

# IPSWICH BOROUGH COUNCIL

## STATEMENT OF ACCOUNTS 2009/10

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Cover photograph courtesy of Phillip Wrigley

## 1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. Ipswich Borough Council's ('the Council') accounts for the year ended 31 March 2010 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 31 March 2010)
- Cash Flow Statement (summarises the movements of cash arising from transactions with third parties for revenue and capital purposes)
- Notes to the Core Financial Statements
- Housing Revenue Account (covers income and expenditure on council housing)
- Statement of Movement on the HRA Balance
- Notes to the Housing Revenue Account
- Collection Fund (records transactions relating to the Council Tax and National Non-Domestic Rates)
- Notes to the Collection Fund
- 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
- Independent Auditor's Report

## 2. Revenue Accounts – Financial Position

The main components of the Revenue budget for 2009/10, 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 £22.187m (million), which after transferring a net £1.765m to Reserves and Provisions and transferring £0.525m to the Working Balance, left £24.477m to be met from Government Grant and Local Taxpayers. This amount represented the Council's Budget Requirement for 2009/2010.

Actual net expenditure was £20.152m, which was £2.035m less than budgeted, which after transferring a net £1.765m to Reserves and Provisions, leaves the Working Balance at 31 March 2010 £2.035m 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:

	2009/10			2008/09
	Budget £000's	Out-Turn £000's	Variance £000's	Out-Turn £000's
Services (Net Expenditure)	18,134	16,101	(2,033)	23,780
Capital Financing	1,459	1,459	-	1,574
Interest Received	(819)	(821)	(2)	(1,966)
Pension Interest & Return on Assets	3,413	3,413	-	557
<b>Net Expenditure</b>	<b>22,187</b>	<b>20,152</b>	<b>(2,035)</b>	23,945
Contribution to/(from) Provisions and Reserves	1,765	1,765	-	313
(Use of)/Contribution to Working Balance	525	2,560	2,035	(605)
<b>Budget Requirement</b>	<b>24,477</b>	<b>24,477</b>	-	23,653
<b>Financing:-</b>				
Revenue Support Grant	(2,219)	(2,219)	-	(1,430)
Non-Domestic Rates National Pool	(9,612)	(9,612)	-	(10,275)
Collection Fund Surplus	(141)	(141)	-	(21)
Council Tax	(12,505)	(12,505)	-	(11,927)
<b>Total Funding</b>	<b>(24,477)</b>	<b>(24,477)</b>	-	(23,653)
<b>Working Balance:-</b>				
Balance 1 April 2009	(3,293)	(3,293)	-	
Contribution to/(from) General Fund	(525)	(2,560)	(2,035)	
<b>Balance 31 March 2010</b>	<b>(3,818)</b>	<b>(5,853)</b>	<b>(2,035)</b>	

### 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 2009/10 the Housing Revenue Account incurred a deficit of £1.300m compared with a budgeted deficit of £1.517m, a reduction of £0.217m in net expenditure compared with

the budget. The Working Balance at 31 March 2010 is therefore correspondingly greater than anticipated. After transferring a net £0.092m from Reserves and Provisions, and allowing for commitments that have been delayed until 2009/10 (£0.062m), the increase in Working Balance that is available to finance revenue expenditure in future years is £0.155m.

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

	2009/10			2008/09
	Budget £000's	Out-Turn £000's	Variance £000's	Out-Turn £000's
Services (Net Expenditure)	11,282	11,242	(40)	11,294
Capital Financing	12,583	12,593	10	12,968
Interest Received	(54)	(24)	30	(139)
Rents (Net of Rebates)	(28,651)	(28,710)	(59)	(27,994)
Government Subsidy	6,103	6,107	4	6,332
Budgets Carried Forward (Net)	62	-	(62)	-
<b>Net Expenditure</b>	<b>1,325</b>	<b>1,208</b>	<b>(117)</b>	2,461
Contribution to/(from) Provisions and Reserves	192	92	(100)	(65)
<b>(Surplus)/Deficit</b>	<b>1,517</b>	<b>1,300</b>	<b>(217)</b>	2,396
(Use of)/Contribution to Working Balance	(1,517)	(1,300)	217	(2,396)
	-	-	-	-
<b>Working Balance:-</b>				
Balance 1 April 2009	(2,845)	(2,845)	-	
Contribution to/(from) Housing Revenue Account	1,517	1,300	(217)	
<b>Balance 31 March 2010</b>	<b>(1,328)</b>	<b>(1,545)</b>	<b>(217)</b>	

## 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 2009/10 the prescribed minimum levels were as follows: -

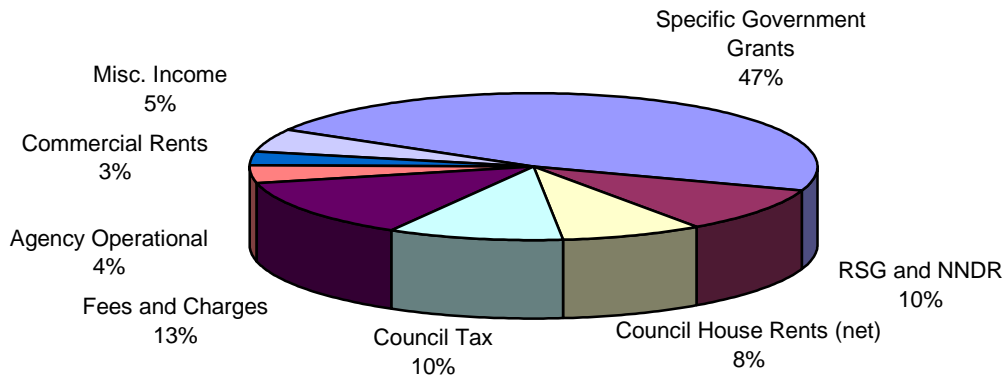
	£000's
General Fund Revenue Account	1,500
Housing Revenue Account	500
	<b>2,000</b>

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 49 to 55*.

### 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 £125m.

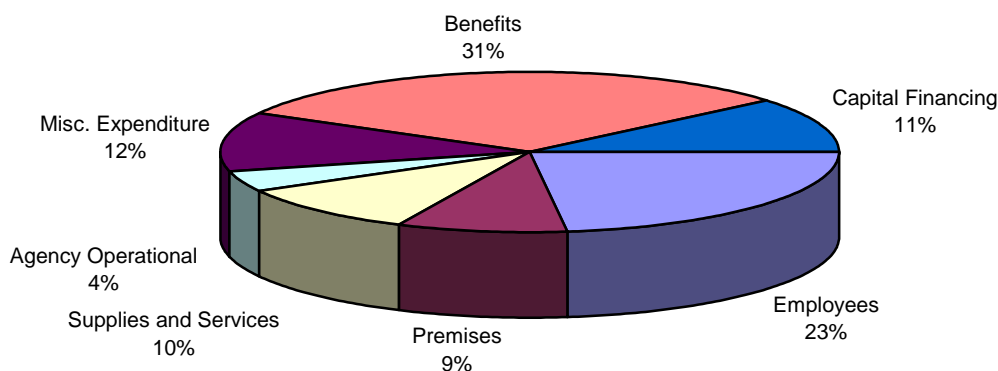
#### Where the money comes from



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 47% of the total income. 8% 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.

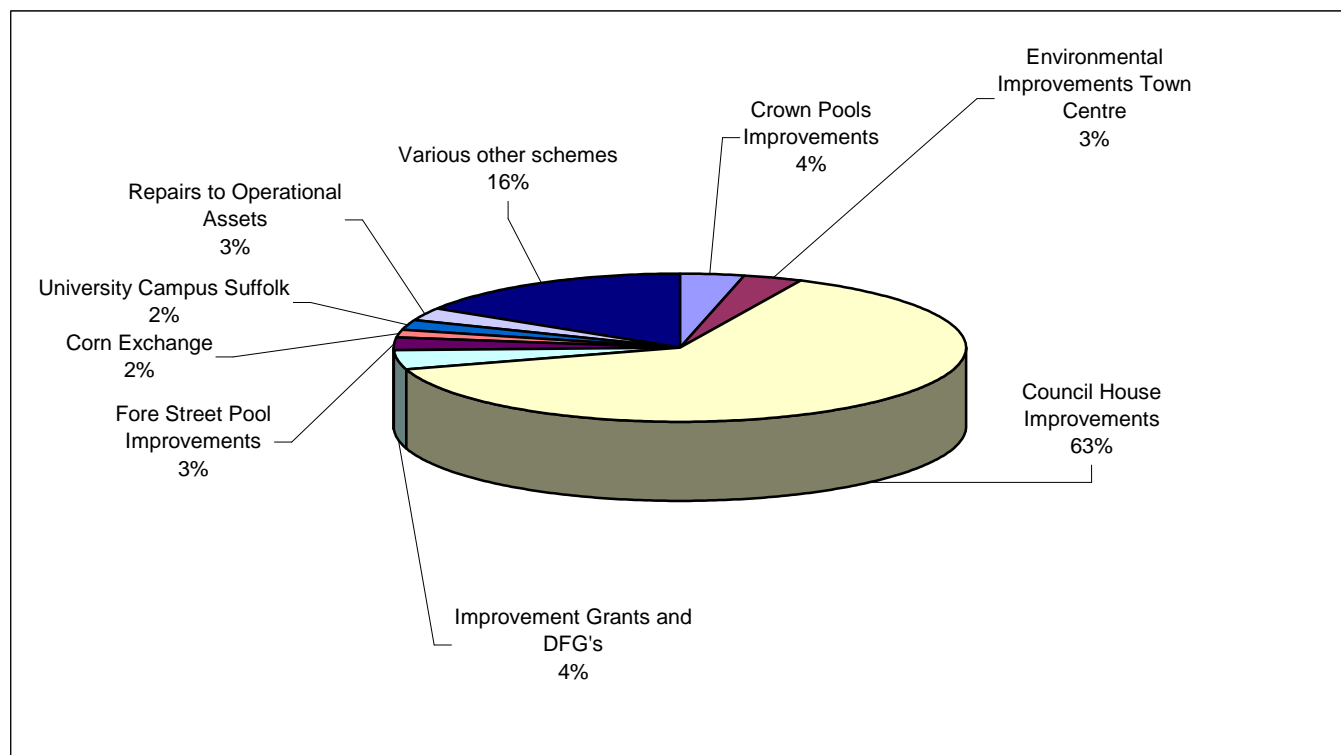
#### How the money was spent



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, and recovered from, Suffolk County Council.

## 4. Capital Expenditure and Financing

The major items of capital expenditure in 2009/10 were as follows: -



Details of the Council's 2009/10 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, revenue contributions to capital outlay and the major repairs allowance.

	2009/10 £000's	2008/09 £000's
<b><u>SERVICES EXPENDITURE</u></b>		
Council Housing (HRA)	12,426	12,633
Central and Support Services	2,054	753
Highways, Roads and Transport	584	921
Other (Non HRA) Housing Services	841	1,141
Planning and Development	163	72
Environmental Services	780	412
Cultural Services	2,564	3,044
DLO	0	6
<b>TOTAL</b>	<b>19,412</b>	<b>18,982</b>
<b><u>FINANCING</u></b>		
Usable Capital Receipts	4,556	4,762
Borrowing	352	212
External Contributions	1,334	580
Government Grants	829	902
Major Repairs Allowance (HRA)	5,165	4,985
Use of Credit Approvals	1,314	1,314
Revenue Contributions to Capital Outlay	5,862	6,227
<b>TOTAL</b>	<b>19,412</b>	<b>18,982</b>

## 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 £254m (see page 58) has a substantial impact on the net worth of the authority as recorded in the balance sheet (see page 22), resulting in a negative overall balance of £102.5m. However, statutory arrangements for funding the deficit lessen the overall impact on the financial position of the authority.

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 2009 Statement of Recommended Practice (SORP):

- It has been determined that, in accounting for local taxes (i.e. National Non-domestic Rates (NNDR) and Council Tax), the current practice of including all council tax debtors in the billing authorities' balance sheet did not comply with UK GAAP, as the billing authority acts as an agent of the major preceptors.

The 2009 SORP therefore introduces a requirement to include appropriate shares of Council Tax debtors in the billing authorities' and major preceptors' Balance Sheets.

With regard to National Non-domestic Rates, the current practice has been to carry NNDR debtors on billing authorities' Balance Sheets. It has been concluded that billing authorities act as agent of the Government when collecting NNDR.

The 2009 SORP therefore requires that billing authorities shall not recognise NNDR debtors in their Balance Sheets, but instead recognise a creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government, or overpaid to the Government, at the Balance Sheet date.

- The portion of long-term financial liabilities due to be settled within 12 months after the Balance Sheet date are to be presented in current liabilities.
- Five disclosure notes have been removed as requirements of the 2009 SORP. These are:
  - Section 137 Expenditure;
  - Expenditure on Publicity;
  - Building Control Account;



- Business Improvement District Schemes;
- Income under the Local Authorities Goods and Services Act.
- The disclosure note concerning officers' remuneration has been changed in accordance with new regulations outlined in LAAP Bulletin 85, and now requires publication of the number of employees whose total remuneration (excluding employer's pension contributions) was £50,000 or above per year, to be listed in brackets of a scale in multiples of £5,000. In addition, there is a new requirement to disclose individual remuneration details for senior employees whose salary is £50,000 or more per year, listed individually by job title, under the following categories:
  - Salary, fees and allowances;
  - Bonuses;
  - Expenses allowance;
  - Compensation for loss of employment;
  - Employers pension contribution, and
  - Any other emoluments.

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 101 to 105* provides definitions of the accounting terms used in the Statement of Accounts.

The Accounts have been prepared in accordance with the 2009 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 (EUUV).

- 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 1 April 2009 by an independent valuation team. 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 31 March 2010 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 2009/10, 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.

With effect from 2009/10 the Council has split the valuations of Council dwellings between land and buildings, to bring it in line with how other Council property assets are treated. The effect of this in 2009/10 and future years will be a reduced depreciation charge to the Housing Revenue Account.

## **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.

The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## **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. Revenue Expenditure Funded from Capital under Statute**

Revenue Expenditure Funded from Capital Under Statute reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.

The expenditure is financed from capital resources and is written off in the period in which it occurs.

## **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”.

There is one adjustment to the accounting policies adopted by the Council as a result of the 2009 SORP which requires significant changes to the 2008/09 accounts. This relates to requirements under the 2009 SORP to classify the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates as an agency arrangement with the major Preceptors and Government respectively. Previously, the Balance Sheet included all Local Tax debtors and creditors and the Cash Flow Statement all related cash flows. Under the 2009 SORP, only Ipswich Borough Council’s share of these balances, and the amounts owed to/due from the major Preceptors or Government and the Councils’ share of cash flows will be included. The impact of the re-statements are identified in the relevant notes (*note 3 – page 26, note 41 – page 55 and note 50 – page 64*).

## 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 18* 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.

## 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 2009/10 were determined by the valuation on 31 March 2007. 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.

The next triennial valuation at the scheme, which will be as at 31 March 2010, is currently in progress. However at the time of signing these accounts, the impact of this valuation is unknown.

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 44* on *page 57*). 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 should be included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service. In addition, the allowance for future life expectancy has changed at this year end, based on the Employer’s 2009 report for historic average future life expectancies at age 65.

## **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. The most significant investment held is in Ipswich Buses Limited, a company set up by the Council under the Transport Act 1985.

From 2007/08 the fair value of investments and borrowings has had 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, apart from where past events have necessitated recognition in the accounts.
- 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 2009 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 30 November 2010. 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 44* on *page 57*.

