61 & 62

38.1 Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Council arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

Whilst these gains arising from revaluations increases the net worth of the Council, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated.

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see *note 6* to the Statement of Accounting Policies on *page 6*). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £434,227,000 on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£57,429,000 credit balance) to form the new Capital Adjustment Account with a balance of £491,656,000. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

The fund movements were:

	2006/07 £000's	2007/08 £000's
Brought Forward at 1 April	0	0
Disposals written out	0	12,708
Revaluation adjustments	0	25,919Cr
Balance 31 March	0	13,211Cr

38.2 Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been

consumed and the amount that has been financed in accordance with statutory requirements.

Movements on the fund:	2006/07 £000's	2007/08 £000's
Balance at 1 April		491,656Cr
Net Adjustment of MRP/Depreciation		15,695
Disposals		8,490
Expenditure on fixed assets financed from Revenue		3,030Cr
Revaluation Adjustment		6,585
Long term Debtors written down		235
Expenditure on fixed assets financed from Usable Capital Receipts		7,684Cr
Balance at 31 March	0	471,365Cr

38.3 Available-for-sale Financial Instruments Reserve

This reserve records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets.

	Balance 31 March 2007 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2008 £000's
Gilts	0	0	1Cr	1Cr
Ipswich Buses Shares	0	0	1,296Cr	1,296Cr
Total	0	0	1,297Cr	1,297Cr

38.4 Financial Instruments Adjustment Account

This account provides a balancing mechanism between the different rates at which gains and losses are recognised under the SORP and are required by statute to be met from the General Fund.

	Balance 31 March 2007 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2008 £000's
Debt Rescheduling - Premiums Incurred	0	799	114Cr	685
Debt Rescheduling - Discounts Incurred	0	191Cr	30	161Cr
Total	0	608	84Cr	524

38.5 Usable Capital Receipts Reserve

On the disposal of fixed assets, the capital receipt is initially credited to the Usable Capital Receipts Reserve. The proportion that is required to be paid over to Central Government as a 'housing pooled capital receipt' is charged in the Net Operating Expenditure Section of the Income and Expenditure Account (see *page 18*) and the same amount appropriated from the Usable Capital Receipts Reserve and credited to the Statement of Movement on the General Fund Balance. The balance of the receipt (non-reserved) remaining in the Usable Capital Receipts Reserve is available either for financing new capital expenditure or to repay debt. The interest earned on the non-reserved proportion of capital receipts pending their use is credited to the General Fund.

	2006/07 £000's	2007/08 £000's
Balance of Usable Capital Receipts at 1 April	3,759Cr	1,014Cr
Received in the year	5,212Cr	19,107Cr
Applied or voluntary set aside in the year	7,957	7,683
Balance of Usable Capital Receipts at 31 March	1,014Cr	12,438Cr

38.6 Specific Revenue Reserves

Reserves are defined in *note 20* to the Statement of Accounting Policies on *page 16*. They include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management. Specific reserves are analysed in the following table: -

	Balance 31 March 2007 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2008 £000's
Transport Realisation Account	252Cr	0	0	252Cr
Trading Account Profits	1,146Cr	130Cr	1,246	30Cr
Insurance	1,469Cr	31Cr	33	1,467Cr
HRA Capital Financing	17Cr	3,358Cr	3,030	345Cr
Repairs & Renewal	1,750Cr	249Cr	52	1,947Cr
Miscellaneous	1,529Cr	58Cr	412	1,175Cr
Total	6,163Cr	3,826Cr	4,773	5,216Cr

Trading Account Profits are a summary of income earned and payments made by Ipswich Borough Contracts and the Grounds Maintenance Contractor during 2007/08. Sums transferred out are used to assist in financing net expenditure on services, included in the Income and Expenditure Account.

The Insurance Reserve is available to finance claims that might arise in addition to the predicted level of insurance claims e.g. arising from events such as the hurricane of 1987. It also covers tendering losses if incurred, and other claims which might arise for which external insurance cover is not provided.

39. Authorisation of Accounts for Issue

The accounts were authorised for issue by Ian Blofield, Head of Finance, on 25th June 2008, being the date up to which all events have been considered.

40. Post Balance Sheet Events

No post balance sheet events have been identified which would materially affect the Statement of Accounts for 2007/08.

41. Collection Fund Balance

The balance on this account represents amounts owed to, or by, precepting authorities, including Ipswich Borough Council, on behalf of their local taxpayers. Further details can be found on *pages 65 to 67*.

42. Legacies – Felix Cobbold and Jennings Bequest

These are invested to provide a yearly income for the purchase of museum items. The balances for 2007/08 are included in the Council's investments in the sum of £124,999 (£121,950 in 2006/07).

43. Trust Funds

The Council acts as trustees for the two funds listed below. In neither case do the funds represent assets of the council, and they have not been included in the Balance Sheet.

Ipswich Town Trust – set up to provide grants to local charities. This has a balance of £7,360 as at 31 May 2008.

Mayor of Ipswich Relief Fund – set up to provide assistance in the event of an emergency. This has a balance of £3,711 as at 31 March 2008.

The balances represent the trusts' assets that are mainly invested in Government stock. There are no liabilities.

44. Miscellaneous Accounts

The miscellaneous accounts balance is analysed as follows: -

	2006/07 £000's	2007/08 £000's
Debtors/Creditors(net) which relate to Trading Accounts,		
Works in progress for internal (I.e. Ipswich Borough Council) clients	56Cr	10
Miscellaneous	63	24
	7	34

45. Prior Period Adjustments

Prior Period Adjustments are defined as “those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors”.

There have been no prior period adjustments identified which affect the 2007/08 accounts.

46. Financial Relationships with Companies

The Council's only related company is Ipswich Buses Limited. At 29th March 2008, all the allotted called up ordinary share capital of the Company was owned by the Council. The Council therefore has a controlling influence.

The Council has no commitment to meet accumulated deficits or losses of Ipswich Buses Limited.

47. Contingent Liabilities

The bus operator “Stagecoach” have sought a judicial review against the Secretary of State, regarding the dismissal of their challenge to the methodology of calculating payments to bus operators, by the Suffolk Countywide Concessionary Fares Scheme. This challenge is based upon the legality of including a “generation” factor in calculations. The potential impact of a successful review would add in excess of £500,000 to the payments Ipswich Borough Council would need to make to Stagecoach under the Concessionary Fares Scheme for 2007/08 and future years – the potential for a successful appeal is judged unlikely.

48. Pensions

Pensions and other benefits are available to all full time Council employees under the requirements of statutory regulations. In certain circumstances, the regulations extend to cover part-time employees. The Local Government Pension Scheme is a funded defined benefit scheme. The cost of pensions and other benefits is provided from the Pension No. 1 Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement Regulations) 1982. Suffolk County Council in accordance with the Local Government Pension Regulations, 1997 as amended, administers the Fund. The Fund’s Actuary determined the Council’s contribution to the Fund for 2007/08 on the basis of the actuarial valuation as at 31st March 2004. The contribution rate remained at 24.8% of pay to address the Pension Fund deficit over 15 years. The next triennial valuation will come into effect on 31st March 2007, and will set the employer rates for the next 3 years.

The actuarial value of the fund’s liabilities as at 31st March 2008, in accordance with Financial Reporting Standard (FRS) 17, was completed in May 2008 by Hymans Robertson, who are an independent firm of actuaries.

The pension notes adopt the disclosure requirements for FRS17 as identified in the Statement of Recommended Practice.

Although pensions will not be paid until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. Whilst FRS17 requires the cost of those benefits earned to be shown against the net cost of services, the charge to local taxation is based on the cash payable in the year. As a consequence, the cost of retirement benefits earned is reversed out of the Income and Expenditure Account below net operating expenditure. The table below summarises the transactions.

2006/07 £000's	Local Government Pension Scheme	2007/08 £000's
	Net Cost of Services	
5,091	- Current Service Cost	4,219
353	- Past Service Cost	11
286	- Settlements & Curtailments	880
	Net Operating Expenditure	
9,057	- Interest Cost	9,926
9,581Cr	- Expected Return on Scheme Assets	11,044Cr
	Amounts to be met from Local Taxation	
749	- Movement on Pensions Reserve	3,443
	Actual Charge to Council Tax for Pensions	
5,955	- Employer Contributions	7,435

In addition to employer's contributions for funded benefits, the Council is liable for directly funding discretionary added years benefits awarded to employees retiring early or suffering redundancy. However, there were no such costs charged to the Council for these additional benefits in 2007/08. The Council has a policy of making a lump sum payment to the pension fund to fully finance the liability as it arises.

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2008:

	History of Experience Gains & Losses				
	Year to 31 Mar 2004 £000's	Year to 31 Mar 2005 £000's	Year to 31 Mar 2006 £000's	Year to 31 Mar 2007 £000's	Year to 31 Mar 2008 £000's
Difference between Expected & Actual Return on Assets	12,588	3,945	21,334	1,460	16,537Cr
Value of Assets	95,143	109,807	142,061	155,134	147,540
Percentage of Assets	13.2%	3.6%	15.0%	0.9%	-11.2%
Experience Gains/Losses on Liabilities	41Cr	3,879Cr	54	0	1,702
Total Present Value of Liabilities	115,736	153,348	183,948	183,684	160,359
Percentage of the Total Present Value of Liabilities	0.0%	2.5%	0.0%	0.0%	1.1%
Actuarial Gains/Losses Recognised in STRGL	12,547	25,294Cr	448	12,588	12,288
Total Present Value of Liabilities	115,736	153,348	183,948	183,684	160,359
Percentage of the Total Present Value of Liabilities	10.8%	-16.5%	0.2%	6.9%	7.7%

The Council's underlying assets and liabilities for retirement benefits at 31st March are shown overleaf. These Liabilities represent the long-term underlying commitment that the Council has to pay retirement benefits.

