

# IPSWICH BOROUGH COUNCIL

## STATEMENT OF ACCOUNTS 2006/07

### CONTENTS

	<b>Page No</b>
Explanatory Foreword by Chief Financial Officer	1
Statement of Accounting Policies	8
Responsibilities for the Statement of Accounts	17
Approval of the Statement of Accounts	17
Income and Expenditure Account	18
Statement of Movement on the General Fund Balance	19
Statement of Total Recognised Gains and Losses	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Core Financial Statements	24
HRA Income and Expenditure Account	52
Statement of Movement on the HRA Balance	52
Notes to the Housing Revenue Account	54
Collection Fund	59
Notes to the Collection Fund	60
Group Accounts	62
Statement of Internal Control & Corporate Governance	76
Glossary of Financial Terms	84
Auditors Report	89



## 1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. The Council's accounts for the year ended 31<sup>st</sup> March 2007 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<sup>st</sup> March 2007).
- Cash Flow Statement (summarises the movements of cash arising from transactions with third parties for revenue and capital purposes).
- Housing Revenue Account (covers income and expenditure on council housing).
- Collection Fund (records transactions relating to the Council Tax and National Non-Domestic Rates).
- Group Accounts (provide a summary of financial transactions of those companies over which the Council has a controlling interest or influence).
- Statement on the System of Internal Control and Corporate Governance.
- Glossary of Financial Terms.

## 2. Revenue Accounts – Financial Position

The main components of the Revenue budget for 2006/07, 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 £23.541m (million), which after transferring a net £0.975m to Reserves and Provisions and transferring £2.573m from the Working Balance, left £21.943m to be met from Government Grant and Local Taxpayers. This amount represented the Council's Budget Requirement for 2006/2007.

Actual net expenditure was £22.239m, which was £1.302m less than budgeted. This left the Working Balance at 31<sup>st</sup> March 2007 £1.302m 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: -

	2005/06	2006/07		
	Out-Turn £000's	Budget £000's	Out-Turn £000's	Variance £000's
Services (Net Expenditure)	18,633	23,944	22,656	1,288Cr
Capital Financing	611	1,330	1,337	7
Interest Received	1,586Cr	1,209Cr	1,230Cr	21Cr
Pension Interest & Return on Assets	628	524Cr	524Cr	0
<b>Net Expenditure</b>	<b>18,286</b>	<b>23,541</b>	<b>22,239</b>	<b>1,302Cr</b>
Use of Provisions and Reserves	1,082	975	975	0
Use of Working Balance	914	2,573Cr	1,271Cr	1,302
<b>Budget Requirement</b>	<b>20,282</b>	<b>21,943</b>	<b>21,943</b>	<b>0</b>
<b>Financing:-</b>				
Revenue Support Grant	6,301Cr	1,765Cr	1,779Cr	14
Non-Domestic Rates National Pool	3,391Cr	9,253Cr	9,239Cr	14Cr
Collection Fund Surplus	5Cr	25	25	0
Council Tax	10,585Cr	10,950Cr	10,950Cr	0
<b>Total Funding</b>	<b>20,282Cr</b>	<b>21,943Cr</b>	<b>21,943Cr</b>	<b>0</b>
<b>Working Balance:-</b>				
Balance 1 April 2006		5,463Cr	5,463Cr	0
Contribution to/from(Cr) General Fund		2,573	1,271	1,302Cr
<b>Balance 31 March 2007</b>		<b>2,890Cr</b>	<b>4,192Cr</b>	<b>1,302Cr</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 2006/07 the Housing Revenue Account incurred a deficit of £0.239m compared with a budgeted deficit of £1.327m, a reduction of £1.088m in net expenditure compared with the budget. The Working Balance at 31<sup>st</sup> March 2007 is therefore correspondingly greater than anticipated. After allowing for commitments that have been delayed until 2007/08 (£0.083m), the increase in Working Balance that is available to finance revenue

expenditure in future years is £1.005m.