## **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 40 on page 55*.

## **22. Exceptional Items**

Exceptional items are included in the cost of the service to which they relate or on the face of the appropriate revenue account if such a degree of prominence is required for a fair view of the accounts, irrespective of materiality.

## 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 31 March 2010.

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 gives a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended on that date. These financial statements replace the unaudited financial statements authorised for issue by Ian Blofield at the meeting of the Council on 30 June 2010



*Chief Financial Officer*

*Date: 28 September 2010*

## APPROVAL OF THE STATEMENT OF ACCOUNTS

The unaudited Statement of Accounts for 2009/10 was considered and approved by Full Council at the meeting on 30 June 2010.



The Worshipful, The Mayor of Ipswich, Councillor Jane Chambers

# 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.

	Note	2009/10 Gross Expenditure £000's	2009/10 Gross Income £000's	2009/10 Net Expenditure £000's	Restated 2008/09 Net Expenditure £000's
Central services to the public		17,601	(13,995)	3,606	2,854
Cultural, environmental and planning services		54,432	(18,103)	36,329	26,848
Highways, roads and transport services		13,505	(9,925)	3,580	3,085
Housing services		93,424	(69,346)	24,078	83,433
Corporate and democratic core		4,475	(877)	3,598	4,003
Non distributed costs		14,234	-	14,234	1,437
<b>Net Cost of Services</b>		<b>197,671</b>	<b>(112,246)</b>	<b>85,425</b>	<b>121,660</b>
(Gain)/Loss on the disposal of fixed assets				(560)	(62)
Capital Receipts not from disposal of fixed assets				(25)	(32)
(Surpluses)/deficits on trading undertakings not included in Net Cost of Services	4			(662)	(326)
Interest payable and similar charges	11			1,776	2,304
Exceptional item: Investment Impairment charge	2.1/11			280	1,488
Exceptional item: Value Added Tax refund	2.2			(2,155)	-
Contribution of housing capital receipts to Government Pool	34.5			1,406	718
Interest and investment income	11			(1,087)	(2,444)
Pensions interest cost and expected return on pensions assets	44			3,413	557
<b>Net Operating Expenditure</b>				<b>87,811</b>	<b>123,863</b>
Demand on the Collection Fund				(12,564)	(12,033)
General Government Grants	6			(2,319)	(1,671)
Non-domestic rates redistribution				(9,612)	(10,275)
<b>(Surplus)/Deficit for the Year</b>				<b>63,316</b>	<b>99,884</b>

## 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.

	2009/10 £000's	Restated 2008/09 £000's
(Surplus) /Deficit for the year on the Income and Expenditure Account	63,316	99,884
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(65,876)	(99,279)
<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<b>(2,560)</b>	605
General Fund Balance brought forward	(3,293)	(3,898)
General Fund Balance carried forward	(5,853)	(3,293)
Amount of General Fund Balance generally available for new expenditure	(5,853)	(3,293)

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

	Note	2009/10 £000's	Restated 2008/09 £000's
<b>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</b>			
Amortisation of intangible fixed assets	13	(68)	(74)
Depreciation and impairment of fixed assets		(71,804)	(98,817)
Impairment of investments	34.4	(37)	(1,148)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy		323	(2,940)
Government Grants Deferred amortisation		2,033	1,361
Revenue expenditure funded from capital under statute		(3,733)	(2,564)
Net gain/(loss) on sale of fixed assets		560	62
Capital receipts not from disposal of fixed assets		25	32
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on early repayment of debt	34.4	172	300
Differences between the amount credited to the Income and Expenditure Account and the demand on the Collection Fund, and the amount payable/receivable in the current year to recover deficits or distribute surpluses arising in prior years (ie the prior year 15 January distribution)		(83)	85
Net charges made for retirement benefits in accordance with FRS 17	44	(5,711)	(5,164)
		(78,323)	(108,867)
<b>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</b>			
Minimum revenue provision for capital financing	12	548	362
Capital expenditure charged in-year to the General Fund Balance		5,929	6,126
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	34.5	(1,406)	(718)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	44	5,609	5,561
		10,680	11,331
<b>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</b>			
Housing Revenue Account balance		(1,300)	(2,396)
Voluntary revenue provision for capital financing	12	447	475
Net transfer to/(from) earmarked reserves		2,620	178
		1,767	(1,743)
<b>Net additional amount required to be credited to the General Fund balance for the year</b>		(65,876)	(99,279)

## 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.

	Note	2009/10 £000's	Restated 2008/09 £000's
(Surplus)/Deficit for the year on the Income and Expenditure Account		63,316	99,884
(Surplus)/Deficit arising on revaluation of fixed assets		(68,581)	(635)
Actuarial (gains)/losses on pension fund assets and liabilities	44	59,521	30,408
Revaluation (gains)/losses on available-for-sale financial assets		7	1,294
<b>Total recognised (gains)/losses for the year</b>		<b>54,263</b>	<b>130,951</b>

# BALANCE SHEET

	Note	31 March 2010 £000s	Restated 31 March 2009 £000's
Fixed Assets			
Intangible Fixed Assets	13 & 21	123	111
Tangible Fixed Assets	13		
Operationable Assets:			
Council Dwellings		348,469	348,841
Other Land & Buildings		73,377	71,958
Infrastructure		1,365	1,315
Community Assets		5,863	5,774
Vehicles, Plant, Equipment etc.		2,964	4,051
Non Operational Assets:			
Investment Properties		13,749	12,203
Assets under Construction		-	-
Surplus Assets		9,370	5,033
<b>Total Fixed Assets</b>		<b>455,280</b>	<b>449,286</b>
Long Term Investments	31	5,832	7,366
External Lending: -			
to House Purchasers	23	9	12
<b>TOTAL LONG TERM ASSETS</b>		<b>461,121</b>	<b>456,664</b>
Current Assets: -			
Work in Progress	24	-	27
Stocks	24	326	287
Debtors	25	17,531	12,658
Investments	31	4,452	25,285
Cash at Bank	45	-	-
Cash in Hand	45	546	735
Less Current Liabilities: -			
Creditors	26	(16,475)	(14,156)
Borrowing repayable within 12 months	31	(3,011)	(11,108)
Cash Overdrawn	45	(420)	(2,233)
<b>NET CURRENT ASSETS</b>		<b>2,949</b>	<b>11,495</b>
<b>TOTAL NET ASSETS</b>		<b>464,070</b>	<b>468,159</b>
Long Term Borrowing	31	(27,101)	(36,311)
Government Grants Deferred	27	(13,691)	(13,561)
Revenue Provisions	33	(1,145)	(1,524)
Miscellaneous Accounts	40	(45)	(62)
Other Grants/Contributions Deferred	28	(5,335)	(5,307)
Asset/(Liability) relating to Pension Scheme	44	(102,452)	(42,830)
		<b>314,301</b>	<b>368,564</b>
Specific Revenue Reserves	34.6	(7,978)	(5,290)
Revaluation Reserve	34.1	(68,498)	(2,881)
Available-for-sale Financial Instruments Reserve	34.3	4	(3)
Capital Adjustment Account	34.2	(323,955)	(384,381)
Usable Capital Receipts	34.5	(9,975)	(13,797)
Financial Instruments Adjustment Account	34.4	1,237	1,372
Collection Fund Adjustment Account	37	(56)	(139)
Deferred Capital Receipts	29	(7)	(10)
Pensions Reserve	44	102,452	42,830
Legacies	38	(127)	(127)
Revenue Balances: -			
General Fund		(5,853)	(3,293)
Housing Revenue Account		(1,545)	(2,845)
<b>TOTAL EQUITY</b>	22	<b>(314,301)</b>	<b>(368,564)</b>



Chief Financial Officer

Date: 28 September 2010

Ipswich Borough Council



# CASH FLOW STATEMENT

	2009/10 £000's	£000's	Restated 2008/09 £000's
<b>Net Cash (Inflow)/Outflow from Revenue activities</b>		<b>(7,282)</b>	4,978
<b><u>Returns on Investment &amp; Servicing of Finance</u></b>			
<i>Cash Outflows</i>			
Interest Paid	1,831		2,276
<i>Cash Inflows</i>			
Interest Received	<u>(995)</u>		<u>(2,289)</u>
		<b>836</b>	<b>(13)</b>
<b><u>Capital Activities</u></b>			
<i>Cash Outflows</i>			
Purchase of Fixed Assets	10,841		10,961
Other Capital payments	742		673
<i>Cash Inflows</i>			
Sale of Fixed Assets	(2,154)		(6,869)
Capital Grants received	(270)		(253)
Other Capital Cash income	<u>(1,567)</u>		<u>(1,502)</u>
		<b>7,592</b>	<b>3,010</b>
<b>Net Cash (Inflow)/Outflow before Financing</b>		<b>1,146</b>	7,975
<b>Management of Liquid Resources</b>			
Net increase/(decrease) in short-term deposits	(22,323)		(3,391)
Net increase/(decrease) in other liquid resources	2,330	(19,993)	(3,498)
<b>Financing</b>			
<i>Cash Outflows</i>			
Repayments of amounts borrowed	22,823		23,072
<i>Cash Inflows</i>			
New long-term loans raised	-		(4,084)
New short-term loans raised	<u>(5,600)</u>		<u>(17,380)</u>
		<b>17,223</b>	<b>1,608</b>
<b>Net (Increase)/Decrease in Cash</b>		<b>(1,624)</b>	2,694

## Notes to Income & Expenditure Account

### 1. Discontinued and Expanded Operations

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

### 2. Exceptional Items

#### 2.1 Impairment of Investments

Investments included in the long term investments figure in the balance sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks. Interest has been credited to the Income and Expenditure Account in respect of the investments as per regulations: The table below shows how the carrying amounts of impaired investments have been calculated:

Bank	Heritable	Landsbanki	Landsbanki	Landsbanki
Date Invested	12/02/2007	05/11/2007	29/8/2008	2/9/2008
Maturity Date	10/12/2008	03/11/2008	28/8/2009	2/6/2009
Interest Rate	6.21%	6.18%	6.18%	6.09%
Amount Invested	£1,000,000	£1,000,000	£1,000,000	£2,000,000
Amount Repaid	£349,800	£-	£-	£-
Interest Credited in 2007/08	£18,885	£25,059	£-	£-
Interest Credited in 2008/09	£62,100	£61,800	£36,403	£70,410
Interest Credited in 2009/10	£62,100	£61,800	£61,800	£121,800
Total Investment	£793,285	£1,148,659	£1,098,203	£2,192,210
Impairment	(£310,191)	(£377,722)	(£362,934)	(£717,433)
Carrying Amount	£483,094	£770,937	£735,269	£1,474,777

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	Heritable	Landsbanki
	£	£
June 2010	52,552	
September 2010	52,552	
December 2010	52,552	
March 2011	52,552	
June 2011	52,522	
September 2011	52,552	
October 2011		932,990
December 2011	52,552	
March 2012	52,552	
June 2012	52,552	
September 2012	52,552	
October 2012		373,196
October 2013		373,196
October 2014		373,196
October 2015		373,196
October 2016		373,196
October 2017		373,196
October 2018		819,533

## 2.2 Value Added Tax (VAT) Refund

The case of Fleming & Condé Nast v H.M. Revenue & Customs was heard by the High Court in January 2008. HMRC were appealing against a much earlier court hearing concerning the introduction, in 1996 and 1997, of legislation restricting VAT refunds to three years (3 year cap). Fleming & Conde Nast, successfully argued that there had been no transitional period allowed prior to its introduction, as required by European VAT law. Consequently they appealed against the decision of HMRC to restrict claims to 3 years that they had lodged for retrospective repayment of input tax. The appeal by HMRC was dismissed and subsequently upheld by the House of Lords.

The House of Lords judgement was accepted by the Government who included provision in the 2008 Finance Act for a retrospective transitional period the effect of which, amongst other things, was that claims for the refund of output tax, and input tax, overpaid or overdeclared prior to December 1996 and May 1997 could not be restricted. This legislation has had far reaching implications, particularly for local authorities including Ipswich Borough Council, who successfully lodged retrospective claims for the repayment of VAT plus interest.

## 3. Prior Period Adjustments

Under changes introduced in the 2009 SORP concerning the treatment of Council Tax, the Council Tax income credited to the Income and Expenditure Account has been restated to the accrued amount for 2008/09 in accordance with the 2009 SORP. In addition, the Statement of Movement on the General Fund Balance (SMGFB) has been be restated accordingly, with the change in the Income and Expenditure Account deficit for the year being exactly matched by the inclusion of an additional reconciling item in respect of the transfer from the Collection Fund Adjustment Account in the SMGFB. The reconciling item in the Statement of Recognised Gains and Losses of £83,000 has been removed. The 2008/09 Income and Expenditure Account and SMGFB have been restated as follows:

I&E Account	Demand on the Collection Fund £83,000
SMGFB	Collection Fund Adjustment a/c (£83,000)

## 4. Trading Undertakings

4.1 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 2009/10

	Income	Expenditure	(Surplus) / Deficit
	£000's	£000's	£000's
Building Maintenance (Maintenance of Council Dwellings)	(4,573)	4,090	(483)
Highways and Sewerage (Highways Agency work)	(3,678)	3,499	(179)
<b>Totals</b>	<b>(8,251)</b>	<b>7,589</b>	<b>(662)</b>

Accumulated Profits	2009/10	2008/09
	£000's	£000's
Balance 1 April	(56)	(30)
(Surplus)/Deficit for year	(662)	(326)
	<b>(718)</b>	(356)
Transfer to I&E Summary	718	300
<b>Balance 31 March</b>	<b>-</b>	<b>(56)</b>

4.2 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

	2009/10			2008/09
	Income £000's	Expenditure £000's	Net Expenditure/ (Income) £000's	Net Expenditure/ (Income) £000's
Corporate Properties	(3,068)	10,486	7,418	2,568
Council Halls/Theatres	(2,855)	8,375	5,520	4,066
Car Parks	(2,759)	3,304	545	(1)
Crematorium	(1,218)	1,386	168	(736)
Trade Refuse	(1,346)	1,290	(56)	9
	<b>(11,246)</b>	<b>24,841</b>	<b>13,595</b>	<b>5,906</b>

The year on year variation in Net Expenditure identified above is partly due to further variations in Capital Charges following asset revaluations, the effect of which is shown as follows:

	Income £000's	Expenditure (Excl Capital Charges) £000's	2009/10 Net Expenditure (Excl Capital Charges) £000's	2008/09 Net Expenditure (Excl Capital Charges) £000's
Corporate Properties	(3,068)	595	(2,473)	(1,737)
Council Halls/Theatres	(2,855)	3,494	639	1,427
Car Parks	(2,759)	1,454	(1,305)	(1,517)
Crematorium	(1,218)	479	(739)	(814)
Trade Refuse	(1,346)	1,268	(78)	(24)
	<b>(11,246)</b>	<b>7,290</b>	<b>(3,956)</b>	<b>(2,665)</b>

## 5. 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:

	2009/10 £000's	2008/09 £000's
Footway Maintenance	839	476
Carriageway Maintenance	1,897	1,795
Electrical Services	1,647	1,284
Other	417	460
<b>Total Amount Reimbursable</b>	<b>4,800</b>	<b>4,015</b>

## 6. General Grants

The following General Grants are included in the Income and Expenditure Account:

	2009/10 £000's	2008/09 £000's
<b>Area Based Grants:</b>		
Climate Change	(22)	(22)
Youth Taskforce	(30)	(30)
	<b>(52)</b>	<b>(52)</b>
<b>Other General Grants:</b>		
Revenue Support Grant	(2,219)	(1,430)
Local Authority Business Growth Incentive Scheme	(48)	(189)
	<b>(2,319)</b>	<b>(1,671)</b>

## 7. Councillor's Allowances

The total value of Councillors' allowance paid in the year was £275,753 (£266,956 in 2008/09). A detailed analysis of these payments was published in the 19 May 2010

edition of the Ipswich "Evening Star".