2006/07 £000's	Local Government Pension Scheme	2007/08 £000's
155,134	Estimated Assets in the Scheme	147,540
183,684Cr	Estimated Liabilities in the Scheme	160,359Cr
28,550Cr	Net Asset/Liability (Cr)	12,819Cr

Liabilities have been assessed using the projected unit method, an estimate of the pensions that will be payable in future years, based on assumptions about mortality rates and salary levels. The actuary determines the rate of employer contribution over the remaining working life of employees necessary to meet all liabilities.

The main assumptions used in their calculation are: -

31 March 2007 % per annum		31 March 2008 % per annum
3.2%	Inflation	3.6%
4.7%	Salary Increases	5.1%
3.2%	Increase for pensions in payment & deferred pensions	3.6%
5.4%	Rate used to discount scheme liabilities	6.9%

The valuation reflects: -

- individual membership data submitted as at 31st March 2007 for the purpose of the formal funding valuation at that date (or for employees which have joined the Fund after 31st March 2007, membership data as at the date of joining);
- the latest numbers of employees, deferred pensioners and pensioners;
- actual employer and employee contributions up to 31st March 2008
- actual fund returns from 1st April 2007 up to 31st March 2008, and
- any new early retirements from 1st April 2007 to 31st March 2008 which are not anticipated in the normal employer service costs.

Assets are valued at fair value, principally market value for investments, totalling £1,297m for the Fund as a whole at 31 March 2008 (£1,274m at 31 March 2007) and consist of the following categories, by proportion of the total assets held by the Fund:

Assets Whole Fund	Long Term Return %	31 March 2007 % of assets	31 March 2008 % of assets
Equities	7.7	70.6	69.1
Bonds	5.7	15.9	18.5
Property	5.7	12.5	11.2
Cash	4.8	1.0	1.2
Estimated Assets	7.1	100.0	100.0

The movement in the net liability between the years is analysed as:

2006/07 £000's		2007/08 £000's
41,887Cr	Deficit at the beginning of the year	28,550Cr
5,091Cr	Current service cost	4,219Cr
5,955	Employer contributions	7,435
353Cr	Past service cost	11Cr
286Cr	Impact of settlements & curtailments	880Cr
9,581	Expected return on employer assets	11,044
9,057Cr	Interest on pension scheme liabilities	9,926Cr
12,588	Actuarial gains/losses(Cr)	12,288
28,550Cr	Deficit at the end of the year	12,819Cr

	2006/07 £000's	2007/08 £000's
Net Pension Asset		
Estimated Assets (A)	155,134	147,540
Present Value of Scheme Liabilities - Note 1	183,684	160,359
Present Value of Unfunded Liabilities - Note 2	0	0
Total Value of Liabilities (B)	183,684	160,359
Net Pension Asset (A) - (B)	28,550Cr	12,819Cr

Note 1

The Actuary estimates that this liability comprises of approximately £71,796,000, £16,663,000 and £71,900,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31st March 2008. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

Note 2

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension equal to 50% of the member's pension as at the date of the member's death.

The Fund Actuary, using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary, has provided the above figures. Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of the actuarial calculations may be affected by uncertainties within a range of possible values.

Further information can be found in Suffolk County Council's Pension Fund Annual Report, which is available upon request from: The Director of Finance, Endeavour House, Ipswich IP1 2BX.

Notes to Cash Flow Statement

49. Increase/Decrease in Cash and Cash Equivalents

	Balance 31 March 2007 £000's	Balance 31 March 2008 £000's	Movement in the Year £000's
Bank in hand/overdraft (cr)	1,186	355	831Cr
Cash in Hand	718	839	121
	1,904	1,194	710Cr

50. Reconciliation of Surplus to Net Cash Inflow

	2006/07 £000's	2007/08 £000's
Surplus(Cr)/Deficit on Income and Expenditure Account	14,811	17,808
Adjustment for Statutory and Non-Statutory proper Practice	13,540Cr	17,514Cr
Surplus(Cr)/Deficit for year per Collection Fund	293Cr	161Cr
Net Surplus(Cr)/Deficit	978	133
<u>Add back non-cash transactions</u>		
Net movements in reserves	161	172Cr
Net movements in provisions	295Cr	75Cr
Minimum revenue provisions	420Cr	701Cr
Transfer to Major Repairs Reserve	4,992Cr	5,073Cr
Transfer to Usable Capital Receipts	2,609	2,856
Direct revenue financing	4,305Cr	3,358Cr
Charges to Capital	6,701	4,278
Interest Accrual	0	1,745Cr
Other non-cash transactions (net)	0	579Cr
<u>Items on an accrual basis</u>		
Increase/Decrease(Cr) in Stocks & Work in Progress	38	4Cr
Increase/Decrease(Cr) Debtors	546	1,532Cr
Increase(Cr)/Decrease Creditors	5,123	1,367
<u>Items in another classification in the Cash Flow Statement</u>		
Less investment income	826	3,218
Plus interest paid	1,621Cr	3,517Cr
Net Cash Flow from revenue activities	5,349	4,904Cr

51. Analysis of Government Grants Received

	Awarding Body	2006/07 £000's	2007/08 £000's
Revenue Support Grant	DCLG	1,779Cr	1,643Cr
DWP Grants for Rebates	DWP	43,140Cr	47,895Cr
Housing Subsidy	DCLG	4,093	4,573
Capital Grants	DCLG	251Cr	375Cr
Homelessness Grant	DCLG	78Cr	103Cr
Planning Delivery	DCLG	271Cr	212Cr
LABGI	DCLG	459Cr	180Cr
		41,885Cr	45,835Cr

DCLG – Department of Communities and Local Government

DWP – Department for Work and Pensions

52. Reconciliation of Financing and Management of Liquid Resources to Balance Sheet

	Balance 31 March 2007 £000's	Balance 31 March 2008 £000's	Movement in the Year £000's
<u>From Balance Sheet</u>			
Investments	25,000	36,870	11,870
Loans Repayable < 12 months	9,492Cr	4,078Cr	5,414
Long Term Loans Outstanding	41,797Cr	44,950Cr	3,153Cr
			<u>14,131</u>
Non-cash items excluded from Cash Flow Statement			<u>114</u>
			<u>14,245</u>
<u>From Cashflow Statement</u>			
Management of Liquid Resources			11,870
Financing			2,375
			<u>14,245</u>

53. Reconciliation of Net Cash Flow to Movement in Net Debt

	Balance 31 March 2007 £000's	Cash flows £000's	Other Changes £000's	Balance 31 March 2008 £000's
<u>Changes in Net Debt</u>				
Bank in hand / overdrawn (Cr)	1,186	831Cr	0	355
Cash in Hand	718	121	0	839
Debts due within 1 year	9,492Cr	5,986	572Cr	4,078Cr
Debts due after 1 year	41,797Cr	3,725Cr	572	44,950Cr
Non-cash items adj	0	0	114	114
Short Term Deposits	25,000	11,870	0	36,870
	<u>24,385Cr</u>	<u>13,421</u>	<u>114</u>	<u>10,850Cr</u>
<u>From Cashflow Statement</u>				
Increase/Decrease(Cr) in Cash		710Cr		
Cash used to repay/raise(Cr) loans		2,375		
Cash used to increase/decrease(Cr) liquid resources		11,870		
Change in Net Debt		<u>13,535</u>		
Net Debt at 1 April 2007		<u>24,385Cr</u>		
Net Debt at 31 March 2008		<u>10,850Cr</u>		

HRA INCOME AND EXPENDITURE ACCOUNT

This account summarises the transactions relating to the provision, management and maintenance of Council Houses and Flats.