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

	2005/06 Out-Turn £000's	2006/07		Variance £000's
		Budget £000's	Out-Turn £000's	
Services (Net Expenditure)	10,390	11,540	10,873	667Cr
Capital Financing	10,179	11,210	11,153	57Cr
Interest Received	187Cr	120Cr	149Cr	29Cr
Rents (Net of Rebates)	23,453Cr	24,909Cr	25,225Cr	316Cr
Government Subsidy	3,408	4,013	4,077	64
Budgets Carried Forward (Net)	0	83	0	83Cr
<b>Net Expenditure</b>	<b>337</b>	<b>1,817</b>	<b>729</b>	<b>1,088Cr</b>
Contribution to Provisions and Reserves (Net)	264	490Cr	490Cr	0
<b>Surplus(Cr)/Deficit</b>	<b>601</b>	<b>1,327</b>	<b>239</b>	<b>1,088Cr</b>
Use of(Cr)/Contribution to Working Balance	601Cr	1,327Cr	239Cr	1,088
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Working Balance:-</b>				
Balance 1 April 2006		3,906Cr	3,906Cr	0
Contribution to/from(Cr) Housing Revenue Account		1,327	239	1,088Cr
<b>Balance 31 March 2007</b>		<b>2,579Cr</b>	<b>3,667Cr</b>	<b>1,088Cr</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 2006/07 the prescribed minimum levels were as follows: -

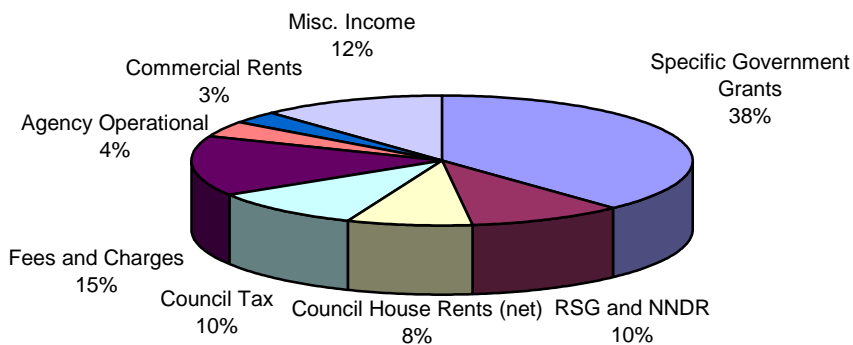
	£000's
General Fund Revenue Account	1,500
Housing Revenue Account	500
	<b>2,000</b>

The Council also has a number of provisions and reserves. The accounting treatment of these is described on *page 15*. Details about the nature and purpose of these reserves and provisions, together with their movements in the year, are described on *pages 39 to 43*.

### 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 £108 million.

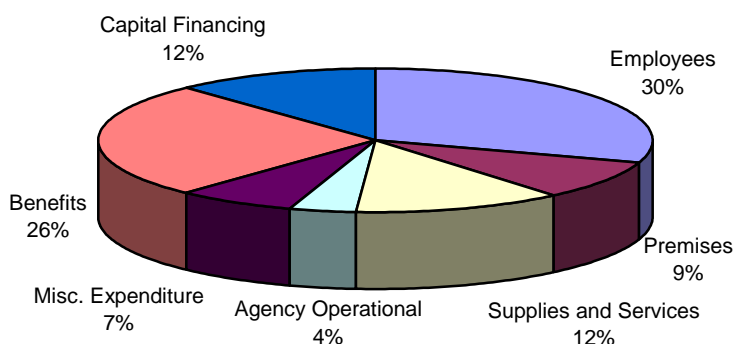
#### Where the money comes from



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

The largest item of income is Specific Government Grants that contribute significantly towards the cost of Housing and Council Tax Benefit payments. Altogether, such grants provide 38% 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.