## 8. Officer Emoluments

The number of employees, including Senior Officers, whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration band	2009/10	2008/09
	Number of employees	Number of employees
£50,000 - £54,999	3	4
£55,000 - £59,999	2	8
£60,000 - £64,999	6	1
£65,000 - £69,999	1	2
£70,000 - £74,999	1	0
£75,000 - £79,999	2	0
£80,000 - £84,999	1	1
£85,000 - £119,999	0	0
£120,000 - £124,999	0	1

The following table sets out the remuneration disclosures for Senior Officers for 2009/10, whose salary is less than £150,000, but equal to or more than £50,000 per year.

Postholder Information (Post Title)	Note	Salary	Expenses	Benefits in	Total	Pension	Total
		(Including Fees & Allowances) £	Allowances £	Kind (e.g. Car Allowance) £	Remuneration excluding Pension Contributions 2009/10 £	Contributions £	Remuneration including Pension Contributions 2009/10 £
Ex Chief Executive	1	69,730	192	4,851	74,773	8,524	83,297
Corporate Director/Interim Chief Executive	2	78,832	0	0	78,832	10,264	89,096
Corporate Director		79,887	490	0	80,377	10,401	90,778
Corporate Director		78,244	0	0	78,244	10,187	88,431
Head of Legal & Democratic Services		63,632	0	0	63,632	8,285	71,917
Head of Finance		61,444	10	0	61,454	8,000	69,454
Head of Planning, Transport & Regeneration		58,385	0	0	58,385	7,597	65,982
Head of Community Services		65,204	0	0	65,204	8,490	73,694
Head of Culture & Leisure Services		60,245	0	0	60,245	7,844	68,089
Head of Housing Services		60,261	0	0	60,261	7,844	68,105
Head of Corporate Development		61,444	0	0	61,444	8,000	69,444
Head of Environmental Services		56,800	800	0	57,600	7,392	64,992
Head of Strategic Projects		62,667	102	0	62,769	8,159	70,928
Head of Streetcare	3	45,566	791	0	46,357	5,747	52,104
		<b>902,341</b>	<b>2,385</b>	<b>4,851</b>	<b>909,577</b>	<b>116,734</b>	<b>1,026,311</b>

Note 1: The Ex Chief Executive was in post until 10 November 2009, his annualised salary was £113,991.  
Note 2: The Interim Chief Executive was in post from 3 December 2009, his annualised salary is £91,678.  
Note 3: The Head of Streetcare left on 10 January 2010, his annualised salary was £56,054.

All the above Officers are members of the Local Government Pension Scheme. The rules of the scheme are set at national level and the employer pension contributions, for

current service cost, above are 13% of annual pay. In addition, each officer contributes between 7.2% and 7.5% of their salary to the fund, in line with national rules. The Expenses Allowances above does not include expenses that the officers concerned were eligible to claim, but did not wish to do so.

The following table sets out the remuneration disclosures for Senior Officers for 2008/09, whose salary is less than £150,000, but equal to or more than £50,000 per year.

Postholder Information (Post Title)	Note	Salary (Including Fees & Allowances) £	Expenses Allowances £	Benefits in Kind (e.g. Car Allowance) £	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
					2008/09 £	£	2008/09 £
Chief Executive		114,102	276	7,127	121,505	15,438	136,943
Corporate Director		79,889	194	0	80,083	10,402	90,485
Corporate Director	1	57,421	0	0	57,421	7,476	64,897
Corporate Director	2	65,801	172	0	65,973	8,567	74,540
Head of Legal & Democratic Services		58,140	11	0	58,151	7,570	65,721
Head of Finance		59,314	77	0	59,391	7,722	67,113
Head of Planning, Transport & Regeneration	3	50,949	0	0	50,949	6,632	57,581
Head of Community Services		65,227	320	0	65,547	8,493	74,040
Head of Culture & Leisure Services		58,140	0	0	58,140	7,570	65,710
Head of Housing Services		58,140	44	0	58,184	7,570	65,754
Head of Corporate Development		59,307	0	0	59,307	7,722	67,029
Head of Environmental Services		54,790	1,261	0	56,051	7,134	63,185
Head of Strategic Projects		60,488	0	0	60,488	7,875	68,363
Head of Streetcare		54,790	1,200	0	55,990	7,134	63,124
		<b>896,498</b>	<b>3,555</b>	<b>7,127</b>	<b>907,180</b>	<b>117,305</b>	<b>1,024,485</b>

Note 1: The Corporate Director was in post from 7 July 2008, his annualised salary was £78,244.  
Note 2: The Corporate Director was in post from 25 August 2008, his annualised salary was £70,863.  
Note 3: The Head of Planning, Transport & Regeneration was in post from 25 August 2008, his annualised salary was £55,891.

## 9. 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.



## 10. Audit and Inspection

In 2009/10, the Council incurred the following fees relating to external audit inspection:

	2009/10 £000's	2008/09 £000's
Fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor	161	164
Fees paid in respect of other services provided by the appointed auditor	6	2
Fees paid to the Audit Commission in respect of statutory inspection	8	6
Fees paid to the Audit Commission for the certification of grant claims and returns	49	48
<b>TOTAL FEES</b>	<b>224</b>	<b>220</b>

## 11. Financial Instruments Gains and Losses

The gains and losses recognised in the Income and Expenditure account and STRGL in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets		Total
	Liabilities measured at amortised cost £000's	Loans and Receivables £000's	Available for sale assets £000's	Fair Value through the I&E £000's	
Interest Expenses	(1,776)	-	-	-	(1,776)
Impairment Losses	-	(280)	-	-	(280)
<b>Interest payable and similar charges</b>	<b>(1,776)</b>	<b>(280)</b>	-	-	<b>(2,056)</b>
Interest Income	-	1,087	-	-	1,087
<b>Interest and Investment Income</b>	<b>-</b>	<b>1,087</b>	<b>-</b>	<b>-</b>	<b>1,087</b>
Gains/(Losses) on revaluation	-	-	(4)	-	(4)
<b>Surplus arising on revaluation of financial assets</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
<b>Net gain/(loss) for the year</b>	<b>(1,776)</b>	<b>807</b>	<b>(4)</b>	<b>-</b>	<b>(973)</b>

## Notes to Balance Sheet

### 12. 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 £548,000 provision for MRP in 2009/10 (£362,000 in 2008/09).

The Council has taken advantage of the new rules introduced from 1<sup>st</sup> 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: -

	<b>2009/10 £000's</b>	2008/09 £000's
Non-Housing value of MRP - 4% of Credit Ceiling (defined in Local Government and Housing Act 1989)	629	653
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.	(81)	(291)
MRP charged to General Fund	548	362
Voluntary MRP charged to General Fund	425	454
Voluntary MRP charged to Housing Revenue Account	22	22
<b>Total MRP</b>	<b>995</b>	<b>838</b>
Amount charged to (non-housing) revenue accounts for depreciation	(5,019)	(9,946)
Difference - provision for loan repayment/depreciation	(4,024)	(9,108)

### 13. Fixed Assets

	Balance at 01/04/2009 £000's	Revaluations during year £000's	Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Gain/(Loss) on Disposals £000's	Depreciation during year £000's	Balance at 31/03/10 £000's
<b>Operational Assets</b>								
Intangible Assets	111	-	-	80	-	-	68	123
Council Dwellings	348,841	(6,877)	36	12,342	1,942	692	4,623	348,469
Other Land & Buildings	71,958	6,492	(4,411)	2,435	50	(92)	2,955	73,377
Infrastructure	1,315	-	-	117	-	-	67	1,365
Community Assets	5,774	-	-	89	-	-	-	5,863
Vehicles, plant etc.	4,051	-	-	616	-	-	1,703	2,964
<b>Non Operational Assets</b>								
Investment Properties	12,203	1,866	200	-	100	24	444	13,749
Assets Under Construction	-	-	-	-	-	-	-	-
Surplus Assets	5,033	247	4,175	-	21	(64)	-	9,370
<b>Total</b>	<b>449,286</b>	<b>1,728</b>	<b>-</b>	<b>15,679</b>	<b>2,113</b>	<b>560</b>	<b>9,860</b>	<b>455,280</b>

The Council has reviewed the categories under which fixed assets are shown as at 1 April 2009. The table above shows the restated bought forward balance by categories from 2008/09 and the movements during the year.

### 14. 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**

	<b>2009/10 £000's</b>	2008/09 £000's
<b><u>Capital Expenditure</u></b>		
Intangible Assets	80	50
Operational Assets	15,599	16,374
Non-Operational Assets	-	(6)
Revenue Expenditure Financed from Capital under Statute	3,733	2,564
	<b>19,412</b>	<b>18,982</b>
<b><u>Capital Financing</u></b>		
Use of Credit Approvals	1,314	1,314
Borrowing	352	212
Government Grants	829	902
Major Repairs Allowance	5,165	4,985
Usable Capital Receipts	4,556	4,762
External Contributions	1,334	580
Revenue Contribution to Capital Outlay	5,862	6,227
	<b>19,412</b>	<b>18,982</b>

## **15. Revenue Expenditure Funded from Capital under Statute**

Revenue Expenditure Funded from Capital Under Statute is defined in *note 7* to the Statement of Accounting Policies on *page 11*. Movements during the year were as follows: -

	<b>Balance at 1 April 2009 £000's</b>	<b>Additions during year £000's</b>	<b>Adjustments during year £000's</b>	<b>Written Off during year £000's</b>	<b>Balance at 31 March 2010 £000's</b>
Improvement Grants	-	780	-	780	-
Housing Association Grants	-	61	-	61	-
Other Capital Expenditure not creating a Fixed Asset	-	2,892	-	2,892	-
<b>Total</b>	<b>-</b>	<b>3,733</b>	<b>-</b>	<b>3,733</b>	<b>-</b>

## 16. Commitments Under Capital Contracts

### Capital Commitments greater than £250,000 as at 31 March 2010

Scheme	Amount £000's	Period of Investment	Purpose of Investment
Crown Pools	591	1 Year	To enhance the facilities
Crown Street Car Park	261	1 Year	To demolish an unsafe building
HRA Capital Programme	6,183	1 Year	Investment to help meet the Decent Homes Standard
	<u>7,035</u>		

## 17. Tangible Fixed Assets Held

	31 March 2010 (No's)	31 March 2009 (No's)
<b>Tangible Fixed Assets include: -</b>		
Council Dwellings	8,176	8,202
Town Hall/Corn Exchange	1	1
Regent Theatre	1	1
Offices	4	4
Depots & Workshops	6	6
Off Street Car Parks	11	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

## 18. Leases

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

	2009/10		2008/09	
	£000's	£000's	£000's	£000's
Finance Leases:				
Misc Equipment		2		2
Operating Leases:				
Premises	857		885	
Transport	714		755	
IT Equipment	1		12	
Misc Equipment	68		125	
		<u>1,640</u>		<u>1,777</u>
		<u>1,642</u>		<u>1,779</u>

18.2 The value of assets held under finance leases, as at 31 March 2010 is detailed below:

	<b>2009/10 Vehicles, Plant &amp; Equipment £000's</b>	2008/09 Vehicles, Plant & Equipment £000's
Net Book Value at 1 April 2009	7	8
Additions during year	-	-
Depreciation	<b>(2)</b>	<b>(1)</b>
Net Book Value at 31 March 2010	<b>5</b>	<b>7</b>

The value of interest payments made in respect of Finance Leases during 2009/10 was £564.

18.3 The payments which the Council is committed to make, during 2010/11 in respect of leases are analysed below:

<b>Operating Leases</b>	<b>Land &amp; Buildings £000's</b>	<b>Vehicles, Plant &amp; Equipment £000's</b>	<b>Total £000's</b>
Leases expiring in 2010/11	-	221	221
Leases expiring between 2011/12 & 2014/15	-	395	395
Leases expiring after 2014/15	857	-	857
	<b>857</b>	<b>616</b>	<b>1,473</b>

<b>Finance Leases</b>	<b>Land &amp; Buildings £000's</b>	<b>Vehicles, Plant &amp; Equipment £000's</b>	<b>Total £000's</b>
Leases expiring in 2010/11	-	-	-
Leases expiring between 2011/12 & 2014/15	-	2	2
Leases expiring after 2014/15	-	-	-
	<b>-</b>	<b>2</b>	<b>2</b>

## **19. 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*. Savills carried out an independent valuation of the Council's property assets as at 1 April 2009 as required by the SORP. Revised Balance Sheet figures for fixed assets, with the exception of Council dwellings are based on values as at 1 April 2009. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31 March 2010, in accordance with the requirements of Resource Accounting for the Housing Revenue Account in 2009/10. The valuations were carried out under the direction of Mr John Parling BSCE FRICS the Council's Operations Manager, Asset and Property

Department. Asset values have been reviewed in compliance with FRS11 and the 2009 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.

## 20. Depreciation

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

	Restated Balance at 1 April 2009 £000's	Depreciation during year £000's	Balance at 31 March 2010 £000's	Useful Life (Years)
<b>Intangible Fixed Assets</b>	293	68	361	1 to 4
<b>Tangible Fixed Assets</b>				
<b>Operational Assets</b>				
Council Dwellings	60,260	4,623	64,883	60
Other Land & Buildings	53,402	2,955	56,357	5 to 75
Infrastructure	432	67	499	25 to 82
Community Assets	-	-	-	N/A
Vehicles, Plant, Equipment etc.	3,452	1,703	5,155	1 to 10
<b>Non Operational Assets</b>				
Investment Properties	-	444	444	15 to 50
Assets under Construction	-	-	-	N/A
Surplus Assets	-	-	-	N/A
<b>Total</b>	<b>117,839</b>	<b>9,860</b>	<b>127,699</b>	

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*.

## 21. 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.

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

## 22. Net Assets Employed

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

	<b>31 March 2010</b> <b>£000's</b>	Restated 31 March 2009 £000's
General Fund	(11,347)	(65,569)
Housing Revenue Account	(301,423)	(301,280)
Trading Accounts	(1,475)	(1,576)
Collection Fund	(56)	(139)
<b>Total Equity</b>	<b>(314,301)</b>	<b>(368,564)</b>

## 23. External Lending

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

	<b>Balance</b> <b>1 April 2009</b> <b>£000's</b>	<b>Additions</b> <b>during year</b> <b>£000's</b>	<b>Repayments</b> <b>during year</b> <b>£000's</b>	<b>Balance</b> <b>31 March 2010</b> <b>£000's</b>
House Purchasers	12	-	3	9
<b>Total</b>	<b>12</b>	<b>-</b>	<b>3</b>	<b>9</b>

## 24. 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 2010 £000's	31 March 2009 £000's
<b>Work in Progress: -</b>		
Rechargeable Works	-	27
	-	27
<b>Stocks: -</b>		
Ipswich Borough Contracts	201	146
Other Services	125	141
	<b>326</b>	<b>287</b>

## 25. Debtors

	31 March 2010 £000's	Restated 31 March 2009 £000's
<b>Amounts falling due within one year: -</b>		
Sundry Debtors	9,374	8,736
Council Tax	715	654
Business Rates	2,786	-
Housing Rents	547	650
Payments in Advance	1,263	1,515
Customs & Excise	3,160	910
Government Departments	868	1,423
Car Loans & Car Leasing to Employees	6	26
	18,719	13,914
<b>Amounts falling due after one year: -</b>		
Car Loans & Car Leasing to Employees	5	4
	18,724	13,918
Less Provision for Bad Debts: -		
Housing Rents	(311)	(396)
Sundry Debtors	(529)	(544)
Council Tax	(353)	(320)
	<b>17,531</b>	<b>12,658</b>

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 1 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.