	Note	2006/07 £000s	2007/08 £000s
INCOME			
Gross Rent Income - Domestic	1&2	23,849Cr	25,068Cr
- Commercial		834Cr	830Cr
Charges for Services & Facilities		541Cr	639Cr
Contributions from General Fund		165Cr	169Cr
Housing Revenue Account Subsidy	3	0	0
Total Income		25,389Cr	26,706Cr
EXPENDITURE			
Repairs & Maintenance		5,364	5,647
Supervision & Management		5,521	4,882
Rents, Rates & Taxes		98	94
Housing Revenue Account Subsidy	3	4,077	4,567
Depreciation on Fixed Assets	7	6,834	8,781
Debt Management Costs		51	49
Provision for Bad Debts		100	135
Total Expenditure		22,045	24,155
Net Cost of HRA Services per I&E Account		3,344Cr	2,551Cr
HRA services share of Corporate & Democratic Core		108	108
HRA services share of Unallocated Overheads		15	15
Net Cost of HRA Services		3,221Cr	2,428Cr
Gains(Cr)/Loss on sale of HRA Fixed Assets		0	0
Interest Payable and Similar Charges		1,609	1,661
Amortised Premiums & Discounts		229	83
HRA Investment Income		149Cr	246Cr
Surplus(Cr)/Deficit for Year on HRA Services		1,532Cr	930Cr

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	Note	2006/07 £000s	2007/08 £000s
Surplus(Cr)/Deficit for year on HRA Services		1,532Cr	930Cr
Net Additional amount required by statute to be debited/credited to the HRA		1,771	644Cr
Increase(Cr)/Decrease in HRA Balance		239	1,574Cr
HRA Account Balance brought forward		3,906Cr	3,667Cr
HRA Account Balance carried forward		3,667Cr	5,241Cr

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07 £000's		2007/08 £000's
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA Balance for the year	
0	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	0
0	Gain or loss on sale of HRA fixed assets	0
428Cr	Net charges made for retirement benefits in accordance with FRS17	292Cr
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
428Cr		292Cr
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year	
1,841Cr	Transfer to/from(Cr) Major Repairs Reserve	3,709Cr
232Cr	Transfers to/from(Cr) Housing Repairs Account	0
0	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	0
0	Voluntary set aside for debt repayment	0
4,272	Capital expenditure funded by the HRA	3,357
2,199		352Cr
1,771	Net additional amount required by statute to be debited/credited(Cr) to the HRA balance for the year	644Cr

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, 0.53% of lettable properties were vacant (0.46% in 2006/07). Typical rents were £57.80 per week in 2007/08 representing an increase of £2.95 or 5.4% over the previous year.

2. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 58% of the rents collected are made up of benefits paid to tenants (60% in 2006/07). 63% of the tenants receive some financial assistance towards the cost of their rent (66% in 2006/07).

3. Housing Revenue Account Subsidy

This subsidy represents the amount paid to the Government by Ipswich Borough Council in respect of the Council's notional HRA. The breakdown of subsidy payable by the Council is as follows: -

	2006/07 £000's	2007/08 £000's
Rental Constraint Allowance	111Cr	348Cr
Admissible Allowance	0	0
Management & Maintenance	11,809Cr	12,322Cr
Major Repairs Allowance	4,992Cr	5,073Cr
Charges on Capital	2,474Cr	2,455Cr
Interest on Receipts	1	1
Guideline Rent Income	23,451	24,782
Rent Rebate Entitlement	0	0
HRA Subsidy Claimed	4,066	4,585
Previous Year Adjustments		
Rent Rebate Entitlement	0	1Cr
Housing Element	11	17Cr
HRA Subsidy Receivable(Cr)/Payable	4,077	4,567

4. Housing Stock

The Council was responsible for managing an average of 8,240 dwellings, excluding temporary accommodation, during 2007/08 (8,283 dwellings in 2006/07).

The average stock was made up as follows: -

	2006/07	2007/08
Houses/Bungalows	5,038	5,011
Flats	3,245	3,229
	8,283	8,240

The change in stock can be summarised as follows: -

	2006/07	2007/08
Stock at 1 April	8,313	8,260
Less: Sales/Demolitions etc.	57	41
Add: New Buildings/Acquisitions	4	2
Stock at 31 March	8,260	8,221

5. Rent Arrears

- 5.1 During the year, 2007/08 rent arrears as a proportion of gross rent income have decreased from 3.24% of the amount due to 2.73%.

	2006/07	2007/08
Arrears at 31 March	793	714

Amounts written off during the year amounted to £106,752.

- 5.2 The Housing Revenue Account made a contribution of £135,668 to the provision for bad debts account in 2007/08, and the aggregate provision for uncollectible debts, as at 31st March 2008 amounted to £615,389 (see note 29 on page 37).

6. Reserves

The reserves shown below are ring-fenced to the Housing Revenue Account.

- 6.1 The balance on the Repairs Reserve as at 31st March 2008 was £1,000,000. This forms part of the Repairs and Renewals Reserve included in *note 38.6* to the Balance Sheet on *page 48*.
- 6.2 The balance on the Sheltered Scheme Energy Reserve at 31st March 2008 was £102,612 and forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.
- 6.3 The balance on the IT Development Reserve as at 31st March 2008 was £118,393. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.
- 6.4 The balance on the Supporting People (Hostels) Reserve as at 31st March 2008 was £331,366. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.
- 6.5 A contribution of £62,030 was made to the Housing Revenue Account from the Supporting People Sheltered Reserve in 2007/08. The balance on the Supporting People Sheltered Reserve as at 31st March 2008 was £376,320. This forms part of

the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.

6.6 A net contribution of £267,000 was made to the Housing Revenue Account, from the Ipswich Standard Reserve in 2007/08. The balance on the Ipswich Standard Reserve as at 31st March 2008 was £58,000. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.

6.7 A contribution of £25,078 was made to the Housing Revenue Account from the Community Caretakers Reserve in 2007/08. The balance on the Community Caretakers Reserve as at 31st March 2008 was £41,542. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 48*.

6.8 The pensions liability is balanced by a pension reserve of the same value, which reflects the fact that the Council is not required to raise housing rents to cover the liability. Further information can be found in *note 14* to the Statement of Accounting Policies on *pages 12 & 13*.

6.9 A contribution of £30,874 was made to the Insurance Reserve from the Housing Revenue Account.

7. HRA Fixed Assets

	Balance at 01/04/07 £000's	Revaluations during year £000's	Reclassifications /Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 31/03/08 £000's
Operational Assets							
Council Dwellings	426,990	2,829	0	9,493	2,890	7,992	428,430
Other land & buildings	1,547	49	0	0	0	29	1,567
Community Assets	55	0	0	0	0	0	55
Vehicles, Plant Eqpt etc.	6	0	0	0	0	5	1
Non Operational Assets	8,834	741	0	110	806	126	8,753
Total	437,432	3,619	0	9,603	3,696	8,152	438,806

The £3,696,000 of asset disposals during the year represents the carrying value of those assets.

The total capital receipts generated during the year was:

	2006/07 £000's	2007/08 £000's
Land	23	375
Council Houses	3,821	2,785
Other Property	224	416
	4,068	3,576
Excluded Discounts Repaid and Housing Advances	48	69
Total	4,116	3,645

The Council dwellings included in the Balance Sheet on *page 22* are shown at Existing Use Social Housing Value, which represents 46% of their market value. Their vacant possession value as at 31st March 2008 is £886,399,169. This represents the economic cost to government of providing council housing at less than open market rents.

	31 March 2007	31 March 2008
Analysis of Dwellings in the HRA: -		
Houses/Bungalows	5,021	5,001
Flats	2,685	2,666
Sheltered Housing Units	554	554
Total	8,260	8,221

8. Housing Revenue Account Capital Expenditure and Financing

	2006/07 £000's	2007/08 £000's
<u>EXPENDITURE</u>		
Housing Revenue Account Services - Housing	11,146	9,564
TOTAL	11,146	9,564
<u>FINANCING</u>		
Usable Capital Receipts	566Cr	110Cr
External Contributions	2Cr	55Cr
Major Repairs Reserve	4,992Cr	5,073Cr
Credit Approvals	1,314Cr	1,314Cr
Revenue Contributions to Capital Outlay	4,272Cr	3,012Cr
TOTAL	11,146Cr	9,564Cr

9. HRA Deferred Charges

DESCRIPTION	Balance at 01/04/07 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/08 £000's
Pension Fund Deficit	0	0	0	0	0
Other Capital Expenditure not creating a Fixed Asset	0	0	0	0	0
Total	0	0	0	0	0

Note 7 to the Statement of Accounting Policies (*page 11*) provides an explanation of deferred charges. Such charges (or credits) are recorded within service accounts, as appropriate, but are reversed in the Statement of Movement on the HRA Balance, thereby having a neutral impact on the revenue surplus or deficit.

10. Major Repairs Reserve

The Major Repairs Reserve is now required to be established in relation to the Housing Revenue Account (HRA). The items credited to the Major Repairs Reserve are an amount equal to HRA depreciation for the year, and transfers from the HRA required by statutory provision. The former is debited to the Capital Adjustment Account and the latter to the HRA appropriations account. The amounts debited to the Major Repairs Reserve are expenditure for HRA capital purposes, where this is to be funded from the Major Repairs Reserve, and transfers to the HRA required by statutory provision. The former is credited to the Capital Adjustment Account and the latter to the HRA appropriations account.

	2006/07 £000's	2007/08 £000's
<u>INCOME</u>		
Balance B/fwd	0	0
Depreciation on Fixed Assets - On Dwellings	6,661Cr	7,992Cr
- On Other Assets	172Cr	206Cr
	<u>6,833Cr</u>	<u>8,198Cr</u>
<u>EXPENDITURE</u>		
Amount transferred from Reserve to HRA	1,841	3,125
Capital Expenditure - all on Dwellings	4,992	5,073
	<u>6,833</u>	<u>8,198</u>
Balance C/fwd	0	0

11. Capital Asset Charges Accounting Adjustment

In order to ensure that the charges for the use of Fixed Assets do not impact on Rents, the capital charges are taken out and replaced by actual interest paid on external borrowing.

12. Prior Period Adjustments

Prior Period Adjustments are defined as "those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors".

No such adjustments have been identified during 2007/08, which affect the Housing Revenue Account.