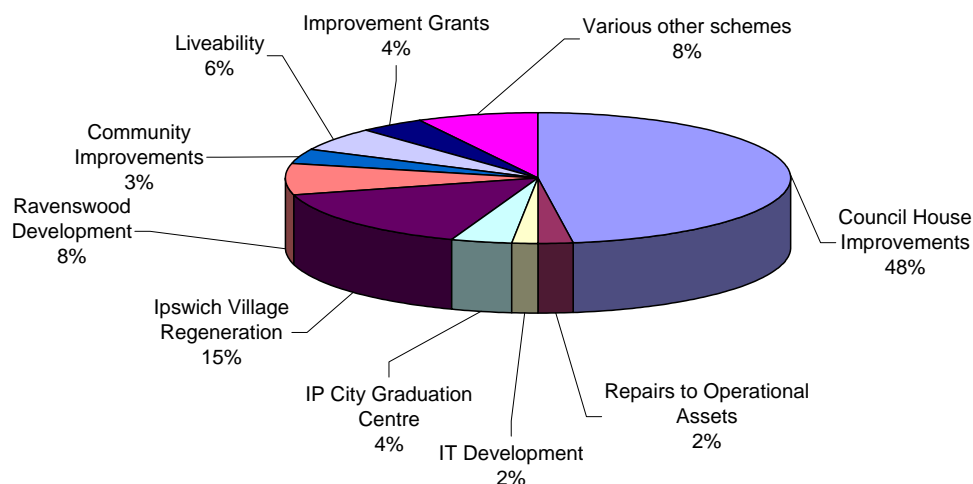
#### How the money was spent



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

## 4. Capital Expenditure and Financing

The major items of capital expenditure in 2006/07 were as follows: -



Details of the Council's 2006/07 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, government grants, revenue contributions to capital outlay and the major repairs allowance.

	<b>2005/06 Expenditure £000's</b>	<b>2006/07 Expenditure £000's</b>
<b><u>SERVICES</u></b>		
Council Housing (HRA)	10,844	11,146
Central and Support Services	6,378	4,982
Highways, Roads and Transport	845	1,324
Other (Non HRA) Housing Services	2,185	1,804
Planning and Development	4,788	1,303
Environmental Services	811	431
Cultural Services	1,907	2,325
DLO	378	11
<b>TOTAL</b>	<b>28,136</b>	<b>23,326</b>
<b><u>FINANCING</u></b>		
Usable Capital Receipts	7,697Cr	7,957Cr
Borrowing	3,977Cr	750Cr
External Contributions	3,037Cr	950Cr
Government Grants	2,844Cr	3,058Cr
Major Repairs Allowance (HRA)	4,948Cr	4,992Cr
Use of Credit Approvals	1,461Cr	1,314Cr
Revenue Contributions to Capital Outlay	4,172Cr	4,305Cr
<b>TOTAL</b>	<b>28,136Cr</b>	<b>23,326Cr</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 £183.7m (*page 48*) has a substantial impact on the net worth of the authority as recorded in the balance sheet (*page 22*), resulting in a negative overall balance of £28.6m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

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

## 6. Changes

There have been changes in the Council's accounting policies during the year, introduced by the 2006 Statement of Recommended Practice (SORP):

- Removal of the requirement to make a capital financing charge (notional interest).
- Changes to the single entity statement of accounts comprising:
  - Replacement of the "Consolidated Revenue Account" with an "Income and Expenditure Account";
  - Replacement of the "Statement of Total Movement on Reserves" with a "Statement of Movement on General Fund Balance" and a "Statement of Total Recognised Gains and Losses".
- Changes to the format of the Housing Revenue Account to bring it into line with the new single entity format. It now comprises:
  - Housing Revenue Account Income and Expenditure Account;
  - Statement of Movement on the Housing Revenue Account Balance.
- Requirement to group the 'core' single entity financial statements together in the following order:
  - Income and Expenditure Account;
  - Statement of Movement on the General Fund Balance;
  - Statement of Total Recognised Gains and Losses;
  - Balance Sheet (no longer called Consolidated Balance Sheet);
  - Cash Flow Statement;
  - Notes to the core statements.



- Requirement to show the 'supplementary' statements, with their notes, together in the following order, after the 'core' statements:
  - Housing Revenue Account Income and Expenditure Account;
  - Statement of Movement on the Housing Revenue Account Balance;
  - Collection Fund.
- Changes in the format of the Group Accounts, aimed at removing unnecessary differences between the format of the Group Accounts and the single-entity accounts.
- Amending the Statement of Internal Control to embrace controls over group activities where an authority undertakes significant activities through a group.

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 Financial Services 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 84 to 88* provides definitions of the accounting terms used in the Statement of Accounts.

The Accounts have been prepared in accordance with the 2006 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply therefore with the “proper accounting practice” under the terms of the Local Government and Housing Act 1989.

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

## 2. Tangible Fixed Assets - Recognition

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

Operational assets including land, buildings, vehicles, plant and equipment.

Non-operational assets including investments and land held awaiting development.