## 26. Creditors

	<b>31 March 2010</b> <b>£000's</b>	Restated 31 March 2009 £000's
Sundry Creditors	11,093	8,023
Business Rates	-	488
Income in Advance	3,055	3,287
Agency Takings etc.	714	770
Council Tax	165	238
Housing Rents	755	826
Government Departments	683	520
Inland Revenue	10	4
	<b>16,475</b>	<b>14,156</b>

## 27. 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.

	General Fund £000's	Housing Revenue Account £000's	Trading Accounts £000's	Total £000's
Bought Forward 1 April 2009	(13,238)	(300)	(23)	(13,561)
Additions	(489)	(86)	-	(575)
Write Offs	415	7	23	445
Balance 31 March 2010	(13,312)	(379)	-	(13,691)

## 28. Other Grants/Contributions Deferred

The other grants/contributions balance is analysed as follows:

	<b>2009/10</b> <b>£000's</b>	2008/09 £000's
Section 106 Contributions	(4,695)	(4,628)
Miscellaneous Contributions from Developers	(26)	(42)
Miscellaneous Grants	(614)	(637)
	<b>(5,335)</b>	<b>(5,307)</b>

## 29. 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.

## 30. 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. The Council manages these procedures for dealing with risk in the following ways:

- The requirements of the Code of Practice were formally adopted by the Council in 2002;
- The Council includes a section on Treasury Management in its financial standing orders;
- The Council approves annually in advance prudential indicators for the following three years;
- The Council's overall borrowing, which was limited to £54m in 2009/10;
- Its maximum exposures to fixed and variable rates which were 100% for fixed rates and 50% for variable rates in 2009/10;
- Its maximum and minimum for exposures the maturity structure of its debt which for 2009/10 is shown below;

<b>Period</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
Up to 1 Year	0%	25%
1 Year to 2 Years	0%	25%
2 Years to 5 Years	0%	50%
5 Years to 10 Years	0%	75%
Over 10 Years	0%	100%

- Its maximum annual exposures to investments maturing beyond a year which was set at £15m for 2009/10;
- An annual investment strategy was approved for 2009/10 which set out the criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These were reported as part of the Council's medium term financial plan and approved at Full Council on 25 February 2009 for 2009/10. This information is available on the Council's website. 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 quarterly as part of the Council's quarterly budget monitoring to Councillors. During 2009/10 the Council stayed within all the above limits approved by Council.

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 (TMP's). These TMP's are a requirement of the Code of Practice and are reviewed periodically.

### **Credit risk**

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time limit for investments in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (composite defaults from Fitch, Standard & Poors and Moody's) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period since at least 1990 to 2009. Defaults shown are by long term rating category on investments out to 1 year, which were the most commonly held investments during the year.

	<b>Amount at 31 March 2010</b>	<b>Historical experience of default</b>	<b>Adjustment for market conditions at 31 March 2010</b>	<b>Estimated maximum exposure to default</b>
	<b>£000s</b>	<b>%</b>	<b>%</b>	<b>£000s</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(a * c)</b>
Deposits with banks and financial institutions				
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	4,000	0.03%	0.03%	1.2
A rated counterparties	2,000	0.08%	0.08%	1.6
Other counterparties	4,650	0.65%	25.51%	1,186.1
Trade debtors	<u>18,724</u>	2.79%	2.79%	<u>522.4</u>
<b>Total</b>	<b>29,374</b>			<b>1,711.3</b>

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across two of these institutions, with varying maturity dates and interest rates as follows:

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

	<b>Heritable</b>	<b>Landsbanki</b>	<b>Landsbanki</b>	<b>Landsbanki</b>
<b>Date Invested</b>	12/12/2007	5/11/2007	29/8/2008	2/9/2008
<b>Maturity Date</b>	10/12/2008	3/11/2007	28/8/2009	2/6/2009
<b>Amount Invested</b>	£650,200	£1,000,000	£1,000,000	£2,000,000
<b>Interest Rate</b>	6.21%	6.18%	6.18%	6.09%
<b>Carrying Amount</b>	£483,094	£770,937	£735,269	£1,474,777
<b>Impairment</b>	£310,191	£377,722	£362,934	£717,433

The Council originally invested £1,000,000 with Heritable on 12 December 2007, but £349,800 has since been repaid.

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate.

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as

the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

### **Heritable Bank**

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008, and total repayments of £349,800 (34.98%) were received in 2009/10 and the revised impairment is based on the assumption that a further 50% will be received by the end of 2012/13, taking the total dividends expected to be paid to 84.98%

Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

<b>Date</b>	<b>Repayment</b>	<b>Date</b>	<b>Repayment</b>
June 2010	5%	September 2011	5%
September 2010	5%	December 2011	5%
December 2010	5%	March 2012	5%
March 2011	5%	June 2012	5%
June 2011	5%	September 2012	5%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

### **Landsbanki**

The impairment for Landsbanki in 2009/10 has been based on the assumption that local authority deposits with the bank had priority status, and would therefore be repaid ahead of any creditors that did not have priority status. This was based on the legal advice obtained by local authorities, and on announcements made by the banks.

The Glitnir Winding-Up Board has since expressed the view that local authority deposits do not have priority status. This may also impact on the Landsbanki position. Local authorities' legal advice remains that deposits have priority status under Icelandic law. However, decisions on the priority status of local authority deposits will be made by the Icelandic courts. It is unlikely that the position on priority status will be known until

2011/12, however the impairment for 2009/10 has been calculated on the basis that priority status will be granted for Landsbanki and repayments of 94.85% will be received between October 2011 and October 2018.

Deposits with the Icelandic-domiciled banks were converted to Icelandic Krona on 22 April 2009. Repayments by the banks will be based on the value of the deposit in ISK; the sterling value received by authorities will depend on the prevailing exchange rate, and may therefore be lower than the equivalent value on 22 April 2009.

Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

<b>Date</b>	<b>Repayment</b>	<b>Date</b>	<b>Repayment</b>
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 2018	19.47%

If the Council does not receive priority status the expected repayments for Landsbanki are forecast to be 38.19% between October 2011 and October 2018.

The impairment loss recognised in the Income and Expenditure Account in 2009/10, £280,427 has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £37,507 has been transferred to the Financial Instruments Adjustment Account. The balance of £242,920 relates to interest, which has been borne in full by the General Fund.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council does not generally allow credit for its trade debtors, such that £17.461m of the £18.724m balance is past its due date for payment. The past due amount can be analysed by age as follows:

<b>Period</b>	<b>31 March 2009 £000's</b>	<b>31 March 2010 £000's</b>
Less than three months	10,756	15,743
Three to six months	895	460
Six months to one year	1,546	648
More than one year	3,405	610
<b>Total</b>	<b>16,602</b>	<b>17,461</b>

To offset the debtors outstanding the Council has £1.193m of provisions.

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

### **Liquidity risk**

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 a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council 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.

### **Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio, which has reduced considerably over the last year as the Council looks to reduce its risk. 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 treasury 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 based on the carrying value in the balance sheet is as follows:

<b>Period</b>	<b>31 March 2009 £000's</b>	<b>31 March 2010 £000's</b>
Less than one year	11,108	3,011
Between one and two years	710	792
Between two and five years	2,657	2,960
Between five and ten years	1,095	-
Between ten and twenty years	5,000	-
More than twenty years	26,849	23,349
<b>Total</b>	<b>47,419</b>	<b>30,112</b>

The maturity analysis of financial assets based on the carrying value in the balance sheet is as follows:

<b>Period</b>	<b>31 March 2009 £000's</b>	<b>31 March 2010 £000's</b>
Less than one year	25,286	4,452
Between one and two years	974	1,037
Between two and three years	965	409
More than three years	5,106	4,072
<b>Total</b>	<b>32,331</b>	<b>9,970</b>

All trade and other payables (18.724m) are due to be paid in less than one year and are not shown in the table above.

**Market risk** - The Council look to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

The Council did not have the authority to invest in gilts during 2009/10.

Due to the economic climate, the Council reduced its borrowings and investments during 2009/10 therefore reducing the risk that counterparties would not repay investments when they were due.

All investments undertaken during 2009/10 met the Council's criteria when the investment was made, in terms of the counterparty with whom the investment was made and was within the limit for that counterparty. As at 31 March 2010 the Council held investments, based on the carrying value in the balance sheet, with institutions domiciled in the following countries:



Country	31 March 2010 £000's	31 March 2010 %
UK	4,270	42.83
Belgium	2,236	22.43
Iceland	3,464	34.74
<b>Total</b>	<b>9,970</b>	<b>100.00</b>

**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 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 would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains or Losses (STRGL). However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

All of the Council's borrowing and investments held during 2009/10 were at fixed interest rates.

**Price risk** - The Council does not generally invest in equity shares or marketable bonds, but does have shareholdings in Ipswich Buses Ltd, which is wholly owned by the Council. Whilst these holding are generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for "open book" arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The shares are all classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the STRGL.

**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.

### 31. 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 2009 £000's	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's
Financial liabilities at cost	36,193	26,983	11,023	3,011
Accrued Interest on Financial Liabilities	118	118	85	-
<b>Total Borrowings</b>	<b>36,311</b>	<b>27,101</b>	<b>11,108</b>	<b>3,011</b>
Loans and Receivables	6,822	5,262	24,030	4,202
Accrued Interest on Loans and Receivables	224	256	1,255	250
Available for sale financial assets	320	314	-	-
<b>Total Investments</b>	<b>7,366</b>	<b>5,832</b>	<b>25,285</b>	<b>4,452</b>

### 32. 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 2009		31 March 2010	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
PWLB Debt	32,990	38,114	18,769	22,333
Non-PWLB Debt	14,429	15,537	11,343	12,163
<b>Total Debt</b>	<b>47,419</b>	<b>53,651</b>	<b>30,112</b>	<b>34,496</b>
Creditors arising through contract	8,901	8,901	12,531	12,531
<b>Total Financial Liabilities</b>	<b>56,320</b>	<b>62,552</b>	<b>42,643</b>	<b>47,027</b>
Money Market loans < 1 year	25,286	25,286	4,452	4,452
Money Market loans > 1 year	7,045	7,737	5,518	5,872
Long Term Investments	320	320	314	314
Debtors arising through contract	6,334	6,334	6,245	6,245
<b>Total Loans and Receivables</b>	<b>38,985</b>	<b>39,677</b>	<b>16,529</b>	<b>16,883</b>

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 2010. 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.

### 33. 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 2009 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2010 £000's
Insurance	(1,524)	(92)	471	(1,145)
<b>Total</b>	<b>(1,524)</b>	<b>(92)</b>	<b>471</b>	<b>(1,145)</b>

The Insurance Provision at 31 March 2010 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.

### 34. 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	As previously stated		Restated Balance 1 April 2009	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve	Further Detail of Movements
	Balance 1 April 2009	Adjustment					
	£000's	£000's	£000's	£000's	£000's		
Revaluation Reserve	(2,881)	-	(2,881)	(65,617)	(68,498)	Records unrealised revaluation gains arising from holding fixed assets	Note 34.1 to the Core Financial Statements, page 50
Capital Adjustment Account	(384,381)	-	(384,381)	60,426	(323,955)	Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system	Note 34.2 to the Core Financial Statements, page 51
Available-for-sale Financial Instruments Reserve	(3)	-	(3)	7	4	Records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets	Note 34.3 to the Core Financial Statements, page 52
Financial Instruments Adjustment Account	1,372	-	1,372	(135)	1,237	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	Note 34.4 to the Core Financial Statements, page 52
Collection Fund Adjustment Account	(711)	572	(139)	83	(56)	Provides a balancing mechanism between the amount credited to the Income & Expenditure Account and the demand on the Collection Fund, and the amount payable/receivable in the current year to recover deficits or distribute surpluses arising in prior years.	Collection Fund, page 73
Usable Capital Receipts	(13,797)	-	(13,797)	3,822	(9,975)	Proceeds of fixed asset sales available to meet future capital investment	Note 34.5 to the Core Financial Statements, page 53
Deferred Capital Receipts	(10)	-	(10)	3	(7)	Derived from the sale of assets, which will be received in instalments over agreed periods of time.	Note 29 to the Core Financial Statements, page 39
Pensions Reserve	42,830	-	42,830	59,622	102,452	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the Core Financial Statements, pages 57-61
Housing Revenue Account	(2,845)	-	(2,845)	1,300	(1,545)	Resources available to meet future running costs for council houses.	HRA statements, page 65
General Fund	(3,293)	-	(3,293)	(2,560)	(5,853)	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 19
Legacies	(127)	-	(127)	-	(127)	Resources invested to provide a yearly income for the purchase of Museum items.	Note 38 to the Core Financial Statements, page 55
Specific Revenue Reserves	(5,290)	-	(5,290)	(2,688)	(7,978)	Earmarked reserves that are set aside for specific policy purposes	Note 34.6 to the Core Financial Statements and note to the HRA statements, pages 68 & 69
	<b>(369,136)</b>	<b>572</b>	<b>(368,564)</b>	<b>54,263</b>	<b>(314,301)</b>		

### 34.1 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 fund movements were:

	<b>2009/10</b> <b>£000's</b>	2008/09 £000's
Balance 1 April	(2,881)	(13,211)
Disposals written out	1,257	4,883
Depreciation	634	58
Revaluation adjustments	(67,508)	5,389
<b>Balance 31 March</b>	<b>(68,498)</b>	<b>(2,881)</b>

### 34.2 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 (revenue expenditure funded from capital under statute). 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.

	<b>2009/10</b> <b>£000's</b>	2008/09 £000's
<b>Movements on the fund:</b>		
Balance 1 April	(384,381)	(471,365)
Net Adjustment of MRP/Depreciation	4,768	13,194
Disposals	296	1,858
Expenditure on fixed assets financed from Revenue	(5,862)	(6,227)
Revaluation Adjustment	65,780	82,921
Expenditure on fixed assets financed from Usable Capital Receipts	(4,556)	(4,762)
<b>Balance 31 March</b>	<b>(323,955)</b>	<b>(384,381)</b>

### 34.3 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 2009 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2010 £000's
Gilts	(3)	-	7	4
<b>Total</b>	<b>(3)</b>	<b>-</b>	<b>7</b>	<b>4</b>

### 34.4 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.

Description	Balance as at 31 March 2009 £000's	Appropriations during year £000's	Applications during year £000's	Balance as at 31 March 2010 £000's
Debt Rescheduling - Premiums Incurred	570	-	(114)	456
Debt Rescheduling - Discounts Incurred	(347)	(121)	63	(405)
	<b>224</b>	<b>(121)</b>	<b>(51)</b>	<b>51</b>
Impairment of Investments - Principal	1,488	280	-	1,768
Impairment of Investments - Interest	(339)	(243)	-	(582)
	<b>1,149</b>	<b>38</b>	<b>-</b>	<b>1,186</b>
<b>Total</b>	<b>1,372</b>	<b>(84)</b>	<b>(51)</b>	<b>1,237</b>

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

Bank	Amount
	£
Heritable	167,106
Landsbanki	1,019,018
<b>Total</b>	<b>1,186,124</b>

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Bank	Balance on FIAA as at 31 March 2010	Transfers during 2010/11	Balance on FIAA as at 31 March 2011
	£	£	£
Heritable	167,106	(167,106)	-
Landsbanki	1,019,018	(1,019,018)	-
<b>Total</b>	<b>1,186,124</b>	<b>(1,186,124)</b>	<b>-</b>

### 34.5 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.

	2009/10 £000's	2008/09 £000's
Balance of Usable Capital Receipts at 1 April	(13,797)	(12,438)
Received in the year	(2,140)	(6,839)
Appropriation re Housing Pooled Capital Receipt	1,406	718
Applied or voluntary set aside in the year	4,556	4,762
<b>Balance of Usable Capital Receipts at 31 March</b>	<b>(9,975)</b>	<b>(13,797)</b>

### 34.6 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 2009 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2010 £000's
Transport Realisation Account	(252)	-	-	(252)
Trading Account Profits	(56)	(662)	718	-
Insurance	(1,035)	(138)	-	(1,173)
HRA Capital Financing	(244)	(5,929)	5,861	(312)
Repairs & Renewal	(2,132)	(755)	196	(2,691)
Investment Impairment Reserve	-	(2,013)	-	(2,013)
Miscellaneous	(1,571)	-	34	(1,537)
<b>Total</b>	<b>(5,290)</b>	<b>(9,497)</b>	<b>6,809</b>	<b>(7,978)</b>

Trading Account Profits are a summary of income earned and payments made by Ipswich Borough Contracts and the Grounds Maintenance Contractor during 2009/10. 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.