THE COLLECTION FUND

Income and Expenditure Account

	Note	2006/07 £000s	2007/08 £000s
<u>INCOME</u>			
Local Taxes: -			
Council Tax		45,758Cr	48,864Cr
Business Rates		42,692Cr	43,297Cr
Transfers from General Fund			
Council Tax Benefits		9,244Cr	9,533Cr
Proportion of Discretionary Relief not met by National Pool (adjustment)		77Cr	76Cr
Share of Estimated Deficits (Cr) / Surpluses (Council Tax)			
Suffolk County Council		85Cr	88
Ipswich Borough Council		25Cr	25
Suffolk Police Authority		11Cr	11
		97,892Cr	101,646Cr
<u>EXPENDITURE</u>			
Precepts & Demands: -			
Suffolk County Council	2	38,555	41,035
Ipswich Borough Council	2	10,950	11,481
Suffolk Police Authority	2	5,093	5,444
Business Rates: -			
Payment to National Pool		42,185	43,394
Cost of Collection Allowance		188	186
Interest on Repayments		31	43
Provision of Uncollectable Amounts: -			
Council Tax		231	151
Business Rates		366	249Cr
		97,599	101,485
DEFICIT/SURPLUS(Cr) ON FUND MOVEMENTS IN YEAR		293Cr	161Cr

NOTES TO THE COLLECTION FUND

1. General

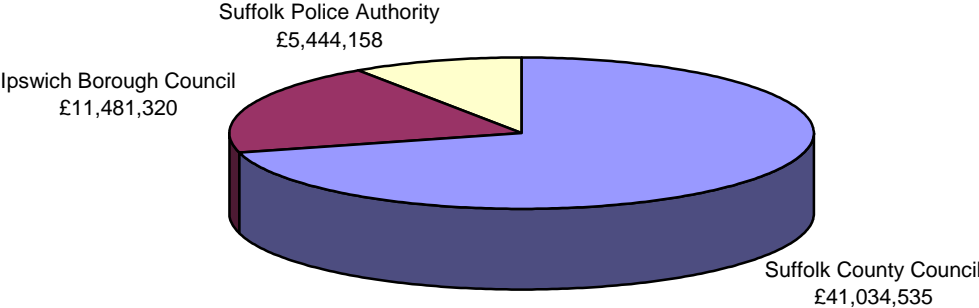
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Council.

2. Income from Council Tax

The Council set a charge of £289.62 per band D property. Its tax base, i.e. the number of chargeable dwellings in each valuation band, is as follows: -

	No. of Chargeable Dwellings as at September 2006	Band D Equivalent No. of Dwellings
Band A	16,995	9,343
Band B	20,461	14,115
Band C	10,443	8,466
Band D	3,895	3,546
Band E	2,008	2,279
Band F	874	1,200
Band G	323	492
Band H	12	7
	<hr/>	<hr/>
	55,011	39,448
Contributions in Lieu (in respect of class "O" exempt dwellings)		<hr/>
		0
		<hr/>
		39,448
Adjustments for changes September 2006 to March 2007 :		
New Dwellings		704
Additional discounts, exemptions, appeals etc.		215Cr
		<hr/>
		39,937
		<hr/>
		<hr/>
Discounted by assumed collection rate of 99.25%		<hr/>
		39,640
		<hr/>

Part of the Council Tax collected pays for services provided by Suffolk County Council and the Suffolk Police Authority. They precept on the Collection Fund for their share of the Council Tax. In 2007/08 the precepts, shown in comparison with Ipswich Borough Council's share of Council Tax were: -



3. Income from Non-domestic Rates

The Council collects Non-domestic Rates for its area, which are based on local rateable values multiplied by a uniform rate. The total amount calculated less allowable reliefs and other deductions, is paid to a central pool managed by Central Government, which in turn pays back to authorities their share of the pool, based on a standard amount per head of adult population.

The non-domestic rateable value as at 31st March 2008 was £112.93m and the uniform business rate was 44.4p.

4. Bad and Doubtful Debts

The value of write-offs/write-ons(Cr) in 2007/08 were: Business Rates £246,406Cr (2006/07 - £474,704) and Council Tax £193,106 (2006/07 - £190,133).

1. Introduction

The Accounting Code of Practice requires Local Authorities with material interests in subsidiary and associated companies to prepare group accounts. This is in accordance with the Statement of Recommended Practice (SORP), FRS2 and FRS9. A Local Authority group comprises the Local Authority and its interest in companies which would be regarded as its subsidiaries or associates if the Local Authority was subject to the Companies Act.

2. Accounting Policies

The Accounting Policies, adopted for Group Accounts, are consistent with the main Accounting Policies, as detailed on *pages 8 to 16*.

3. Ipswich Buses

- 3.1 The Company was set up in accordance with the provisions of the Transport Act 1985, to run the bus operation in Ipswich, previously managed by the Council. The Company started operations in October 1986. At 29th March 2008, all the allotted called up ordinary share capital of the Company was owned by the Council. The Council therefore has a controlling influence.
- 3.2 The Council has no commitment to meet accumulated deficits or losses of Ipswich Buses Ltd.
- 3.3 Copies of the published accounts of Ipswich Buses Limited for the period ended 29th March 2008, can be obtained from Ipswich Buses Ltd., Constantine Road, Ipswich, IP1 2DL. Summarised accounts for Ipswich Buses are shown overleaf:

	Period Ended 29th March 2008 £000's	
Turnover		9,664Cr
Operating and other expenditure (net)		8,431
Profit (Cr)/Loss on ordinary activities after taxation		<u>1,233Cr</u>
A summary of the Company's financial position as at 29th March 2008 is as follows:-		
	£000's	£000's
Fixed Assets- Tangible Assets		4,414
Current Assets	2,496	
less Current Liabilities	<u>2,358</u>	<u>138</u>
Total assets less current liabilities		4,552
less Creditors falling due after more than one year		<u>2,692</u>
Net assets excluding Pension Liability		1,860
Pension Liability		564Cr
Net Assets-including pension liability		<u><u>1,296</u></u>
Represented by:- Capital and Reserves		
Equity - called up ordinary share capital		0
Profit and Loss account		1,296
		<u><u>1,296</u></u>

3.4 The summarised group financial consolidated statements presented below show how the financial position of the Council is affected by its interest in Ipswich Buses Ltd. The main effect of this consolidation has been to increase the Council's revenue reserves by £1.841m, representing the Council's share of the Bus Company's shareholders' funds.

GROUP INCOME AND EXPENDITURE ACCOUNT

2006/07	2007/08			
Total £000's	Ipswich Borough Council £000's	Ipswich Buses £000's	Consol. Adjustment £000's	Total £000's
3,256 Central Services	3,063	0	0	3,063
21,012 Cultural, Environmental & Planning Services	26,412	0	0	26,412
2,034 Highways, Roads & Transport	3,425	267Cr	2 (a)	3,160
182Cr Housing Services	699	0	0	699
3,955 Corporate & Democratic Core	3,789	0	0	3,789
2,813 Non Distributed Costs	1,675	0	0	1,675
32,888 Net Cost of Services	39,063	267Cr	2 (a)	38,798
424Cr Surplus/Deficit on Trading	130Cr	0	0	130Cr
2,730 Interest Payable and Similar Charges	2,669	760Cr	975 (b)	2,884
2,800 Contribution to Housing Pooled Capital Receipts	2,107	0	0	2,107
1,142Cr Interest & Investment Income	1,842Cr	100Cr	2Cr (a)	1,944Cr
597Cr Pensions Interest Cost & Expected Return on Assets	1,118Cr	106Cr	0	1,224Cr
36,255 Net Operating Expenditure	40,749	1,233Cr	975	40,491
10,925Cr Collection Fund	11,506Cr	0	0	11,506Cr
1,779Cr Government Grants	1,643Cr	0	0	1,643Cr
9,239Cr National Non Domestic Rates	9,792Cr	0	0	9,792Cr
14,312 Surplus(Cr)/Deficit for the year	17,808	1,233Cr	975	17,550

Explanation of Consolidation Adjustments:

- (a) Elimination of intra-group transactions
- (b) Adjustment of accrued Preference Shares Dividend written back

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

2006/07 £000's	2007/08 £000's
Surplus (Cr) /Deficit for the year on the Income and Expenditure Account	17,808
0 Adjustments for transactions with other group entities	0
14,811 Surplus (Cr) /Deficit in the Group Income and Expenditure Account attributable to the Authority	17,808
Surplus (Cr) /Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	258Cr
14,312 Surplus (Cr) /Deficit for the year on the Group Income and Expenditure Account	17,550

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement is prepared on the same basis as the Authority Statement – summarising all the gains and losses that have been recognised in the Group Balance Sheet.