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

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

Infrastructure assets (roads, street lighting etc.) and community assets (parks, museum exhibits etc.) are recorded at historical cost. Short life assets (e.g. computer equipment) are also recorded at historical cost where the difference between this and current cost are insignificant.

Operational land, buildings and other assets are recorded at the lower of net current replacement cost or net realisable value in existing use.

Non-operational and investment land, buildings and other assets are recorded at the lower of net current replacement cost or net realisable value. For assets where a market exists this will usually be open market value. Assets under construction are recognised at historical cost until they are brought into commission.

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

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

Specialised operational properties are valued on the basis of depreciated replacement cost.

Investment properties and properties surplus to the Council's requirements are valued on the basis of open market value (OMV).

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

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

### **3. Tangible Fixed Asset Valuation**

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

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

A qualified valuer revalues assets recorded at current value at least once every 5 years. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31<sup>st</sup> March 2007, 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 Head of Property Services, who carried out the asset valuation in 2004/05, has confirmed that all valuations reflect impairment and depreciation where appropriate.

### **4. Basis of Charges for Use of Tangible Fixed Assets**

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

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

Depreciation has been calculated using the "Straight Line Method" (i.e. equal annual charges based on the replacement cost and total life expectancy) as this is a fair basis for

allocating costs to the future years expected to benefit from the asset's use. The remaining useful lives of assets are reviewed annually and revised where appropriate.

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

## **5. Intangible Assets**

Intangible Assets are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. There are 3 categories:

Development Expenditure

Goodwill

Other Intangible Assets, including software licences

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

## **6. Debtors and Creditors**

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

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

Electricity and other periodic payments – these are charged into the Accounts at the date of meter reading, rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Weekly paid wages – basic pay, together with related employer's National Insurance and Superannuation contributions, are charged to the Accounts for the week in which they were earned. Related bonus is charged in the following week, and is not accrued at the year-end. No accrual is made for part weeks at the beginning and end of the year.

Rent Income – a smoothing adjustment is applied each year to evenly spread the rent when an additional rent week occurs.

The carrying amount of debtors is adjusted for doubtful debts, which are provided for, and known uncollectible debts are written off. An annual contribution to the Bad Debt provision is made allowing for likely bad debt levels to ensure the provision is maintained

at a satisfactory level.

## **7. Deferred Charges**

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

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

## **8. Redemption of Debt and Interest Charges**

Under the Local Government and Housing Act 1989, provision for debt redemption is made in 2 ways: - either by a minimum charge to revenue or by setting aside a proportion of receipts from the sales of capital assets.

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

The Council 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 replacement borrowing.

## **9. Government Grants**

Specific revenue government grants are accounted for on an accruals basis when the conditions for their receipt have been complied with 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 over the useful life of the asset to match the depreciation of the asset to which it relates.

## **10 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”.

The accounts have been restated for 2005/06 to reflect changes introduced in the 2006 SORP and outlined in *note 6* to the Explanatory Foreword on *page 6*.

## **11. 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 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 available to repay debt. The interest earned on the non-reserved proportion of capital receipts pending their use is credited to the General Fund.

## **12. Leasing**

The Council has entered into leasing agreements with financial institutions in respect of computer equipment, plant, vehicles etc. There are 2 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 19* on *page 33*. 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.

## **13. Stocks and Stores**

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

Work-in-progress at 31<sup>st</sup> March 2007 is included in the accounts at cost, including any attributable overheads.

## **14. 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.

## **15. 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 2006/07 were determined by the valuation on 31<sup>st</sup> March 2004. Under superannuation fund regulations, contributions must be set at a level sufficient to ensure the fund's solvency. The Actuary recommended that this could only be achieved through a phased increase in minimum employer's contributions over a period of 3 years. A triennial actuarial valuation was undertaken at 31<sup>st</sup> March 2007 and this will determine annual contribution rates from 2008/09 onwards.

The attributable assets of the scheme are measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses are deducted. The attributable scheme liabilities are measured on an actuarial basis using the projected unit method.

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

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

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

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

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

As the pension cost is determined triennially in arrears, the liabilities included in the Balance Sheet may be understated. These additional costs are disclosed as part of the notes to the Accounts (see *note 44* on *page 45*). These notes are provided in accordance with the Financial Reporting Standard 17 "Retirement Benefits".