### 35. Authorisation of Accounts for Issue

The accounts were authorised for issue by Ian Blofield, Head of Finance, on 30 June 2010, being the date up to which all events have been considered.

### 36. Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. Although there is some uncertainty about the impact this will have on the value of the liabilities in the Fund, the scheme actuaries have estimated that this change will reduce the present value of liabilities in the Fund for



an average employer by around 6-8%.

### **37. 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 73 to 75*.

### **38. Legacies – Felix Cobbold and Jennings Bequest**

These are held to provide a yearly income for the purchase of museum items. The balances for 2009/10 are included in the Council's reserves in the sum of £127,011 (£126,759 in 2008/09).

### **39. 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 £9,547 as at 31 May 2010 (£7,903 as at 31 May 2009).

**Mayor of Ipswich Relief Fund** – set up to provide assistance in the event of an emergency. This has a balance of £3,874 as at 31 March 2010 (£3,872 as at 31 March 2009).

The balances represent the trusts' assets that are mainly invested in Government stock.

There are no liabilities.

The funds are not subject to audit by the Council's auditors, Pricewaterhouse Coopers.

### **40. Miscellaneous Accounts**

The miscellaneous accounts balance at the end of the year was (£44,784), 2008/09 (£61,790).

### **41. Prior Period Adjustments**

The 2009 SORP introduces a requirement to classify the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates as an agency arrangement with the major preceptors and Government respectively.

The 2008/09 Balance Sheet has been restated to derecognise the part of the Council Tax debtor and creditor balances and impairment allowance for doubtful debts attributable to major preceptors and to recognise a creditor for cash collected from taxpayers on behalf

of major preceptors but not yet paid to them. The Balance Sheet has also been restated by derecognising the NNDR taxpayers' debtor and creditor balances, the impairment allowance for doubtful NNDR debts and the creditor with the Government for the amount underpaid into the national pool for 2008/09 and recognising a creditor for cash collected from NNDR taxpayers not yet paid to the Government. The Collection Fund balance has been adjusted to show only that element attributable to the Council. The restatement entries are summarised as follows:

	2008/09 Original	Changes	2008/09 Restated
Debtors	£14,556,000	(£1,898,000)	£12,658,000
Creditors	(£15,425,000)	£1,269,000	(£14,156,000)
Collection Fund	(£ 711,000)	£ 572,000	(£ 139,000)

## 42. Financial Relationships with Companies

The Council's only related company is Ipswich Buses Limited. At 27 March 2010, 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.

## 43. Contingent Liabilities

### Concessionary Fares

The bus operator "Stagecoach" sought a judicial review in 2007/08 against the Secretary of State, which is still outstanding. Their claim disputes the dismissal of the 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 in each year to the payments Ipswich Borough Council would need to make to Stagecoach under the Concessionary Fares Scheme from 2007/08 onwards – the potential for a successful appeal is judged by the Council to be unlikely.

### Back Pay

The Council is aware of the possibility that Equal Pay claims may be lodged against it. It is not possible to estimate the cost of any such claim, however, the Council is currently finalising an Equal Pay Audit on its current pay system and believes that there is a low risk of any claim being successful. It is believed that this risk further diminishes when the new grading, pay and terms and conditions of service are implemented. Currently this is

planned for 1 October 2010.

## **44. Pensions**

### **Participation in pensions schemes**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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 final salary 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 2009/10. The contribution rate remained at 24.8% of pay to address the Pension Fund deficit over 15 years.

The actuarial value of the fund's liabilities as at 31 March 2010, in accordance with Financial Reporting Standard (FRS) 17, was completed in April 2010 by Hymans Robertson, who are an independent firm of actuaries.

### **Transactions relating to retirement benefits**

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

<b>Local Government Pension Scheme</b>	<b>2009/10</b>	<b>2008/09</b>
	<b>£000's</b>	<b>£000's</b>
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services:</i>		
- Current Service Cost	<b>2,283</b>	2,987
- Past Service Cost	-	1,434
- Settlements & Curtailments	<b>15</b>	186
<i>Net Operating Expenditure:</i>		
- Interest Cost	<b>10,687</b>	11,047
- Expected Return on Scheme Assets	<b>(7,274)</b>	(10,490)
<i>Net Charge to the Income and Expenditure Account</i>	<b>5,711</b>	5,164
<i>Statement of Movement on the General Fund</i>		
<i>Balance:</i>		
- Reversal of Net Charges made for retirement benefits in accordance with FRS 17	<b>(5,711)</b>	(5,164)
<i>Actual amount charged against the General Fund</i>		
<i>Balance for pensions in the year:</i>		
- Employers' Contributions payable to scheme	<b>5,609</b>	5,561

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £59,521,000 (£30,408,000 in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £89,124,000.

### **Assets and liabilities in relation to retirement benefits**

Reconciliation of present value of the scheme liabilities:

	<b>2009/10</b>	<b>2008/09</b>
	<b>£000's</b>	<b>£000's</b>
<b>Funded Liabilities: Local Government Pension Scheme</b>		
1 April	<b>156,277</b>	160,359
Current service cost	<b>2,283</b>	2,987
Interest cost	<b>10,687</b>	11,047
Contributions by scheme participants	<b>1,475</b>	1,447
Actuarial (gains)/losses	<b>89,866</b>	(14,605)
Benefits paid	<b>(6,616)</b>	(6,578)
Past service cost	-	1,434
Impact of settlements & curtailments	<b>15</b>	186
31 March	<b>253,987</b>	156,277

Reconciliation of fair value of the scheme assets:

	<b>2009/10</b>	2008/09
<b>Local Government Pension Scheme</b>	<b>£000's</b>	£000's
1 April	<b>113,446</b>	147,539
Expected rate of return	<b>7,274</b>	10,490
Actuarial gains/(losses)	<b>30,345</b>	(45,013)
Employer contributions	<b>5,609</b>	5,561
Contributions by scheme participants	<b>1,475</b>	1,447
Benefits paid	<b>(6,616)</b>	(6,578)
31 March	<b>151,533</b>	113,446

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £37,619,000, 2008/09:(£33,953,000).

### Scheme history

	<b>Year to</b>	Year to	Year to	Year to	Year to
<b>Local Government Pension Scheme</b>	<b>31 Mar 2010</b>	31 Mar 2009	31 Mar 2008	31 Mar 2007	31 Mar 2006
	<b>£000's</b>	£000's	£000's	£000's	£000's
Total Present Value of Liabilities	<b>(253,985)</b>	(156,276)	(160,359)	(183,684)	(183,948)
Fair Value of Assets	<b>151,533</b>	113,446	147,539	155,133	142,061
Surplus/(deficit) in the scheme:	<b>(102,452)</b>	(42,830)	(12,820)	(28,551)	(41,887)

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £5,502,100.

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: -

<b>Local Government Pension Scheme</b>	<b>2009/10</b>	<b>2008/09</b>
Long-term expected rate of return on assets in the scheme:		
Equity Investments	<b>7.8%</b>	7.0%
Bonds	<b>5.0%</b>	5.6%
Property	<b>5.8%</b>	4.9%
Cash	<b>4.8%</b>	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	<b>20.8 years</b>	19.6 years
Women	<b>24.1 years</b>	22.5 years
Longevity at 65 for future pensioners:		
Men	<b>22.3 years</b>	20.7 years
Women	<b>25.7 years</b>	23.6 years
Rate of inflation	<b>3.8%</b>	3.1%
Rate of increase in salaries	<b>5.3%</b>	4.6%
Rate of increase in pensions	<b>3.8%</b>	3.1%
Rate for discounting scheme liabilities	<b>5.5%</b>	6.9%
Expected return on assets	<b>7.0%</b>	6.4%
Take up option to convert annual pension into retirement lump sum - pre April 2008	<b>25%</b>	25%
- post April 2008	<b>63%</b>	-

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

<b>Assets</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
<b>Whole Fund</b>	<b>% of assets</b>	<b>% of assets</b>
Equities	<b>68</b>	67
Bonds	<b>20</b>	21
Property	<b>9</b>	9
Cash	<b>3</b>	3
<b>Estimated Assets</b>	<b>100</b>	100

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	<b>Year to</b>	Year to	Year to	Year to
	<b>31 Mar 2010</b>	31 Mar 2009	31 Mar 2008	31 Mar 2007
	<b>%</b>	%	%	%
<b>Local Government Pension Scheme</b>	<b>%</b>	%	%	%
Differences between the expected and actual return on assets	<b>20.0%</b>	-39.2	-11.2	0.9
Experience gains and (losses) on liabilities	<b>0.0</b>	0.0	4.0	0.0

## **Note 1**

The Actuary estimates that this liability comprises of approximately £139,445,500, £28,791,700 and £85,747,600 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2010. 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 of 50% of the member's pension as at the date of the member's death.

The liabilities as at 31 March 2010 are based on the current benefit structure of the LGPS.

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

### 45. Increase/Decrease in Cash and Cash Equivalents

	Balance 31 March 2010 £000's	Balance 31 March 2009 £000's	Movement in the Year £000's
Bank in hand/(overdraft)	(420)	(2,233)	(1,813)
Cash in Hand	546	735	189
	<b>126</b>	<b>(1,498)</b>	<b>(1,624)</b>

### 46. Reconciliation of Surplus to Net Cash Flow

	2009/10 £000's	2008/09 £000's
(Surplus)/Deficit on Income and Expenditure Account	63,316	99,884
<b><u>Add back Non-cash transactions</u></b>		
Amortisation/Depreciation & Impairment of Fixed Assets	(76,714)	(106,816)
Impairment of Investments	(37)	(1,148)
Soft Loans/Premiums etc.	121	221
Net Charges for Retirement Benefits	(102)	397
Transfer (to)/from Provisions & non I&E Accounts	368	(528)
Charges to Capital	5,864	6,604
Gain/(Loss) on Disposal of Fixed Assets	560	62
Capital Receipts not from Disposal of Fixed Assets	25	32
Other non-cash transactions (net)	(42)	106
<b><u>Items on an Accrual basis</u></b>		
Increase/(Decrease) in Stocks & Work in Progress	12	(100)
Increase/(Decrease) Debtors	4,563	829
(Increase)/Decrease Creditors	(2,050)	1,924
<b><u>Items Classified elsewhere in the Cash Flow Statement</u></b>		
Less investment income	995	2,289
Add Interest Paid	(1,831)	(2,276)
Management of Liquid Resources	(2,330)	3,498
<b>Net Cash Flow from revenue activities</b>	<b>(7,282)</b>	<b>4,978</b>



## 47. Analysis of Government Grants Received

	Awarding Body	2009/10 £000's	2008/09 £000's
Revenue Support Grant	DCLG	(2,219)	(1,430)
DWP Grants for Rebates	DWP	(57,995)	(48,975)
Housing Subsidy	DCLG	5,827	6,287
Capital Grants	DCLG	(270)	(253)
Homelessness Grant	DCLG	(91)	(113)
Housing & Planning Delivery Grant	DCLG	(683)	(325)
LABGI	DCLG	(48)	(539)
Concessionary Fares Grant	DFT	(608)	(594)
Area Based Grants	DCLG	(52)	(52)
		<b>(56,139)</b>	<b>(45,994)</b>

DCLG – Department of Communities and Local Government

DWP – Department for Work and Pensions

DFT – Department for Transport

## 48. Reconciliation of Financing and Management of Liquid Resources to Balance Sheet

	Balance 31 March 2010 £000's	Balance 31 March 2009 £000's	Movement in the Year £000's
<b><u>From Balance Sheet</u></b>			
Investments	10,284	32,651	(22,367)
Loans Repayable < 12 months	(3,011)	(11,108)	8,097
Long Term Loans Outstanding	(27,101)	(36,311)	9,210
			(5,060)
Other Liquid Resources			2,330
Non-cash items excluded from Cash Flow Statement			(40)
			<b>(2,770)</b>
<b><u>From Cashflow Statement</u></b>			
Management of Liquid Resources			(19,993)
Financing			17,223
			<b>(2,770)</b>

The Council's Liquid Resources are short term investments (up to 364 days) of cash surplus to immediate requirements and the preceptor's/government share of Council Tax/NNDR collected not yet paid over.

## 49. Reconciliation of Net Cash Flow to Movement in Net Debt

	Balance 31 March 2009 £000's	Cash flows £000's	Other Changes £000's	Balance 31 March 2010 £000's
<b>Changes in Net Debt</b>				
Bank in hand / (overdrawn)	(2,233)	1,813	-	(420)
Cash in Hand	735	(189)	-	546
Debts due within 1 year	(11,108)	8,806	(709)	(3,011)
Debts due after 1 year	(36,311)	8,501	709	(27,101)
Non-cash items adj	1,263	-	(40)	1,223
Short Term Deposits	32,651	(22,367)	-	10,284
Other Liquid Resources	-	2,330	-	2,330
	<u>(15,003)</u>	<u>(1,106)</u>	<u>(40)</u>	<u>(16,149)</u>
<b>From Cashflow Statement</b>				
Increase/(Decrease) in Cash		1,624		
Cash used to repay/(raise) loans		17,223		
Cash used to increase/(decrease) liquid resources		<u>(19,993)</u>		
Change in Net Debt		<u>(1,146)</u>		
Net Debt at 1 April 2009		<u>(15,003)</u>		
Net Debt at 31 March 2010		<u>(16,149)</u>		

## 50. Prior Period Adjustments

The 2009 SORP introduces a requirement to classify the Council acting as a Billing Authority for Council Tax and National Non-Domestic Rates as an agency arrangement with the major preceptors and Government respectively.