<u>2006/07</u>		<u>2007/08</u>
<u>£000's</u>		<u>£000's</u>
	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	17,550
14,312		
47,384Cr	Surplus arising on revaluation of fixed assets	25,927Cr
13,434Cr	Actuarial gains (Cr)/losses on pension fund assets and liabilities	12,522Cr
0	Revaluation gains (Cr)/losses on available-for-sale financial assets	1Cr
	Any other gains and losses required to be included:	
293Cr	Movement in Collection Fund Balance	161Cr
74Cr	Capital Financing - External Contributions	0
0	Re-measurement of Financial Instruments	524
254	Deferred Tax Realised on Movement of Pension Deficit	52
0	Effect of Reduction on Tax Rate on Opening Asset	138
<u>46,619Cr</u>	<u>Total recognised gains/losses for the year</u>	<u>20,347Cr</u>

GROUP BALANCE SHEET

	Restated	2007/08			
	2006/07	IBC	Ipswich	Consol. Adj	Total
	Total	IBC	Buses	Note:	Total
	£000's	£000's	£000's	£000's	£000's
Fixed Assets:					
Intangible Assets	212	135	0	0	135
Operational Assets					
Council Dwellings	426,990	428,430	0	0	428,430
Other Land & Buildings	59,385	49,420	0	0	49,420
Infrastructure	1,219	1,263	0	0	1,263
Community Assets	3,605	6,644	0	0	6,644
Vehicles, Plant, Equipment etc.	7,022	1,658	4,414	1 & 2	6,072
Non Operational Assets	55,077	58,242	0	0	58,242
	553,510	545,792	4,414	0	550,206
Long Term Investments	10,881	12,702	0	1,548Cr (a)	11,154
External Lending:					
to House Purchasers	19	15	0	0	15
to Voluntary Bodies	235	0	0	0	0
Deferred Premiums on Early Repayment of Debt	799	0	0	0	0
TOTAL LONG TERM ASSETS	565,444	558,509	4,414	1,548Cr	561,375
Current Assets:					
Work in Progress	137	147	0	0	147
Stocks	386	267	100	0	367
Debtors	14,271	13,174	1,093	3	96Cr (b&c)
Cash at Bank	1,186	355	1,293	0	1,648
Cash in Hand	3,419	839	10	0	849
Investments	15,324	25,783	0	0	25,783
Less Current Liabilities:					
Creditors	21,983Cr	17,634Cr	2,358Cr	4	77 (c)
Borrowing repayable within 12 months	9,491Cr	4,078Cr	0	0	4,078Cr
Cash Overdrawn	0	0	0	0	0
Net Current Assets	3,249	18,853	138	19Cr	18,972
Creditors: amounts falling due after one year	3,173Cr	0	2,692Cr	4	252 (a)
TOTAL NET ASSETS	565,520	577,362	1,860	1,315Cr	577,907
Long Term Borrowing	41,797Cr	44,950Cr	0	0	44,950Cr
Government Grants Deferred	9,900Cr	13,441Cr	0	0	13,441Cr
Deferred Discounts on Early Repayment of Debt	191Cr	0	0	0	0
Revenue Provisions	1,232Cr	1,205Cr	0	0	1,205Cr
Miscellaneous Accounts	7	34	0	0	34
Other Grants/Contributions Deferred	3,529Cr	5,246Cr	0	0	5,246Cr
Asset/Liability(Cr) relating to Pension Scheme	29,509Cr	12,819Cr	564Cr	5	0
TOTAL ASSETS LESS LIABILITIES	479,369	499,735	1,296	1,315Cr	499,716
Specific Revenue Reserves	10,310Cr	5,216Cr	0	0	5,216Cr
Revaluation Reserve	0	13,211Cr	0	0	13,211Cr
Available-for-sale Financial Instruments Reserve	0	1,297Cr	0	1,296 (a)	1Cr
Capital Adjustment Account	491,656Cr	471,365Cr	0	0	471,365Cr
Usable Capital Receipts	1,014Cr	12,438Cr	0	0	12,438Cr
Financial Instruments Adjustment Account	0	524	0	0	524
Deferred Capital Receipts	17Cr	13Cr	0	0	13Cr
Pensions Reserve	29,509	12,819	564	5	0
Legacies	122Cr	125Cr	0	0	125Cr
	473,610Cr	490,322Cr	564	1,296	488,462Cr
Share Capital	0	0	0	6	0
Revenue Balances	5,759Cr	9,413Cr	1,860Cr	19 (b)	11,254Cr
TOTAL EQUITY	479,369Cr	499,735Cr	1,296Cr	1,315	499,716Cr

Explanation of Consolidation Adjustments:

(a) Elimination of IBC's investment in Ipswich Buses (identified as a creditor in Ipswich Buses' accounts)

(b) Elimination of debtor included in IBC accounts and creditor included in Ipswich Buses' accounts

(c) Elimination of intra-group debtor/creditor

GROUP CASH FLOW STATEMENT

	2006/07	2007/08			Total £000's
	Total £000's	IBC £000's	Ipswich Buses £000's	Consol. Adj £000's	
Net Cash Inflow from Revenue Activities	3,803	4,904Cr	546Cr	0	(a) 5,450Cr
Returns on Investments & Servicing of Finance					
Dividends Received	0	976Cr	0	976	(a) 0
Dividends Paid	0	0	976	976Cr	0
Interest Paid	1,622	3,517	15	16Cr	(a) 3,516
Net Premium on Debt Restructuring	0	0	0	0	0
Interest element of finance lease rental payments	208	0	201	0	201
Interest element of loan & hire purchase payments	0	0	0	0	0
Interest Received	917Cr	3,218Cr	100Cr	16	(a) 3,302Cr
	913	677Cr	1,092	0	415
Taxation paid in the year	9	0	12	0	12
Capital Activities					
Purchase of fixed assets	13,765	18,109	109	0	18,218
Other Capital payments	1,392	753	0	0	753
Sale of fixed assets	8,205Cr	21,380Cr	1Cr	0	21,381Cr
Capital grants received	251Cr	375Cr	0	0	375Cr
Other capital cash income	2,977Cr	5,061Cr	0	0	5,061Cr
	3,724	7,954Cr	108	0	7,846Cr
Acquisitions & Disposals					
Investments in Subsidiary undertakings	0	0	0	0	0
Net Cash Inflow(Cr)/Outflow before Financing	8,449	13,535Cr	666	0	12,869Cr
Management of Liquid Resources					
Net Increase/decrease in short-term deposits	2,145	11,870	0	0	11,870
Financing					
Repayments of amounts borrowed	22,399	23,820	0	0	23,820
Capital elements of finance lease rental payments	726	0	732	0	732
New loans raised	18,730Cr	119Cr	0	0	119Cr
New short-term loans	12,670Cr	21,326Cr	0	0	21,326Cr
	8,275Cr	2,375	732	0	3,107
Increase(Cr)/Decrease in Cash	2,319	710	1,398	0	2,108

Explanation of Consolidation Adjustments:

(a) Elimination of intra-group transactions

NOTES TO THE GROUP BALANCE SHEET

1. Fixed Assets – Ipswich Buses

Movements in net tangible fixed assets during the year were as follows:

	Balance at 31/03/07 £000's	Revaluations during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 29/03/08 £000's
Operational Assets						
Vehicles, plant, equipment, etc.	5,346	0	109	36	1,005	4,414
	5,346	0	109	36	1,005	4,414

The cumulative amounts of provisions for depreciation are as follows:

	Balance at 31/03/07 £000's	Depreciation during year £000's	Balance at 29/03/08 £000's
Operational Assets			
Vehicles, plant, equipment, etc.	5,068	1,005	6,073
	5,068	1,005	6,073

2. Finance Leases – Ipswich Buses

2.1 The value of assets held under finance leases, as at 29th March 2008 is detailed below:

	Vehicles, Plant and Equipment £000's
Net Book Value at 31 March 2007	4,696
Additions during year	38
Disposals during year	212Cr
Depreciation	607Cr
Net Book Value at 29 March 2008	<u><u>3,915</u></u>

2.2 Obligations under Finance Leases

	Vehicles, Plant and Equipment £000's
Amounts payable within one year	733
Amounts payable in 2nd to 5th year inclusive	2,220
Amounts payable thereafter	220
	<u><u>3,173</u></u>

3. Debtors – Ipswich Buses

	31 March 2007 £000's	29 March 2008 £000's
Amounts falling due within one year:-		
Trade Debtors	333	284
Other Debtors	60	646
Leasing Debtors	7	0
Prepayments and Accrued Income	220	163
	620	1093
Amounts falling due after one year:-		
Leasing Debtors	0	0
	0	0
	620	1093

4. Creditors – Ipswich Buses

	31 March 2007 £000's	29 March 2008 £000's
Amounts falling due within one year:-		
Trade Creditors	247	229
Other Taxes	77	75
Social Security	70	77
Obligations under Finance Leases (buses)	721	733
Obligations under Finance Leases (HCl)	11	0
Contributions re Pensions	27	27
Other Creditors	5	665
Accruals and Deferred Income	1,259	552
Undeclared dividend payable	976	0
	3,393	2,358
Amounts falling due after one year:-		
Debenture Loans	252	252
Obligations under Finance Leases (buses)	3,173	2,440
Shares classified as liabilities	2,710	0
	6,135	2,692

5. Pension Costs – Ipswich Buses

The company operates two company pension schemes, one providing benefits based on final pensionable pay, the other being a defined contribution scheme.

Defined Contribution Scheme

The assets of the scheme are held separately from those of the company, being managed by an independent investment manager. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year.

Defined Benefit Scheme

The assets of the scheme are held separately from those of the company, being invested with the Suffolk County Council Superannuation Fund in accordance with the Local Government Superannuation Regulations. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent completed valuation was at 31st March 2007. In addition to the triennial valuation, the company has interim reviews carried out and the results of these are used in preparing the accounts of the company.