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement, in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have taken the view that an allowance for 25% of employees to commute additional pension up to the maximum tax-free cash on retirement should be provided. In addition, an allowance for improvements in life expectancy after retirement for non-pensioners up to calendar year 2017 (i.e. 10 years' worth of projected improvements) should be provided. Both these changes are incorporated into the service cost figures for 2006/07 and the balance sheet liabilities as at 31<sup>st</sup> March 2007.

## **16. Investments**

Investments are shown in the Balance Sheet at market value. The most significant investment held is in Ipswich Buses Limited, a company set up by the Council under the Transport Act 1985. The investment in Ipswich Buses Limited is held at cost and has been reduced in value to reflect the accumulated losses in Ipswich Buses as at 31<sup>st</sup> March 2007. Further detail is given in *note 24* on *page 36*.

## **17. Financial Relationships with Companies**

A summarised group financial statement has been produced in accordance with the Code of Practice 2006 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 audited by 30<sup>th</sup> November 2007. 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 45*.



## **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 financing 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 41* on *page 44*.

## 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<sup>st</sup> March 2007.

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

Selected suitable accounting policies and then applied them consistently;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code

The Chief Financial Officer has also:

Kept proper accounting records which were up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

This Statement of Accounts presents fairly the financial position of the Authority at 31<sup>st</sup> March 2007 and its income and expenditure for the year ended on that date. The accounts were authorised for issue by Ian Blofield on 27<sup>th</sup> June 2007, being the date up to which all events have been considered.



Chief Financial Officer

Date: 27<sup>th</sup> June 2007

## APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts for 2006/07 was considered and approved by Full Council at the meeting on 27<sup>th</sup> June 2007.



The Worshipful, The Mayor of Ipswich, Councillor Inga Lockington

# 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.

Restated 2005/06 Net Expenditure £000's	Note	2006/07 Gross Expenditure £000's	2006/07 Gross Income £000's	2006/07 Net Expenditure £000's
2,434	Central Services to the Public	15,031	11,775Cr	3,256
19,973	Cultural, Environmental and Planning Services	36,538	15,526Cr	21,012
1,485	Highways, Roads and Transport Services	12,232	9,595Cr	2,637
3,322	Housing Services	56,358	56,540Cr	182Cr
3,316	Corporate and Democratic Core	5,203	1,248Cr	3,955
1,298	Non Distributed Costs	2,891	78Cr	2,813
31,828	<b>Net Cost of Services</b>	128,253	94,762Cr	33,491
0	Gain(Cr)/Loss on the disposal of fixed assets			0
834Cr	Surpluses(Cr)/deficits on trading undertakings not included in Net Cost of Services	3		424Cr
2,746	Interest payable and similar charges			2,730
3,299	Contribution of Housing Capital Receipts to Government Pool	35		2,800
1,711Cr	Interest and investment income			1,319Cr
628	Pensions interest cost and expected return on pensions assets	44		524Cr
35,956	<b>Net Operating Expenditure</b>			36,754
10,590Cr	Demand on the Collection Fund			10,925Cr
6,301Cr	General government grants			1,779Cr
3,391Cr	Non-domestic rates redistribution			9,239Cr
15,674	<b>Surplus (Cr)/Deficit for the Year</b>			14,811

## 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.

2005/06 £000's		2006/07 £000's
15,674	Surplus (Cr) /Deficit for the year on the Income and Expenditure Account	14,811
16,588Cr	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	13,540Cr
<b>914Cr</b>	<b>Increase(Cr)/Decrease in General Fund Balance for the Year</b>	<b>1,271</b>
4,549Cr	General Fund Balance brought forward	5,463Cr
5,463Cr	General Fund Balance carried forward	4,192Cr
5,463Cr	Amount of General Fund Balance generally available for new expenditure	4,192Cr
5,463Cr		4,192Cr