The 2008/09 Cash Flow Statement has been restated to exclude from Revenue Activities:

- major preceptors precept payments and cash paid to or received from major preceptors in respect of the previous year's Collection Fund surplus or deficit
- the major preceptors' share of the net cash received from Council Tax debtors in the year

with the difference between the two included in the Management of Liquid Resources.

and

- cash received from non-domestic rate receipts and
- national non-domestic rate payments to national pool

with the difference between the two included in the Management of Liquid Resources

The 2008/09 re-statement entries are as follows:

Net Cash Flow from Revenue Activities £3,498,000

Net Increase/(decrease) in Other Liquid Resources (£3,498,000)

## HRA INCOME AND EXPENDITURE ACCOUNT

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

	Note	2009/10 £000s	2008/09 £000s
<b>INCOME</b>			
Gross Rent Income - Domestic	1&2	(27,095)	(26,486)
- Commercial		(905)	(861)
Charges for Services & Facilities		(710)	(647)
Contributions from General Fund		(173)	(173)
<b>Total Income</b>		<b>(28,883)</b>	<b>(28,167)</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance		5,394	5,762
Supervision & Management		5,740	5,399
Rents, Rates & Taxes		96	130
Housing Revenue Account Subsidy	3	6,107	6,332
Depreciation and Impairment of Fixed Assets		33,557	91,847
Debt Management Costs		65	57
Provision for Bad Debts		-	-
Subsidy Limitation Transfer to General Fund		22	-
<b>Total Expenditure</b>		<b>50,981</b>	<b>109,527</b>
<b>Net Cost of HRA Services per I&amp;E Account</b>		<b>22,098</b>	<b>81,360</b>
HRA services share of Corporate & Democratic Core		114	110
HRA services share of Unallocated Overheads		16	16
<b>Net Cost of HRA Services</b>		<b>22,228</b>	<b>81,486</b>
(Gain)/Loss on sale of HRA Fixed Assets		(628)	(473)
Interest Payable and Similar Charges		1,351	1,698
HRA Investment Income		(24)	(139)
<b>(Surplus)/Deficit for Year on HRA Services</b>		<b>22,927</b>	<b>82,572</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2009/10 £000s	2008/09 £000s
(Surplus)/Deficit for year on HRA Services	22,927	82,572
Net Additional amount required by statute to be debited/credited to the HRA	(21,627)	(80,176)
<b>(Increase)/Decrease in HRA Balance</b>	<b>1,300</b>	<b>2,396</b>
HRA Account Balance brought forward	(2,845)	(5,241)
<b>HRA Account Balance carried forward</b>	<b>(1,545)</b>	<b>(2,845)</b>

# RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2009/10 £000's	2008/09 £000's
<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA Balance for the year</b>		
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	61	81
Gain/(loss) on sale of HRA fixed assets	628	473
Net charges made for retirement benefits in accordance with FRS17	126	(15)
	815	539
<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year</b>		
Transfer to/(from) Major Repairs Reserve	(28,392)	(86,862)
Voluntary set aside for debt repayment	21	21
Capital expenditure funded by the HRA	5,929	6,126
	(22,442)	(80,715)
<b>Net additional amount required by statute to be debited/(credited) to the HRA balance for the year</b>	<b>(21,627)</b>	<b>(80,176)</b>

# 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, 0.47% of lettable properties were vacant (0.50% in 2008/09). Typical rents were £63.46 per week in 2009/10 representing an increase of £1.87 or 3.04% over the previous year.

## 2. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 60% of the rents collected are made up of benefits paid to tenants (58% in 2008/09).

## 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: -

	<b>2009/10</b>	2008/09
	<b>£000's</b>	£000's
Management & Maintenance	(12,918)	(12,406)
Major Repairs Allowance	(5,165)	(4,985)
Charges on Capital	(1,895)	(2,378)
Interest on Receipts	1	1
Guideline Rent Income	26,084	25,946
<b>HRA Subsidy Claimed</b>	<b>6,107</b>	<b>6,178</b>
Previous Year Adjustments		
Rental Constraint Allowance	-	72
Housing Element	-	82
<b>HRA Subsidy (Receivable)/Payable</b>	<b>6,107</b>	<b>6,332</b>

## 4. Housing Stock

The Council was responsible for managing an average of 8,189 dwellings, excluding temporary accommodation, during 2009/10 (8,211 dwellings in 2008/09).

The average stock was made up as follows: -

	<b>2009/10</b>	2008/09
Houses/Bungalows	4,974	4,992
Flats	3,215	3,219
	<b>8,189</b>	<b>8,211</b>

The change in stock can be summarised as follows: -

	<b>2009/10</b>	2008/09
Stock at 1 April	8,202	8,221
Less: Sales/Demolitions etc.	28	20
Add: New Buildings/Acquisitions	2	1
Stock at 31 March	8,176	8,202

## 5. Rent Arrears

5.1 During the year, 2009/10 rent arrears as a proportion of gross rent income have decreased from 2.26% of the amount due to 1.86%.

	<b>2009/10</b>	2008/09
	<b>£000's</b>	£000's
Arrears at 31 March	517	611

Amounts written off during the year amounted to £76,862.

5.2 The Housing Revenue Account made no contribution to the provision for bad debts account in 2009/10, and the aggregate provision for uncollectible debts, as at 31st March 2010 amounted to £311,236 (see *note 25 on page 38*).

## 6. Reserves

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

6.1 The balance on the Repairs Reserve as at 31 March 2010 was £1,000,000. This forms part of the Repairs and Renewals Reserve included in *note 34.6* to the Balance Sheet on *page 54*.

6.2 The balance on the Sheltered Scheme Energy Reserve at 31 March 2010 was £102,612 and forms part of the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.

6.3 The balance on the IT Development Reserve as at 31 March 2010 was £98,501. This forms part of the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.

6.4 The balance on the Supporting People (Hostels) Reserve as at 31 March 2010 was £331,366. This forms part of the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.

6.5 A contribution of £33,931 was made to the Housing Revenue Account from the Supporting People Sheltered Reserve in 2009/10. The balance on the Supporting People Sheltered Reserve as at 31 March 2010 was £305,507. This forms part of

the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.

- 6.6 The balance on the Ipswich Standard Reserve as at 31 March 2010 was £81,760. This forms part of the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.
- 6.7 The balance on the Community Caretakers Reserve as at 31 March 2010 was £41,543. This forms part of the Miscellaneous Reserve included in *note 34.6* to the Balance Sheet on *page 54*.
- 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 13 & 14*.
- 6.9 A contribution of £399 was made to the Insurance Reserve from the Housing Revenue Account.

## 7. HRA Fixed Assets

	Balance at 01/04/2009 £000's	Revaluations during year £000's	Restatements/ Appropriations during year £000's	Additions during year £000's	Disposals during year £000's	Gains/(Losses) on Disposal £000's	Depreciation during year £000's	Balance at 31/03/10 £000's
<b>Operational Assets</b>								
Council Dwellings	348,841	(6,877)	-	12,342	1,942	692	4,624	348,432
Other Land & Buildings	10,309	2,647	(33)	73	-	-	190	12,806
Community Assets	55	-	(55)	-	-	-	-	-
Vehicles, Plant, Equipment Etc	141	-	(2)	-	-	-	28	111
<b>Non Operational Assets</b>	21	214	-	-	21	(64)	-	150
<b>Total</b>	<b>359,367</b>	<b>(4,016)</b>	<b>(90)</b>	<b>12,415</b>	<b>1,963</b>	<b>628</b>	<b>4,842</b>	<b>361,499</b>

	Balance at 01/04/2009 £000's	Revaluations during year £000's	Restatements/ Appropriations during year £000's	Additions during year £000's	Disposals during year £000's	Gains/(Losses) on Disposal £000's	Depreciation during year £000's	Balance at 31/03/10 £000's
Houses	350,160	(6,852)	(33)	12,342	1,942	692	4,643	349,724
Land	4,284	186	(4,136)	-	21	(64)	1	248
Other Property	4,923	2,650	4,079	73	-	-	198	11,527
<b>Total</b>	<b>359,367</b>	<b>(4,016)</b>	<b>(90)</b>	<b>12,415</b>	<b>1,963</b>	<b>628</b>	<b>4,842</b>	<b>361,499</b>

The total capital receipts generated during the year was:

	2009/10 £000's	2008/09 £000's
Land	21	81
Council Houses	1,904	895
	1,925	976
Excluded Discounts Repaid and Housing Advances	41	66
<b>Total</b>	1,966	1,042

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 31 March 2010 is £756,120,090. This represents the economic cost to government of providing council housing at less than open market rents.

	31 March 2010	31 March 2009
Analysis of Dwellings in the HRA: -		
Houses/Bungalows	4,962	4,985
Flats	2,659	2,663
Sheltered Housing Units	555	554
<b>Total</b>	8,176	8,202

## 8. Housing Revenue Account Capital Expenditure and Financing

	2009/10 £000's	2008/09 £000's
<b><u>EXPENDITURE</u></b>		
Housing Revenue Account Services - Housing	12,426	12,633
<b>TOTAL</b>	12,426	12,633
<b><u>FINANCING</u></b>		
Usable Capital Receipts	-	-
External Contributions	(85)	(107)
Major Repairs Reserve	(5,165)	(4,985)
Credit Approvals	(1,314)	(1,314)
Revenue Contributions to Capital Outlay	(5,862)	(6,227)
<b>TOTAL</b>	(12,426)	(12,633)



## 9. HRA Revenue Expenditure Funded from Capital under Statute

DESCRIPTION	Balance at 1 April 2009 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31 March 2010 £000's
Pension Fund Deficit	-	-	-	-	-
Other Capital Expenditure not creating a Fixed Asset	-	13	-	13	-
<b>Total</b>	-	13	-	13	-

Note 7 to the Statement of Accounting Policies (see page 11) provides an explanation of Revenue Expenditure Funded from Capital Under Statute. 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.

	2009/10 £000's	2008/09 £000's
<b><u>INCOME</u></b>		
Balance B/fwd	-	-
Depreciation on Fixed Assets - On Dwellings	(4,624)	(7,764)
- On Other Assets	(218)	(171)
Amount transferred from HRA to Reserve	(323)	-
	<b>(5,165)</b>	<b>(7,935)</b>
<b><u>EXPENDITURE</u></b>		
Amount transferred from Reserve to HRA	-	2,950
Capital Expenditure - all on Dwellings	5,165	4,985
	<b>5,165</b>	<b>7,935</b>
Balance C/fwd	-	-

## **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 removed 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 2009/10, which affect the Housing Revenue Account.

# THE COLLECTION FUND

## Income and Expenditure Account

	Note	2009/10 £000's	2008/09 £000's
<b>INCOME</b>			
Local Taxes: -			
Council Tax		(52,996)	(51,765)
Business Rates		(48,324)	(48,190)
Transfers from General Fund			
Council Tax Benefits		(11,379)	(10,181)
Proportion of Discretionary Relief not met by National Pool (adjustment)		(84)	(78)
Share of Estimated (Deficits) / Surpluses (Council Tax)			
Suffolk County Council		507	73
Ipswich Borough Council		141	20
Suffolk Police Authority		70	10
		(112,065)	(110,111)
<b>EXPENDITURE</b>			
Precepts & Demands: -			
Suffolk County Council	2	44,821	42,955
Ipswich Borough Council	2	12,505	11,928
Suffolk Police Authority	2	6,358	5,987
Business Rates: -			
Payment to National Pool		47,473	47,543
Cost of Collection Allowance		193	189
Interest on Repayments		86	46
Provision of Uncollectable Amounts: -			
Council Tax		398	367
Business Rates		656	659
		112,490	109,674
<b>DEFICIT/(SURPLUS) ON FUND MOVEMENTS IN YEAR</b>		425	(437)

	2009/10 £000's	2008/09 £000's
<b>Statement of Accumulated Balances</b>		
Opening Balance on Fund	(711)	(274)
Movement during the year	425	(437)
<b>Closing Balance on Fund</b>	(286)	(711)
<b>Collection Fund Balance Share</b>		
Ipswich Borough Council	(56)	(139)
Suffolk County Council	(201)	(502)
Suffolk Police Authority	(29)	(70)
<b>Collection Fund Balance Deficit/(Surplus)</b>	(286)	(711)

## NOTES TO THE COLLECTION FUND

### 1. General

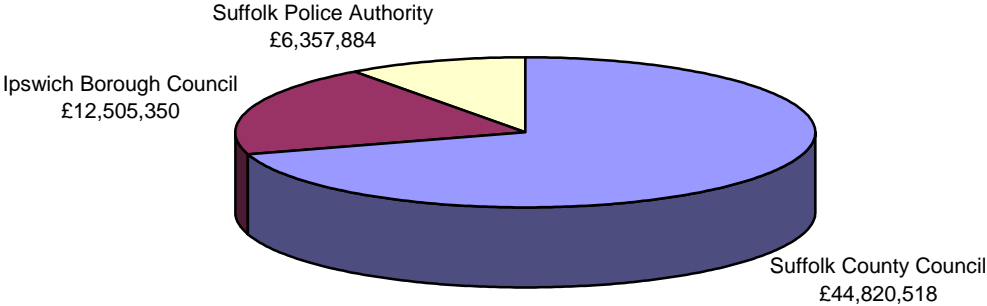
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General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

### 2. Income from Council Tax

The Council set a charge of £306.90 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 2008	Band D Equivalent No. of Dwellings
Band A	17,858	9,722
Band B	21,650	14,879
Band C	10,715	8,623
Band D	4,045	3,679
Band E	2,051	2,341
Band F	868	1,191
Band G	326	505
Band H	13	9
	<hr/> 57,526	40,949
Contributions in Lieu (in respect of class "O" exempt dwellings)		<hr/> - 40,949
Adjustments for changes September 2007 to March 2008 :		
New Dwellings		472
Additional discounts, exemptions, appeals etc.		(167)
		<hr/> 41,254
Discounted by assumed collection rate of 98.75%		<hr/> <b>40,740</b> <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 2009/10 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 31 March 2010 was £114.67m and the uniform business rate was 48.5p.

**4. Bad and Doubtful Debts**

The value of write-offs in 2009/10 were: Business Rates £317,134 (2008/09 - £42,102) and Council Tax £226,022 (2008/09 - £295,610).

### 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 27 March 2010, 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 Company reports a 52 week period ending 27 March 2010.
- 3.3 The Council has no commitment to meet accumulated deficits or losses of Ipswich Buses Ltd.
- 3.4 Copies of the published accounts of Ipswich Buses Limited for the period ended 27 March 2010, can be obtained from Ipswich Buses Ltd., Constantine Road, Ipswich, IP1 2DL. Summarised accounts for Ipswich Buses are shown overleaf:

	<b>Period Ended 27 March 2010 £000's</b>	
Turnover		(7,942)
Operating and other expenditure (net)		7,472
(Profit)/Loss on ordinary activities after taxation		<u>(470)</u>
<b>A summary of the Company's financial position as at 27 March 2010 is as follows:-</b>		
	<b>£000's</b>	<b>£000's</b>
Fixed Assets- Tangible Assets		3,124
Current Assets	2,492	
less Current Liabilities	<u>1,849</u>	<u>643</u>
Total assets less current liabilities		3,767
less Creditors falling due after more than one year		<u>1,318</u>
Net assets excluding Pension Liability		2,449
Pension Liability		(6,164)
<b>Net Assets-including pension liability</b>		<u><b>(3,715)</b></u>
Represented by:- Capital and Reserves		
Equity - called up ordinary share capital		-
Profit and Loss account		(3,715)
		<u><u>(3,715)</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 £2.449m, representing the Council's share of the Bus Company's shareholders' funds.