The assumptions that have the most significant effect on the results are the following financial ones:

	At 25/03/06	At 31/03/07	At 29/03/08
Rate of increase in salaries	4.60%	4.70%	5.10%
Rate of increase in pensions in payment	3.10%	3.20%	3.60%
Discount rate	4.90%	5.40%	6.90%
Inflation assumption	3.10%	3.20%	3.60%

Composition of the Scheme

The assets of the scheme and the expected rates of return were:

	Long-term rate of return expected at 26/03/06	Value at 25/03/06 £000's	Long-term rate of return expected at 31/03/07	Value at 31/03/07 £000's	Long-term rate of return expected at 29/03/2008	Value at 29/03/2008 £000's
UK Bonds	4.60%	5,688	4.90%	6,264	5.70%	6,233
UK Equities	7.40%	8,085	7.80%	8,217	7.70%	7,632
Property	5.50%	1,509	5.80%	1,691	5.70%	1,409
Other	4.60%	114	4.90%	34	4.80%	0
Total market value of assets		<u>15,396</u>		<u>16,206</u>		<u>15,274</u>
Value of scheme liabilities		<u>17,970Cr</u>		<u>17,576Cr</u>		<u>15,997Cr</u>
Total deficit		2,574Cr		1,370Cr		723Cr
Deferred tax asset recognised		772		411		159
Net pension deficit		<u>1,802Cr</u>		<u>959Cr</u>		<u>564Cr</u>

Analysis of the amount charged to operating profit

	2006/07 £000's	2007/08 £000's
Current service cost - final salary scheme	253	228
Current service cost - money purchase scheme	63	60
Pension cost	316	288

Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

	2006/07 £000's	2007/08 £000's
Actual return less expected return on pension scheme assets	9Cr	1,508Cr
Experience gains/losses (Cr) arising from the scheme liabilities	27Cr	269Cr
Changes in assumptions underlying the present value of the scheme liabilities	882	2,011
Actuarial gain recognised in the statement of recognised gains and losses	<u>846</u>	<u>234</u>
Deferred tax asset on pension deficit	<u>411</u>	<u>159</u>

Movement in net pension deficit during the year

	2006/07 £000's	2007/08 £000's
Deficit in scheme at beginning of the year	2,574Cr	1,370Cr
Movement in the year:		
Current service cost	253Cr	228Cr
Contributions	538	535
Past service costs	0	0
Impact of settlements and curtailments	0	0
Net interest on assets	73	106
Actuarial gains/losses (Cr)	846	234
Deficit in scheme at end of year:	1,370Cr	723Cr
Deferred Tax Asset	411	159
Scheme Deficit net of Deferred Tax Asset	959Cr	564Cr

The above interest on assets, includes interest on pension liabilities of £939,000 (2006/07 - £871,000) and the expected return on assets of £1,045,000 (2006/07 - £944,000).

Reserves note

	2006/07 £000's	2007/08 £000's
Profit and loss reserve excluding pension liability	2,194Cr	1,860
Pension reserve	959Cr	564Cr
Profit and loss reserve	3,153Cr	1,296

History of experience gains and losses

	2003/04	2004/05	2005/06	2006/07	2007/08
	£000's	£000's	£000's	£000's	£000's
Difference between the expected and actual return on scheme assets	1,144	497	1,817	9Cr	1,508Cr
	%	%	%	%	%
Percentage of scheme assets	10.0%	3.9%	11.8%	-0.1%	-9.9%
	£000's	£000's	£000's	£000's	£000's
Experience gains and losses on scheme liabilities	6	1,071	2Cr	27Cr	269Cr
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	0.0%	6.8%	0.0%	-0.2%	-1.7%
	£000's	£000's	£000's	£000's	£000's
Total amount recognised in statement of total recognised gains and losses	378	1,343	52	846	234
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	2.4%	8.6%	0.3%	4.8%	1.5%

6. Share Capital – Ipswich Buses

	31 March 2007	29 March 2008
	£000's	£000's
Equity		
Authorised (Ordinary Shares of £1 each)	2,000	563
Non-equity		
Authorised (Cumulative Non Redeemable Preference Shares of £1 each)	3,000	0
Total Authorised	5,000	563
Equity		
Allotted, called up and fully paid Ordinary Shares	1,437	0
Non-equity		
Allotted, called up and fully paid Cumulative Non Redeemable Preference Shares	2,710	0
Total allotted, called up and fully paid	4,147	0
Shares classified as liabilities	2,710	0
Shares classified in shareholders funds	1,437	0

7. Related Party Transactions – Ipswich Buses

Ipswich Buses Limited is a wholly owned subsidiary of Ipswich Borough Council, who is the ultimate parent company. The following Directors and retired Directors of Ipswich Buses Limited are members of Ipswich Borough Council: -

Richard Atkins, Inga Lockington, William Wright, Paul West.

	2006/07 £000's	2007/08 £000's
Car Parks Servicing Income	24	25
Fuel Distribution	376	379
Rent Payable	24	62
Debenture Loan - Payable at the year end	252	252
- Interest payable in the year	15	15

At the end of the year the netted off balance owed by Ipswich Borough Council was £77,782 (2007 - £64,940)

Ipswich Borough Council are guarantors to the defined benefit scheme as mentioned in note 5.

NOTES TO THE GROUP CASH FLOW STATEMENT

1. Reconciliation of Surplus to Net Cash Inflow

	IBC £000's	Ipswich Buses £000's	Total £000's
Surplus(Cr)/Deficit for year per Income & Expenditure Account	17,808	333Cr	17,475
Adjustment for Statutory and Non-Statutory Proper Practice	17,514Cr	0	17,514Cr
Surplus(Cr)/Deficit for year per Collection Fund	161Cr	0	161Cr
Net Surplus(Cr)/Deficit	133	333Cr	200Cr
<u>Add back non-cash transactions</u>			
Net movements in reserves	172Cr	307	135
Net movements in provisions	75Cr	0	75Cr
Depreciation	0	1,041Cr	1,041Cr
Minimum revenue provisions	701Cr	0	701Cr
Transfer to Major Repairs Reserve	5,073Cr	0	5,073Cr
Transfer to Usable Capital Receipts	2,856	0	2,856
Direct revenue financing	3,358Cr	0	3,358Cr
Charges to Capital	4,278	0	4,278
Interest accrual	1,745Cr	0	1,745Cr
Other non-cash transactions (net)	579Cr	0	579Cr
<u>Items on an accrual basis</u>			
Increase/Decrease(Cr) in Stocks & Work in Progress	4Cr	4Cr	8Cr
Increase/Decrease(Cr) in Debtors	1,532Cr	414	1,118Cr
Increase(Cr)/Decrease in Creditors	1,367	110	1,477
<u>Items in another classification in the Cash Flow Statement</u>			
Less investment income	3,218	0	3,218
Plus interest paid	3,517Cr	0	3,517Cr
Sale of Tangible Fixed Assets	0	1	1
Net Cash Inflow from revenue activities	4,904Cr	546Cr	5,450Cr

2. Reconciliation of Net Cash Flow to Movement in Net Debt – Ipswich Buses

	Balance 31 March 2007 £000's	Cash Flows £000's	Other Changes £000's	Balance 29 March 2008 £000's
<u>Changes in Net Debt</u>				
Cash in hand and at bank	2,701	1,398Cr	0	1,303
Debenture due after one year	252Cr	0	0	252Cr
Finance leases	3,905Cr	732	0	3,173Cr
	1,456Cr	666Cr	0	2,122Cr
<u>From Cashflow Statement</u>				
Increase/decrease(cr) in cash lease financing		1,398Cr		
New finance leases		732		
		0		
Change in Net Debt		666Cr		
Net Debt at 31st March 2007	1,456Cr			
Net Debt at 29th March 2008		2,122Cr		

Scope of responsibility

Ipswich Borough Council (IBC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

IBC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the IBC website at www.ipswich.gov.uk or can be obtained from the Head of Finance, Ipswich Borough Council, Grafton House, 15 – 17 Russell Road, Ipswich, IP1 2DE. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's governance framework is in accordance with the guidance issued by

CIPFA/SOLACE in July 2007 and has been brought into effect during the year ended 31 March 2008.

The Governance Framework

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised below:

Identifying and communicating our vision and outcomes for citizens and service users

The Corporate Plan 'Transforming Ipswich' agreed by the Council was in existence throughout the year. The Corporate Plan is available on the Council's web site. This document sets out the Council's objectives for the period 2005 to 2015.

Reviewing our vision and its implications for our governance arrangements

Progress towards the achievement of the objectives are monitored through the Performance Management Framework, the Performance Manager system, the publication of the BVPP and through other internal review mechanisms put into place by the Council.

Established clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

Ipswich Borough Council has adopted a Constitution which details how the Council operates, how decisions are made and the procedures, which are to be followed to ensure that these are efficient, transparent and accountable to local people. The Executive is responsible for most decisions. The Executive is made up of the Leader and a Cabinet, who are all appointed by the Council. Major decisions are required to be published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public. All decisions must be in line with the Council's overall policies and budget. Any decisions the Executive wishes to take outside the budget or policy framework must be referred to full Council to decide. There is an overview and scrutiny committee which supports and monitors the work of the Executive. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered.