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

2005/06 £000's	Note	2006/07 £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>		
57Cr Amortisation of intangible fixed assets		77Cr
9,553Cr Depreciation and impairment of fixed assets	14	9,948Cr
3,535Cr Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy		1,842Cr
245 Government Grants Deferred amortisation		375
5,086Cr Write downs of deferred charges to be financed from capital resources		4,560Cr
0 Net gain(Cr)/loss on sale of fixed assets		0
5,455Cr Net charges made for retirement benefits in accordance with FRS 17	44	5,206Cr
23,441Cr		21,258Cr
<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>		
0 Minimum revenue provision for capital financing ( <i>loans fund principal for Scotland and Northern Ireland</i> )		46
192Cr Commutation Adjustment		0
3,212 Capital expenditure charged in-year to the General Fund Balance		4,322
3,299Cr Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool ( <i>England and Wales only</i> )	35	2,800Cr
6,646 Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	44	5,955
6,367		7,523
<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>		
601Cr Housing Revenue Account balance		239Cr
124 Voluntary revenue provision for capital financing ( <i>England and Wales</i> )	13	374
963 Net transfer to or from (Cr) earmarked reserves		60
486		195
<b>Net additional amount required to be credited to the General Fund balance for the year</b>		
16,588Cr		13,540Cr

## 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.

2005/06 £000's	Note	2006/07 £000's
15,674	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	14,811
93,378	Surplus arising on revaluation of fixed assets	47,384Cr
463Cr	Actuarial gains (Cr)/losses on pension fund assets and liabilities	12,588Cr
Any other gains and losses required to be included:		
174	Movement in Collection Fund Balance	293Cr
192Cr	Commutation Adjustment	0
106Cr	Capital Financing - External Contributions	74Cr
108,465	Total recognised gains(Cr)/losses for the year	45,528Cr

# BALANCE SHEET

	Note	Restated 31 March 2006 £000's	31 March 2007 £000s
Fixed Assets			
Intangible Fixed Assets	22	289	212
Tangible Fixed Assets	14		
Operationable Assets:			
Council Dwellings		378,911	426,990
Other Land & Buildings		68,607	59,385
Infrastructure		980	1,219
Community Assets		2,431	3,605
Vehicles, Plant, Equipment etc.		1,708	1,676
Non Operational Assets:			
Investment Properties		8,825	8,825
Assets under Construction		6,143	0
Other		40,509	46,252
<b>Total Fixed Assets</b>		<b>508,403</b>	<b>548,164</b>
Long Term Investments	24	323	318
External Lending: -	25		
to House Purchasers		22	19
to Voluntary Bodies		250	235
Deferred Premiums on Early Repayment of Debt	32	964	799
<b>TOTAL LONG TERM ASSETS</b>		<b>509,962</b>	<b>549,535</b>
Current Assets: -			
Work in Progress	26	93	137
Stocks	26	293	282
Debtors	27	16,265	15,845
Investments	24	22,855	25,000
Cash at Bank	49	4,093	1,186
Cash in Hand	49	724	718
Less Current Liabilities: -			
Creditors	28	23,764Cr	19,748Cr
Borrowing repayable within 12 months		4,161Cr	9,463Cr
Cash Overdrawn		0	0
<b>NET CURRENT ASSETS</b>		<b>16,398</b>	<b>13,957</b>
<b>TOTAL NET ASSETS</b>		<b>526,360</b>	<b>563,492</b>
Long Term Borrowing	33	38,241Cr	41,703Cr
Government Grants Deferred	29	7,876Cr	9,900Cr
Deferred Discounts on Early Repayment of Debt	32	127Cr	191Cr
Revenue Provisions	34	937Cr	1,232Cr
Miscellaneous Accounts	41	176	7
Other Grants/Contributions Deferred	30	4,602Cr	3,529Cr
Asset/Liability(Cr) relating to Pension Scheme	44	41,887Cr	28,550Cr
		<b>432,866</b>	<b>478,394</b>
Specific Revenue Reserves	35	6,105Cr	6,163Cr
Fixed Asset Restatement Account	35	394,838Cr	434,227Cr
Capital Financing Account	35	60,741Cr	57,429Cr
Usable Capital Receipts	35	3,759Cr	1,014Cr
Deferred Capital Receipts	31	19Cr	17Cr
Pensions Reserve	44	41,887	28,550
Legacies	39	103Cr	122Cr
Revenue Balances: -			
General Fund		5,463Cr	4,192Cr
Housing Revenue Account		3,907Cr	3,668Cr
Collection Fund Balance	38	182	112Cr
<b>TOTAL EQUITY</b>		<b>432,866Cr</b>	<b>478,394Cr</b>