## GROUP INCOME AND EXPENDITURE ACCOUNT

	2009/10			2008/09
	Ipswich Borough Council £000's	Ipswich Buses £000's	Consolidation Adjustment £000's	Total £000's
Central Services	3,606	-	-	3,606
Cultural, Environmental & Planning Services	36,329	-	-	36,329
Highways, Roads & Transport	3,580	(808)	-	2,772
Housing Services	24,078	-	-	24,078
Corporate & Democratic Core	3,598	-	-	3,598
Non Distributed Costs	14,234	-	-	14,234
<b>Net Cost of Services</b>	<b>85,425</b>	<b>(808)</b>	<b>-</b>	<b>84,617</b>
(Gain)/Loss on Disposal of Fixed Assets	(560)	(20)	-	(580)
Capital Receipts not from Disposal of Fixed Assets	(25)	-	-	(25)
Surplus/Deficit on Trading	(662)	-	-	(662)
Interest Payable and Similar Charges	1,776	107	(6) (a)	1,877
Exceptional item: Investment Impairment charge	280	-	-	280
Exceptional item: VAT refund	(2,155)	-	-	(2,155)
Contribution to Housing Pooled Capital Receipts	1,406	-	-	1,406
Interest & Investment Income	(1,087)	(30)	6 (a)	(1,111)
Pensions Interest Cost & Expected Return on Assets	3,413	298	-	3,711
Tax on profit from ordinary activities	-	(17)	-	(17)
<b>Net Operating Expenditure</b>	<b>87,811</b>	<b>(470)</b>	<b>-</b>	<b>87,341</b>
Collection Fund	(12,564)	-	-	(12,564)
Government Grants	(2,319)	-	-	(2,319)
National Non Domestic Rates	(9,612)	-	-	(9,612)
<b>(Surplus)/Deficit for the year</b>	<b>63,316</b>	<b>(470)</b>	<b>-</b>	<b>62,846</b>

2008/09 Total £000's

2,854  
26,848  
2,612  
83,433  
4,003  
1,437  
121,187  
18  
(32)  
(326)  
2,479  
1,488  
-  
718  
(2,473)  
631  
33  
123,723  
(12,033)  
(1,671)  
(10,275)  
99,744

**Explanation of Consolidation Adjustments:**  
(a) Elimination of intra-group transactions

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

	2009/10 £000's	2008/09 £000's
(Surplus)/Deficit for the year on the Income and Expenditure Account	63,316	99,884
Adjustments for transactions with other group entities	-	-
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to the Authority	63,316	99,884
(Surplus)/Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	(470)	(140)
(Surplus)/Deficit for the year on the Group Income and Expenditure Account	62,846	99,744



## 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.

	<b>2009/10</b>	Restated
	<b>£000's</b>	2008/09 £000's
(Surplus)/Deficit for the year on the Income and Expenditure Account	62,846	99,744
Surplus arising on revaluation of fixed assets	(68,581)	(635)
Actuarial (gains)/losses on pension fund assets and liabilities	64,154	32,982
Revaluation (gains)/losses on available-for-sale financial assets	7	(2)
Any other gains and losses required to be included:		
Deferred Tax Realised on Movement of Pension Deficit	(1,020)	(566)
<b>Total recognised (gains)/losses for the year</b>	<b>57,406</b>	<b>131,523</b>

# GROUP BALANCE SHEET

	2009/10				Restated
	IBC £000's	Ipswich Buses £000's	Note:	Consolidation Adjustment £000's	2008/09 Total £000's
Fixed Assets:					
Intangible Assets	123	-		-	111
Operational Assets					
Council Dwellings	348,469	-		-	348,841
Other Land & Buildings	73,377	-		-	71,958
Infrastructure	1,365	-		-	1,315
Community Assets	5,863	-		-	5,774
Vehicles, Plant, Equipment etc.	2,964	3,124	1 & 2	-	7,732
Non Operational Assets	23,119	-		-	17,236
	<b>455,280</b>	<b>3,124</b>		<b>-</b>	<b>452,967</b>
Long Term Investments	5,832	-		(252) (a)	7,114
External Lending:					
to House Purchasers	9	-		-	12
to Voluntary Bodies	-	-		-	-
<b>TOTAL LONG TERM ASSETS</b>	<b>461,121</b>	<b>3,124</b>		<b>(252)</b>	<b>460,093</b>
Current Assets:					
Work in Progress	-	-		-	27
Stocks	326	93		-	386
Debtors	17,531	670	3	(91) (b)	13,575
Cash at Bank	-	1,729		-	1,637
Cash in Hand	546	-		-	735
Investments	4,452	-		-	25,285
Less Current Liabilities:					
Creditors	(16,475)	(1,849)	4	91 (b)	(16,625)
Borrowing repayable within 12 months	(3,011)	-		-	(11,108)
Cash Overdrawn	(420)	-		-	(2,233)
Net Current Assets	<b>2,949</b>	<b>643</b>		<b>-</b>	<b>11,679</b>
Creditors: amounts falling due after one year	-	(1,318)		252 (a)	(1,693)
<b>TOTAL NET ASSETS</b>	<b>464,070</b>	<b>2,449</b>		<b>-</b>	<b>470,079</b>
Long Term Borrowing	(27,101)	-		-	(36,311)
Government Grants Deferred	(13,691)	-		-	(13,561)
Revenue Provisions	(1,145)	-		-	(1,524)
Miscellaneous Accounts	(45)	-		-	(62)
Other Grants/Contributions Deferred	(5,335)	-		-	(5,307)
Asset/(Liability) relating to Pension Scheme	(102,452)	(6,164)	5	-	(45,322)
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>314,301</b>	<b>(3,715)</b>		<b>-</b>	<b>367,992</b>
Specific Revenue Reserves	(7,978)	-		-	(5,290)
Revaluation Reserve	(68,498)	-		-	(2,881)
Available-for-sale Financial Instruments Reserve	4	-		-	(3)
Capital Adjustment Account	(323,955)	-		-	(384,381)
Usable Capital Receipts	(9,975)	-		-	(13,797)
Financial Instruments Adjustment Account	1,237	-		-	1,372
Collection Fund Adjustment Account	(56)	-		-	(139)
Deferred Capital Receipts	(7)	-		-	(10)
Pensions Reserve	102,452	6,164	5	-	45,322
Legacies	(127)	-		-	(127)
	<b>(306,903)</b>	<b>6,164</b>		<b>-</b>	<b>(359,934)</b>
Share Capital	-	-	6	-	-
Revenue Balances	(7,398)	(2,449)		-	(8,058)
<b>TOTAL BALANCES AND RESERVES</b>	<b>(314,301)</b>	<b>3,715</b>		<b>-</b>	<b>(367,992)</b>

## 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

# GROUP CASH FLOW STATEMENT

	2009/10				2008/09
	IBC £000's	Ipswich Buses £000's	Consol. Adj £000's	Total £000's	Restated £000's
<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>	<b>(7,282)</b>	<b>(900)</b>	<b>-</b>	<b>(8,182)</b>	<b>2,561</b>
<b><u>Dividends from Joint Ventures &amp; Associates</u></b>					
<i>Cash Inflows</i>					
Dividends Received	-	-	-	-	-
<b>Returns on Investments &amp; Servicing of Finance</b>					
<i>Cash Outflows</i>					
Interest Paid	1,831	(1)	(6) (a)	1,824	2,278
Net Premium on Debt Restructuring	-	-	-	-	-
Interest element of finance lease rental payments	-	108	-	108	156
Interest element of loan & hire purchase payments	-	-	-	-	-
<i>Cash Inflows</i>					
Interest Received	(995)	(30)	6 (a)	(1,019)	(2,318)
	<b>836</b>	<b>77</b>	<b>-</b>	<b>913</b>	<b>116</b>
<b>Taxation paid in the year</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>10</b>
<b>Capital Activities</b>					
<i>Cash Outflows</i>					
Purchase of fixed assets	10,841	55	-	10,896	12,299
Purchase of Long Term Investments	-	-	-	-	-
Other Capital payments	742	-	-	742	673
<i>Cash Inflows</i>					
Sale of fixed assets	(2,154)	(93)	-	(2,247)	(7,015)
Capital grants received	(270)	-	-	(270)	(253)
Other capital cash income	(1,567)	-	-	(1,567)	(1,502)
	<b>7,592</b>	<b>(38)</b>	<b>-</b>	<b>7,554</b>	<b>4,202</b>
<b>Acquisitions &amp; Disposals</b>					
<i>Cash Outflows</i>					
Investments in Associates or Joint Ventures	-	-	-	-	-
Investments in Subsidiary undertakings	-	-	-	-	-
<i>Cash Inflows</i>					
Sale of Investments in Associates or Joint Ventures	-	-	-	-	-
Sale of Investments in Subsidiary undertakings	-	-	-	-	-
<b>Net Cash (Inflow)/Outflow before Financing</b>	<b>1,146</b>	<b>(857)</b>	<b>-</b>	<b>289</b>	<b>6,889</b>
<b>Management of Liquid Resources</b>					
Net (Increase)/decrease in short-term deposits	(22,323)	-	-	(22,323)	(3,391)
Net (Increase)/decrease in other liquid resources	2,330	-	-	2,330	(3,498)
<b>Financing</b>					
<i>Cash Outflows</i>					
Repayments of amounts borrowed	22,823	-	-	22,823	23,072
Capital elements of finance lease rental payments	-	765	-	765	752
<i>Cash Inflows</i>					
New long-term loans raised	-	-	-	-	(4,084)
New short-term loans raised	(5,600)	-	-	(5,600)	(17,380)
	<b>17,223</b>	<b>765</b>	<b>-</b>	<b>17,988</b>	<b>2,360</b>
<b>(Increase)/Decrease in Cash</b>	<b>(1,624)</b>	<b>(92)</b>	<b>-</b>	<b>(1,716)</b>	<b>2,360</b>
<b>Explanation of Consolidation Adjustments:</b>					
<b>(a)</b> 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 28 March 2009	Revaluations during year	Additions during year	Disposals during year	Depreciation during year	Balance at 27 March 2010
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Operational Assets</b>						
Vehicles, plant, equipment, etc.	3,681	-	55	72	540	3,124
	<u>3,681</u>	<u>-</u>	<u>55</u>	<u>72</u>	<u>540</u>	<u>3,124</u>

The cumulative amounts of provisions for depreciation are as follows:

	Balance at 28 March 2009	Less cumulative depreciation on assets disposed of during year	Depreciation during year	Balance at 27 March 2010
	£000's	£000's	£000's	£000's
<b>Operational Assets</b>				
Vehicles, plant, equipment, etc	4,928	(329)	540	5,139
	<u>4,928</u>	<u>(329)</u>	<u>540</u>	<u>5,139</u>

## 2. Finance Leases – Ipswich Buses

2.1 The value of assets held under finance leases, as at 27 March 2010 is detailed below:

	Vehicles, Plant and Equipment £000's
Net Book Value at 28 March 2009	3,454
Additions during year	-
Disposals during year	(77)
Depreciation	(423)
Net Book Value at 27 March 2010	<u><u>2,954</u></u>

2.2 Obligations under Finance Leases

	Vehicles, Plant and Equipment £000's
Amounts payable within one year	590
Amounts payable in 2nd to 5th year inclusive	1,066
Amounts payable thereafter	-
	<u><u>1,656</u></u>

### 3. Debtors – Ipswich Buses

	27 March 2010 £000's	28 March 2009 £000's
<b>Amounts falling due within one year:-</b>		
Trade Debtors	295	250
Other Debtors	121	602
Prepayments and Accrued Income	254	130
	<u>670</u>	<u>982</u>

### 4. Creditors – Ipswich Buses

	27 March 2010 £000's	28 March 2009 £000's
<b>Amounts falling due within one year:-</b>		
Trade Creditors	217	168
Other Taxes	68	58
Social Security	79	62
Obligations under Finance Leases (buses)	590	728
Contributions re Pensions	7	29
Other Creditors	161	633
Accruals and Deferred Income	727	856
	<u>1,849</u>	<u>2,534</u>
<b>Amounts falling due after one year:-</b>		
Debenture Loans	252	252
Obligations under Finance Leases (buses)	1,066	1,693
	<u>1,318</u>	<u>1,945</u>

### 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. Contributions of £2,670 were outstanding at the year-end (2009: £2,241). The total charge for the year was £58,544 (2009: £60,534).

## 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 31 March 2007. In addition to the triennial valuation, the company has annual FRS17 reviews carried out and the results of these are used in preparing the accounts of the company.

The next triennial valuation at the scheme, which will be as at 31 March 2010, is currently in progress. However at the time of signing these accounts, the impact of this valuation is unknown.

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

	At 27/03/10	At 28/03/09	At 29/03/08	At 31/03/07	At 31/03/06
Price increases	3.80%	3.10%	3.60%	3.20%	3.10%
Rate of increase in salaries	5.30%	4.60%	5.10%	4.70%	4.60%
Rate of increase in pensions	3.80%	3.10%	3.60%	3.20%	3.10%
Discount rate	5.50%	6.90%	6.90%	5.40%	4.90%
Expected return on assets	6.60%	6.20%	6.70%	5.40%	---

### The actuary's financial assumptions are summarised below:

Life expectancy for non-pensioners is based on the PMA/PFA92 year of birth tables, with improvements from 2007 in line with the medium cohort and a 1% underpin. Based on these assumptions the average future life expectancies at age 65 are:

Current male pensioners 20.8 years, current female pensioners 24.1 years, future male pensioners 22.3 years, future female pensioners 25.7 years.

Historic mortality assumptions for all the below year ends are based on the PFA92 and PMA92 tables.

Year Ended	Prospective Pensioners	Pensioners
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort
31 March 2009	calendar year 2033	calendar year 2017

31 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2004
31 March 2006	calendar year 2004	calendar year 2004

Allowance has been made for 25% of future retirements to elect additional tax-free cash up to HMRC limits.

For the next year there will be an annual payment of £142,000 paid quarterly.

## Composition of the Scheme

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

	Long-term rate of return expected at 27/03/2010	Value at 27/03/2010 £000's	Long-term rate of return expected at 28/03/2009	Value at 28/03/2009 £000's
UK Bonds	5.00%	5,858	5.60%	5,333
UK Equities	7.80%	7,909	7.00%	6,077
Property	5.80%	879	4.90%	992
Other	4.80%	-	4.00%	-
Fair value of employer assets		14,646		12,402
Value of scheme liabilities		<u>(22,549)</u>		<u>(15,597)</u>
Total deficit		(7,903)		(3,195)
Deferred tax asset recognised		1,739		703
Net pension deficit		<u>(6,164)</u>		<u>(2,492)</u>

## Recognition in the profit or loss

	2009/10 £000's	% of pay	2008/09 £000's	% of pay
Current Service Cost	132	20.40%	294	22.80%
Interest Cost	1,052	163.40%	1,093	124.10%
Expected Return on Employer Assets	(754)	(116.80%)	(1,019)	(115.70%)
Losses on Curtailments	25	3.90%	-	-
<b>Total</b>	<u>455</u>	<u>70.60%</u>	<u>368</u>	<u>41.80%</u>
Actual Return on Scheme Assets	<u>2,743</u>		<u>(2,665)</u>	

<b>Movement in net pension deficit during the year</b>	<b>2009/10 £000's</b>	<b>2008/09 £000's</b>
Deficit in Scheme at beginning of the year	(3,195)	(723)
Movement in the year:		
Current Service Cost	(132)	(294)
Contributions	380	470
Net Loss on Assets	(298)	(74)
Losses on Curtailments	(25)	-
Revaluation of Deficit	-	(76)
Actuarial Losses	<u>(4,633)</u>	<u>(2,498)</u>
Deficit in Scheme at end of the year:	(7,903)	(3,195)
Deferred Tax Asset	1,739	703
Scheme Deficit net of Deferred Tax Asset	<u><u>(6,164)</u></u>	<u><u>(2,492)</u></u>

<b>Reconciliation of defined benefit obligation</b>	<b>2009/10 £000's</b>	<b>2008/09 £000's</b>
Opening Defined Benefit Obligation	15,597	15,997
Current Service Cost	132	294
Interest Cost	1,052	1,093
Contributions by Members	35	47
Actuarial Losses/(Gains)	6,622	(1,172)
Losses on Curtailment	25	-
Estimated Unfunded Benefits Paid	(34)	(34)
Estimated Benefits Paid	(880)	(628)
Closing Defined Benefit Obligation	<u><u>22,549</u></u>	<u><u>15,597</u></u>



<b>Reconciliation of fair value of employer assets</b>		
	2009/10 £000's	2008/09 £000's
Opening Fair Value of Employer Assets	12,402	15,274
Expected Return on Assets	754	1,019
Contributions by Members	35	47
Contributions by the Employer	346	436
Contributions in respect of Unfunded Contributions	34	34
Actuarial Gains/(Losses)	1,989	(3,746)
Unfunded Benefits Paid	(34)	(34)
Benefits Paid	(880)	(628)
Closing Fair Value of Employer Assets	<u>14,646</u>	<u>12,402</u>

## History of experience gains and losses

	<b>2009/10</b> <b>£000's</b>	2008/09 £000's	2007/08 £000's	2006/07 £000's	2005/06 £000's
Difference between the expected and actual return on scheme assets	1,989	(3,670)	(1,508)	(9)	1,817
	%	%	%	%	%
Percentage of scheme assets	13.6%	-30.2%	-9.9%	-0.1%	11.8%
	<b>£000's</b>	£000's	£000's	£000's	£000's
Experience gains and losses on scheme liabilities	(22)	(8)	(269)	(27)	(2)
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	-0.1%	0.5%	-1.7%	-0.2%	0.0%
	<b>£000's</b>	£000's	£000's	£000's	£000's
Total amount recognised in statement of total recognised gains and losses	(4,633)	(2,574)	234	846	52
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	-21.1%	-16.5%	1.5%	4.8%	0.3%

## 6. Share Capital – Ipswich Buses

	27 March 2010 £000's	28 March 2009 £000's
Equity		
Authorised (Ordinary Shares of £1 each)	563	563
Non-equity		
Authorised (Cumulative Non Redeemable Preference Shares of £1 each)	-	-
Total Authorised	563	563

2 allotted called up and fully paid ordinary shares at £1 each were in issue both at the current and previous year.