Developing, communicating and embedding codes of conduct, defining the

standards of behaviour for members and staff

The standards of conduct and personal behaviour expected of members and officers of Ipswich Borough Council, its partners and the community are defined and communicated through codes of conduct and protocols. These include:

- Members' code of conduct
- Officers' code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An anti-fraud and anti-corruption policy
- Member/officer protocols
- A Standards Committee

Whistle-blowing and receiving and investigating complaints from the public

A 'whistle-blowing' policy is in place but is being reviewed in 2008 in the light of investigations undertaken during 2007. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective complaints procedure, details of which are available on the Council's web-site.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

A new modular Constitution, including Financial Standing Orders, is being developed. This is part of a comprehensive review and Council is scheduled to consider approval of the new constitution in September 2008.

Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Ipswich Borough Council has a duty to ensure that it acts in accordance with the law and regulations in the performance of its functions. It has developed policies and procedures for its officers to ensure that, as far as is possible, all officers understand their responsibilities both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all officers via the Council's Intranet, as well as available to the public as part of the Constitution, which is published on the Council's website.

Other documentation includes corporate policies on a range of topics such as Equality

and Diversity, Customer Care, Data Protection, Human Rights and Anti-fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in key policies by means of alerting them in a monthly Core Briefing, and where appropriate, arranging training for all or key members of staff.

The Council has adopted a Risk Management Strategy. This document shows the role both Members and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to quarterly review. This strategy was last reviewed in April 2007.

As part of the year-end process a Service Assurance Statement has been provided by all Heads of Service, detailing their assessment of their services. They are required to give assurance that risks have been identified, that sound business arrangements operate in their service areas, and that the service is subject to monitoring and review in order to assess performance.

Measuring the quality of services for users, for ensuring they are delivered in accordance with our objectives and for ensuring that they represent the best use of resources

Ipswich Borough Council through its budgetary monitoring and control processes ensures that financial resources were being used to their best advantage, via regular management reporting to the Directors Team and Members.

Financial planning is underpinned by service planning, with increased expenditure in any service area being justified to the Directors Team, and where necessary approved by the Executive. Key to the service planning process is a requirement to demonstrate planning for continuous improvement over several financial years. Directors Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual service plans, and that improvements are in line with corporate objectives.

Through the quarterly Performance Report, corporate and key service objectives are carefully monitored to ensure that performance targets and indicators are being achieved.

Economic, effective and efficient use of resources is subject to review through the work of both Internal and External Audit, through benchmarking and the use of comparative techniques with other service providers, and through independent external review.

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material

errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2007/08 included:

- The setting of annual budgets;
- Monitoring of actual income and expenditure against the annual budget;
- A mid-year review of the annual budget;
- Setting of financial and performance targets;
- Regular reporting of the Council's financial position to Members;
- Clearly defined capital expenditure guidelines;
- The monitoring of finances against a Medium Term Financial Plan;
- Managing risk in key financial service areas.

Effectiveness of Internal Audit

The Internal Audit Team reports to the Head of Finance, and operates under a Charter, which defines its relationship with the Council's officers and the Finance & Audit Scrutiny Sub-Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control system of the Council to the Head of Finance and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement. It also supports management in developing systems, providing advice on matters pertaining to risk and control. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- Economic and efficient use of resources;
- Compliance with policies, procedures, laws and regulations;
- The safeguarding of Council assets; and
- The integrity and reliability of information and data.

As part of the wider annual review of the governance arrangements and in particular the System of Internal Control, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review has been undertaken and concluded that an effective system of internal audit is provided through the

Ipswich/Suffolk Coastal Internal Audit Partnership and the opinion of the Head of the Audit Partnership in his annual report can be relied upon.

Finance & Audit Scrutiny Sub-Committee (Audit Committee), as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

It is a responsibility of the Finance & Audit Scrutiny Sub-Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. In the year a review also considered the effectiveness of the Council's Finance & Audit Scrutiny Sub-Committee (Audit Committee) and concluded that the Sub-Committee was effective and added value to the internal control system. Its terms of reference are outlined in the Council's Constitution.

Performance and Risk Management

Ipswich Borough Council produces regular "Performance Reports" which reports on all the Best Value Performance Indicators and all local performance indicators set against Transforming Ipswich. Additionally, a Corporate Risk & Performance Improvement Plan provides key information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Directors Team and by Members.

The development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

Two competency frameworks are being used to identify development needs. The IdEA political skills framework for Councillors and the IBC management competency framework for officers. A fully resourced training and development plan is in place for officers and members of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

Incorporating good governance arrangements in respect of partnerships and other group working

A partnership evaluation criteria has been established to help ensure that all key governance criteria are incorporated into new and existing partnerships.

The ethical conduct of Members and Officers of the Council

The Monitoring Officer provides suitable instruction, advice and training to secure compliance with the principles of Ethical Conduct within the Council and is supported by the Standards Committee of the Council.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual opinion, and also by comments made by

the external auditors and other review agencies and inspectorates.

The following process have been applied in maintaining and reviewing the effectiveness of the governance framework:

Council

At a corporate level the Corporate Plan, Key strategies and Operational Plans have all been subject to review and the Constitution is currently being reviewed. (see Policy Framework). The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year.

Overview and Scrutiny Committee

The Committee receive exception reports only generated from the quarterly Performance Report, which reports on performance against our key priorities and sets robust and challenging targets.

Finance & Audit Scrutiny Sub-Committee

The Sub-Committee receive regular updates from the Audit Partnership Manager on the assurance which can be placed against various systems and processes reviewed during the year, along with an annual assessment at the year end.

The Sub-Committee have reviewed audit reports presented to it by the Audit Partnership Manager in connection with the review of internal control arrangements. The Sub-Committee keeps a check on those areas that have not achieved a satisfactory level of assurance.

Standards Committee

The Standards Committee receives reports on the progress of formal complaints against the Council. During 2007/2008, it has also reviewed the member code of conduct and recommended the revised model code to the Council. It had no breaches of the code of conduct by members of Ipswich Borough Council to consider during 2007/2008.

Internal Audit

Based on the work undertaken by Internal Audit during the year, the Audit Partnership Manager considers that positive steps have been taken in the areas previously identified as requiring improvement. Based on an overview of the work undertaken throughout the year, in conjunction with previous years' work, current risk assessments, and the Heads of Service Assurance Statements, the Audit Partnership Manager is able to place adequate assurance on the systems of internal control in place.

External Agencies

Within the year, the Council has been inspected as part of the Comprehensive

Performance Assessment programme. The results of the review demonstrate a further positive direction of travel for the Council.

Improvements during the year

In the period covered by this Annual Governance Assurance Statement, improvements have been made to the Council's arrangements in respect of the following areas, which had been previously identified as areas in which we could improve:

Weaknesses/Improvements Identified

Procurement Strategy requires review.

Improvement Plan

The Procurement Strategy is being revised to further reinforce the move towards more centrally procured contracts. The Contracts Register, published on the website, is being updated and will form the basis of an informed Action Plan for the coming year.

Progress to Date

Procurement Strategy now revised and Contracts Register completed.

Weaknesses/Improvements Identified

Targeting resources to priority areas

Improvement Plan

This is addressed as part of the Medium Term Financial Plan and associated processes.

Progress to Date

Medium Term Financial Plan completed.

Weaknesses/Improvements Identified

Linking Operational, Strategic Action Plans with the Corporate Plan

Improvement Plan

A newly adopted risk based approach to Operational Planning will enable staff to focus clearly on individual contributions to achieving the Goals and Aims of Transforming Ipswich.

Progress to Date

The performance framework was updated during 2007/08 and is now available via the Council's intranet. The majority of strategies and policies do now link with the corporate plan and the policy framework demonstrates this. Any new or revised strategy is initially challenged by Directors Team prior to agreement at Executive, where the policy context must be demonstrated.

Weaknesses/Improvements Identified

Communication Strategy requires review

Improvement Plan

A Communication Strategy has been written ready for adoption by Executive together with an action plan which will then be implemented.

Progress to Date

Communication Strategy completed.

Weaknesses/Improvements Identified

Business Continuity

Improvement Plan

The Council is developing a Corporate Resilience Action Plan and training programme to address the issues, in partnership with Zurich Municipal.

Progress to Date

The Council continues to develop its corporate business continuity plans with advice from Zurich Municipal, who have provided targeted training and workshops for key members of staff. Specifically, with regard to ICT essential services, the existing disaster recovery plan is currently under review following learning from a major power failure earlier in the year and this will be incorporated within the overall business continuity framework.

Weaknesses/Improvements Identified

Improve Overview and Scrutiny Committee

Improvement Plan

An improvement plan has been drawn up in response to the latest audit. This will be reviewed by the newly appointed Strategic Overview & Scrutiny Committee as part of their overall work programme.

Progress to Date

Over the last year Overview & Scrutiny have established a cross-party steering group to better focus the committee's activities. In particular, Overview & Scrutiny have made specific recommendations to Executive on a number of key issues (including changes to parts of the constitution, and highways funding arrangements with SCC). A working group is being established, partnering with SCC, to review the recent prostitution strategy. In addition a well received training programme was provided jointly across Suffolk Authorities through the Suffolk Scrutiny Network; both Overview & Scrutiny and non-Overview & Scrutiny councillors attended the sessions.

Weaknesses/Improvements Identified

Work together with other district councils to develop a shared vision for integrated services in Suffolk.

Improvement Plan

The Council participates in the Suffolk Integration Group which is developing proposals for integrated services.

Progress to Date

Corporate Development has actively participated in the Suffolk Integration Group's ICT subgroup.

Weaknesses/Improvements Identified

The need for the Local Area Agreement (LAA) to have established governance arrangements that are "fit for purpose" with central government and LAA partners.

Improvement Plan

The LAA arrangements continue to be developed in consultation with partners.

Progress to Date

LAA governance arrangements continue to be refined as on-going process.

Weaknesses/Improvements Identified

Equality and Diversity Policy is underdeveloped

Improvement Plan

An improvement plan is being developed to embed the process, including introduction of impact assessments.

Progress to Date

Progress has been made in establishing a diversity and equalities Steering Group, chaired by the Leader of the Council. In addition a screening tool has been developed as part of the assessment framework. Nevertheless, this is an area that is still underdeveloped.

Weaknesses/Improvements Identified

Ensure that recent improvements in Asset Management arrangements are embedded

Improvement Plan

Continued development is driven by a clear action plan. Options to develop the Council's asset management database are being developed.

Progress to Date

Development continues to embed process.

Weaknesses/Improvements Identified

Improve speed and accuracy of processing Housing Benefits.

Better recovery of overpayments.

Maximisation of subsidy

Implementation of internal audit recommendations

Improvement Plan

Actions taken include: Appointment of management consultants, integration of Benefits and Revenues, internal management changes, improved performance management and 66% increase in productivity.

Planned actions: reduce backlog of claims, additional staff training, recover overpayments through system from future claimant payments, improved quality control
Continued development is driven by a clear action plan. Options to develop the Councils asset management database are being developed.

Progress to Date

Management consultants achieved significant results to improve performance; integration of Revenues and Benefits underway; internal management changes completed; reduction in backlog of claims, additional staff training provided, significant recovery of overpayments through system and improved quality control achieved. Clear action plans in place.

Significant governance issues

On the basis of the Statements produced by the Heads of Service and the Audit Partnership Manager, we are satisfied that, except for the matters listed below, the Corporate Governance arrangements for Ipswich Borough Council are adequate and operating effectively.

Areas of Non Compliance or those requiring improvement:

Weaknesses/Improvements Identified

Services are easy to access by the whole community

Improvement Plan

Undertaking of Equality impact assessments for all key decisions

Ongoing programme of building improvements to allow greater ease of access to all.

Adoption of an Equality standard

Review of Equal opportunity strategy

Progress being made against race equality standard

Weaknesses/Improvements Identified

Business Continuity

Improvement Plan

The Council continues to review its Business Continuity arrangements with Zurich

Municipal. During 2008/9, the ICT Business Continuity plan will be further refined and incorporated within the review of the wider corporate Business Continuity arrangements.

Weaknesses/Improvements Identified

Equality and Diversity Policy is underdeveloped

Improvement Plan

Equalities and Diversity will be mainstreamed throughout the organisation through the training of managers in key issues and processes.

Weaknesses/Improvements Identified

Single Status Harmonisation

Improvement Plan

A project plan is in place for Delivery of Single Status Harmonisation across the Authority
We plan to address identified weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: *Elizabeth Haisant*Date 25th June 2008

Council Leader on behalf of Ipswich Borough Council

Signed: *James Hester*Date 25th June 2008

Chief Executive on behalf of Ipswich Borough Council

GLOSSARY OF FINANCIAL TERMS

Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1st April for Local Authority accounts.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

Agency

The provision of services by one organisation (the Agent) on behalf of, and re-imbursed by, the organisation responsible for providing the service.

Bad or Doubtful Debts

It is practice for an organisation to create a provision for bad debts representing the estimated amount of debt existing at the 31st March, which is deemed to be irrecoverable.

Budget

The Council's aims and policies in financial terms. Also referred to as 'Estimates'.

Budget Requirements

Estimated net revenue expenditure on General Fund Services, which, after allowance for any use of internal reserves, can be financed from General Government Grants (Revenue Support Grant and a share of the Non-Domestic Rates National Pool) and the Council Tax.

Capital Charges

A charge to revenue accounts, including depreciation where appropriate, to reflect the use of fixed assets in the provision of services .

Capital Expenditure

Expenditure on capital assets which have a long term value to the Authority e.g. land, buildings and equipment (known as fixed assets) or the payment of grants to other people for the purchase or improvement of capital assets e.g. house renovation grants (known as deferred charges).

Capital Financing

The raising of money to pay for capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, and the proceeds from the sale of capital assets, capital grants, and contributions from developers or others.

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

Grants from the Government, the National Lottery and developers towards capital expenditure on a specific service or project.

Capital Receipts

Proceeds arising from the sale of capital assets or from the repayment to the Council of capital grants and loans. A proportion of capital receipts may be used to finance additional capital spending. The remaining proportion must normally be set aside for the future repayment of debt.

Collection Fund

The Collection Fund brings together income from council tax, community charge and business ratepayers. From this fund the Borough, County Council's and Police Authority precept for their annual net expenditure.

Contingent Liability

A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example the default by a borrower on a loan from third party for which the Authority has given a guarantee.

Credit Approval

A maximum amount (set for the Council annually by the Department of the Environment, Transport and the Regions) against which the Council can borrow or use the capital financing reserve to finance capital expenditure.

Creditors

Amounts owed by the Council for work done, goods received or services rendered within an accounting period, but for which payment was not made at the balance sheet date.

Current Assets

Assets that can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts, which will become due or could be called upon during the next accounting period.

Deferred Charges

Expenditure which may properly be deferred but which does not result in tangible assets, for example on house renovation grants.

Depreciation

A measure of the cost of the wearing out of a fixed asset, through wear and tear, deterioration or obsolescence.

Debtors

Amounts owed to the Council but for which payment was not made at the balance sheet date.

Employee Costs

These include salaries, wages and related National Insurance and superannuation costs payable by the Council, together with training expenses.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Year

The Local Authority financial year commences 1st April and finishes 31st March the following year.

General Fund (GF)

The Council's main account, which includes all services except Council Housing and the Council's Trading Services. The net expenditure on the account is financed from Government Revenue Support Grant, the contribution from the National Non-Domestic Rate Pool and Council Tax.

Government Grants

Payments by Central Government towards Local Authority expenditure. They may be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

Gross Expenditure

The total cost of providing services before any income is deducted.

Housing Revenue Account (HRA)

This account covers the provision of Council houses, including supervision and management and repairs and maintenance. There is a statutory requirement to keep this account separate from those of other services, including other housing services.

Infrastructure Assets

A type of fixed asset, for example street lighting and sewers.

Intangible Assets

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Minimum Revenue Provision (MRP)

The minimum amount that must be charged to an Authority's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a prescribed percentage to its credit ceiling (approximates to outstanding debt) at the beginning of the

financial year.

National Non Domestic Rates (NNDR)

A NNDR poundage is set annually by Central Government and collected by Charging Authorities. The proceeds are redistributed by the Government between Local Authorities in proportion to their resident population.

Net Book Value

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.

Net Expenditure

Gross expenditure less any related income.

Operating Lease

A lease whereby at the end of the lease period ownership of the asset remains with the lessor.

Precept

The amount, which a Precepting Authority (i.e. a County Council) requires from a Charging Authority (Borough/District Council) to meet its expenditure requirements (from the Council Tax collected on behalf of the Precepting Authority).

Provision

An amount set aside in a separate account to cover known likely losses. An example of a provision is the Insurance Provision.

Provision for Credit Liabilities

Each year the Council is required to set aside amounts to repay future debt, meet liabilities under credit arrangements, or finance expenditure covered by credit approvals.

Reserves

An amount set aside in a separate account for future use. Reserves may be capital (can only be used for capital purposes) or revenue (can only be used by revenue accounts). Reserves can be earmarked for a specific purpose or classified as general i.e. not earmarked for a particular purpose, for example the general fund revenue balance.

Revenue Account

Accounts covering income and expenditure relating to the day-to-day running of the Council's services.

Revenue Support Grant (RSG)

A general grant paid to all Authorities to help finance the cost of services.

Revised Budget

An estimate of likely actual expenditure, made towards the end of the financial year. Also referred to as a 'Revised Estimate'.

Stock

Items of raw materials and stores an Authority has purchased to use on a continuing basis, which are not used at the year end.

Tangible Fixed Assets

Tangible assets that yield benefits to the Local Authority for a period of more than one year.

Work in Progress

The cost of work done on an uncompleted project at a specified date (in the Statement of Accounts, this is the financial year-end date), which has not been recharged to the appropriate account at that date.

Independent Auditor's Report to the Members of Ipswich Borough Council

We have audited the financial statements of Ipswich Borough Council and its Group for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, the Group Accounts and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for Ipswich Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its income and expenditure and cashflows for the year.

We review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance

procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of Ipswich Borough Council and its Group as at 31 March 2008 and its income and expenditure and cash flows for the year then ended.



PricewaterhouseCoopers LLP

Cambridge

Date: 30 September 2008

Notes:

- (a) The maintenance and integrity of the Ipswich Borough Council's website is the responsibility of the council; 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 website.

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

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Council's Responsibilities

The Council 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 regularly review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Ipswich Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 18 October 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cambridge

Date: 30 September 2008