## 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, Paul West.

	2009/10 £000's	2008/09 £000's
Car Parks Servicing Income	28	30
Fuel Distribution	427	436
Rent Payable	79	79
Debenture Loan - Payable at the year end	252	252
- Interest payable in the year	6	16
At the end of the year the netted off balance owed by Ipswich Borough Council was £90,911 (2009 - £64,772)		

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

## 8 Post Balance Sheet Events – Ipswich Buses

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. Although there is some uncertainty about the impact this will have on the value of the liabilities in the Fund, the scheme actuaries have estimated that this change will reduce the present value of liabilities in the Fund for an average employer by around 6-8%.

# NOTES TO THE GROUP CASH FLOW STATEMENT

## 1. Reconciliation of Surplus to Net Cash Flow

	IBC £000's	Ipswich Buses £000's	Total £000's
(Surplus)/Deficit for year per Income & Expenditure Account	63,316	(470)	62,846
<b><u>Add back non-cash transactions</u></b>			
Amortisation/Depreciation & Impairment of Fixed Assets	(76,714)	(540)	(77,254)
Impairment of Investments	(37)	-	(37)
Soft Loans/Premiums etc.	121	-	121
Net Charges for Retirement Benefits	(102)	223	121
Transfer (to)/from Provisions & non I&E Accounts	368	-	368
Charges to Capital	5,864	-	5,864
Gain/(Loss) on Disposal of Fixed Assets	560	20	580
Capital Receipts not from Disposal of Fixed Assets	25	-	25
Other non-cash transactions (net)	(42)	(281)	(323)
<b><u>Items on an accrual basis</u></b>			
Increase/(Decrease) in Stocks & Work in Progress	12	(6)	6
Increase/(Decrease) in Debtors	4,563	(312)	4,251
(Increase)/Decrease in Creditors	(2,050)	543	(1,507)
<b><u>Items in another classification in the Cash Flow Statement</u></b>			
Less investment income	995	30	1,025
Plus interest paid	(1,831)	(107)	(1,938)
Management of Liquid Resources	(2,330)	-	(2,330)
Net Cash Inflow from revenue activities	<u>(7,282)</u>	<u>(900)</u>	<u>(8,182)</u>

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

	Balance 28 March 2009 £000's	Cash Flows £000's	Other Changes £000's	Balance 27 March 2010 £000's
<b><u>Changes in Net Debt</u></b>				
Cash in hand and at bank	1,637	92	-	1,729
Debenture due after one year	(252)	-	-	(252)
Finance leases	(2,421)	765	-	(1,656)
	<u>(1,036)</u>	<u>857</u>	<u>-</u>	<u>(179)</u>
From Cashflow Statement				
Increase/(decrease) in cash		92		
Cash outflow from decrease in debt and lease financing		765		
New finance leases		-		
Change in Net Debt		<u>857</u>		
Net Debt at 28 March 2009		<u>(1,036)</u>		
Net Debt at 27 March 2010		<u>(179)</u>		

## Scope of responsibility

Ipswich Borough Council ('the Council') 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](http://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 authority 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 was brought into effect during the year ended 31 March 2008.

The key elements of the systems and processes that comprise the authority'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 Annual Report 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. (Petitions, Area Forums, CCfA, Equality Impact Assessments, Statement of Community Involvement etc)

**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 Councillors and staff**

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

- Councillors' 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
- Councillor/officer protocols
- A Standards Committee
- HR employee appeals sub committee

### **Whistle-blowing and receiving and investigating complaints from the public**

A 'whistle-blowing' policy is in place. 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 formal and informal complaints procedure. We have received 8 formal investigation complaints against Ipswich Borough Council from the Local Government Ombudsman during the period 1 April 2010 to 31 March 2011. This is an improvement from the previous year where the Council received 13 formal investigation complaints.

### **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**

The Constitution was reviewed in 2009/10. The Monitoring Officer will undertake reviews as necessary and shall recommend to the Authority any changes, which she/he considers to be appropriate.

### **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 regular 'staff news' bulletins, and where appropriate, arranging training for all or key Councillors or staff.

**The Council has adopted a Risk Management Strategy. This document shows the role both Councillors and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register reviewed monthly by CMT as part of the new Corporate performance dashboard. Risks are also assigned to directors, heads of service, operational managers and portfolio holders in the risk manager system and reviewed regularly. The strategy and corporate risk register is currently under review and will be presented for approval to the Executive in June 2010.**

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 Corporate Management Team (CMT) and Councillors.

Financial planning is underpinned by business planning, with increased expenditure in any service area being justified to CMT, and where necessary approved by the Executive. Key to the business planning process is a requirement to demonstrate planning for continuous improvement over several financial years. The Corporate Management Team is tasked with prioritising resources to ensure that the objectives within the Corporate Plan are supported by the individual business 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. A comprehensive performance dashboard is also considered monthly by CMT.

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 2009/10 included:

- Business planning process
- 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 Councillors;
- 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 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 Councillors. 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, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review was undertaken during the year 2009/10 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.

### **Audit Committee**

In January 2010 the Executive agreed that the Audit function be independent from the Overview and Scrutiny function and agreed in principle the co-opting of an independent member of the Audit Committee. It is intended that this will raise the profile of internal control, risk management and financial reporting and internal and external audit. It is a responsibility of the Audit Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. 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 the new National Indicator Set and its local performance indicators set against Transforming Ipswich. Additionally, a Corporate Risk Register provides key information and analysis on key objectives, major projects, joint partnership working and. The corporate risk register is considered monthly by CMT as part of the overall consideration of the monthly corporate performance dashboard. The Executive (for approval in June 2010) will consider a revised set of corporate risks.

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

A fully resourced training and development plan is in place for officers and Councillors of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities. The Council achieved the 'Charter for Member Development' in November 2009.

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

A partnership evaluation criteria and set of toolkits has been developed jointly with all districts and borough councils in Suffolk to help ensure that all key governance criteria are incorporated into new and existing partnerships.

### **The ethical conduct of Councillors 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 report, and also by comments made by the external auditors and other review agencies and inspectorates.

This review is informed by:

- The work of the Internal Auditors and the Audit Partnership Manager's Annual Report.
- The work of Heads of Service and managers within Ipswich Borough Council who have responsibility for the development and maintenance of the governance environment.
- The external auditors in their Annual Audit and Inspection Letter and other reports, including the CAA outcomes, Use of Resources and Managing Performance Statements.

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

### **Council**

The Council's performance framework has recently been reviewed and a number of amendments are currently being made. The Corporate Plan and key activities, HofS plans and service plans have all been subject to review. The Constitution has recently been reviewed and updated, (see Policy Framework).

The Council's Annual Report on our performance against our key priorities 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. Full sets of performance reports are provided in each political group room.

### **Audit Committee**

In January 2010 the Executive agreed that the Audit function be independent from the Overview and Scrutiny function and agreed in principle the co-opting of an independent member of the Audit Committee. It is intended that this will raise the profile of internal control, risk management and financial reporting and internal and external audit.

The Committee will 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 Committee have reviewed audit reports presented to it by the Audit Partnership Manager in connection with the review of internal control arrangements. The 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 2009/10, it adopted a formal work programme and considered 7 allegations of breaches of the code of conduct by Councillors of Ipswich Borough Council.

### **Internal Audit**

Based on an overview of the work undertaken by internal audit 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 new CAA programme Use of resources exercise and the managing performance statement. The results of the review state that Ipswich is a 'Good' Council.

### **Improvements during the year 2009/10**

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 we could improve or challenges for the Council to overcome:

#### **Issue/Challenge identified**

Continue to improve partnership working

#### **Improvement Plan**

A draft Performance Framework has been completed and if agreed all new and current partnerships will be evaluated annually against the criteria set out in the framework. Where partnership arrangements are found not to be effective a separate review of that partnership will be undertaken.

#### **Progress to date**

During 2009/10 Suffolk Coastal District/Ipswich Borough Council shared their Partnership guidance to develop a Suffolk-wide partnership guidance and set of toolkits. This has now been developed and is now in use. This will help to ensure a coordinated approach to assessing the effectiveness, governance and outcomes of

partnerships across the authority and indeed the County. A further update of partnerships has been undertaken and the Council Partnership list updated. Using the updated list the lead officer for each partnership was asked to take part in completing a 'checklist' to assess the partnerships effectiveness and to ensure that robust governance arrangements, where needed were in place. 21 checklists have been completed and submitted.

### **Issue/Challenge identified**

Prepare for the revised Use of Resources assessments that focuses much more explicitly than previously on Value for Money achievements rather than on processes. More focus on public sector activity in the geographical area

#### **Improvement Plan**

A gap analysis is being completed to inform future activity and resource and, regarding value for money, a corporate unit costing profile is being developed

#### **Progress to date**

Virtual group and lead officers identified for each KLOE to develop and implement individual UofR action plans for each KLOE. Activity undertaken during the year rather than just at year-end. Use of Resources work lead by a corporate director.

### **Issue/Challenge identified**

Ensure that resources are planned and managed effectively until the Boundary Committee reaches a decision.

#### **Improvement Plan**

Directors and the Heads of Service Teams coordinate interim activity. This significant uncertainty impairs the extent that forward planning is possible but the issue will continue to be managed until the Boundary Committee announcement. The announcement was received 10 February 2010, which confirmed Ipswich would not be Unitary Council.

#### **Progress to date**

The revised business planning process and improved budgetary control measures in place provide a sound platform to enable a good level of forward planning.

### **Issue/Challenge identified**

Financial and performance information are not integrated fully.

#### **Improvement Plan**

To ensure that efficiency and effectiveness of services is improving in all areas by developing appropriate reporting. Financial/unit cost indicators are currently being developed for appropriate service areas.

### **Progress to date**

Option appraisal - Options will be evaluated and an action plan developed for the appropriate solution

### **Issue/Challenge identified**

The Council had £5m investments frozen in Icelandic banks following the collapse of the banking system. Public authorities had £954m investments frozen in Icelandic banks. The Audit Commission report 'Risk & Return' concluded that the collapse in Icelandic banks had no recent precedent. Many authorities acted prudently, used information wisely and balanced their risks. A key failing was the lack of notice from credit agencies of the impending collapse. The report concluded that the current treasury management framework is the right one and CIPFA will issue any detailed adjustments to the best practice guidance.

### **Improvement Plan**

The recommendations put forward by Internal Audit have been met in full including

The likely recovery rate is 92%

Tightened investment strategy to only deal with UK financial institutions

Awaiting detailed CIPFA best practice guidance

### **Progress to date**

All Internal Audit recommendations have been implemented.

### **Significant governance issues**

On the basis of the Statements produced by the Heads of Service, 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 attention/improvement:

### **Issue/Challenge**

Delivery of Customer Contact Centre

### **Improvement Plan**

Progress to implement the provision of a contact centre is on target and is in accordance with the migration plan previously provided at the time of drafting this document.

### **Issue/Challenge**

Development of Equalities work and the full implementation of EQIAs

### **Improvement Plan**

Focus day by EELGA has produced a diagnostic report and this will be turned into

an action plan. IBC is waiting at the moment to ascertain whether EELGA will be providing some resource to assist in this work.

**Issues/Challenges Identified**

Local Development Scheme implementation programme

**Improvement Plan**

Prioritise individual Development Planning Documents

Core Strategy and Policies (DPD) submission to Secretary of State by April 2010 with Independent examination summer 2010.

Revise and facilitate evidence base documents in accordance with Government guidance and requirements

**Issue/Challenge**

SSH

**Improvement plan**

A project plan is in place to deliver Single Status harmonisation across the authority. Work continues to progress. Formal negotiations with the Unions in September 2009, resulting in a draft locally agreed proposal in January 2010. We are currently awaiting the outcome of the unions' national body sign-off before formal presentations to staff. Once the Union' have signed off the proposal nationally, we will establish an appropriate implementation date.

We plan to address identified concerns 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 Harsant* ..... Date: 30 June 2010.....

Council Leader on behalf of Ipswich Borough Council

Signed: ..... *Russell Williams* ..... Date: 30 June 2010.....

Interim 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 1 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 31 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.

### **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 1 April and finishes 31 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 Expenditure Funded from Capital Under Statute**

Revenue Expenditure Funded from Capital Under Statute reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.

The expenditure is financed from capital resources and is written off in the period in which it occurs.

### **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 Councillors of Ipswich Borough Council

### Opinion on the financial statements

We have audited the financial statements of Ipswich Borough Council ("the Authority") and its Group for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

### Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in April 2008. 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 of:

- the financial position of the Authority and its income and expenditure for the year; and

- the financial position of the Group and its income and expenditure 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 Authority's corporate governance procedures or its risk and control procedures.

We read the other information published with the Authority and Group financial statements, and consider whether it is consistent with the audited Authority and Group financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group 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, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK 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 and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's and its Group'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 Authority and Group financial statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority and Group financial statements and related notes.

### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and Group as at 31

March 2010 and of the Authority and Group income and expenditure and cash flows for the year then ended.



Julian Rickett (Engagement Lead)

For and on behalf of PricewaterhouseCoopers LLP

Appointed auditors

Norwich

28 September 2010

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

### **Authority's Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to 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 Authority 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009 and the supporting guidance, we are satisfied that, in all significant respects, Ipswich Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

## 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.



Julian Rickett (Engagement Lead)

For and on behalf of PricewaterhouseCoopers LLP

Appointed auditors

Norwich

28 September 2010

### Notes:

- (a) The maintenance and integrity of the Ipswich Borough Council 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 statement may differ from legislation in other jurisdictions.*