Chief Financial Officer

Date: 27<sup>th</sup> June 2007

Ipswich Borough Council



# CASH FLOW STATEMENT

	2005/06 £000's	2006/07 £000's      £000's	
<b>Revenue Activities</b>			
<b>Expenditure</b>			
Cash paid to & on behalf of employees	33,596	35,179	
Other Operating Costs	32,733	40,408	
Housing Benefits paid out	16,116	19,657	
Precepts paid (incl surplus/deficit adjustment)	41,288	43,553	
Payments to NNDR Pool	41,603	41,263	
Payments to Capital Receipts Pool	3,089	2,609	
<b>Income</b>			
Rents (after rebates)	9,708Cr	9,840Cr	
Council Tax receipts (incl Community Charge)	43,077Cr	45,644Cr	
Non Domestic rates receipts	40,700Cr	42,141Cr	
Receipts from NNDR Pool	3,391Cr	9,239Cr	
Revenue Support Grant	6,301Cr	1,779Cr	
DSS Grants for Rebates	38,914Cr	43,140Cr	
Other Government Grants	2,669	3,285	
Cash received for Goods & Services	17,834Cr	18,287Cr	
Other Revenue Cash receipts	17,588Cr	10,535Cr	
<b>Net Cash Inflow(Cr)/Outflow from Revenue activities</b>	<b>6,419Cr</b>		<b>5,349</b>
<b>Servicing of Finance</b>			
<b>Expenditure</b>			
Interest Paid	2,441	1,621	
<b>Income</b>			
Interest Received	1,524Cr	826Cr	
	<b>917</b>		<b>795</b>
<b>Capital Activities</b>			
<b>Expenditure</b>			
Purchase of Fixed Assets	14,723	13,657	
Other Capital payments	2,358	1,392	
<b>Income</b>			
Sale of Fixed Assets	6,763Cr	8,196Cr	
Capital Grants received	283Cr	251Cr	
Other Capital Cash income	5,031Cr	2,977Cr	
	<b>5,004</b>		<b>3,625</b>
<b>Acquisitions &amp; Disposals</b>			
Investments in subsidiary undertakings	<b>0</b>		<b>0</b>
<b>Net Cash Inflow before Financing</b>	<b>498Cr</b>		<b>9,769</b>
<b>Management of Liquid Resources</b>			
Net increase(Cr)/decrease in short-term deposits	3,010Cr		2,145
<b>Financing Expenditure</b>			
Repayments of Amounts borrowed	413	22,399	
Capital elements of Finance Lease Rental Payments	0		
<b>Income</b>			
New Loans Raised	3,000Cr	18,730Cr	
New Short-term Loans	0	12,670Cr	
	<b>2,587Cr</b>		<b>9,001Cr</b>
<b>Increase(Cr)/Decrease in Cash</b>	<b>6,095Cr</b>		<b>2,913</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Notes to Income & Expenditure Account

### 1. Discontinued and Expanded Operations

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

### 2. Prior Period Adjustments

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

The accounts have been restated for 2005/06 to reflect changes introduced in the 2006 SORP and outlined in *note 6* to the Explanatory Foreword on page 6.

The main changes which impact on the comparative figures for 2005/06 compared to those published in the 2005/06 Statement of Accounts are shown in the table below:

	2005/06 CRA Figures £000's	Capital Financing Charges £000's	Grants Deferred Credit £000's	RCCO £000's	Adjustment re Reserves £000's	2005/06 I & E Account £000's
Central Services to the Public	2,437	3Cr	0			2,434
Corporate and Democratic Core	3,435	102Cr	17Cr			3,316
Non Distributed Costs	1,298	0	0			1,298
Cultural, Environmental and Planning	23,671	3,467Cr	214Cr		17Cr	19,973
Highways, Roads and Transport	2,065	571Cr	9Cr			1,485
Housing Services	21,886	15,349Cr	3Cr	3,212Cr		3,322
<b>Net Cost of Services</b>	<b>54,792</b>	<b>19,492Cr</b>	<b>243Cr</b>	<b>3,212Cr</b>	<b>17Cr</b>	<b>31,828</b>
Net Surplus from Trading Accounts	780Cr	52Cr	2Cr			834Cr
Interest & Investment Income	1,711Cr					1,711Cr
Asset Management Revenue Account (Interest Payable & Similar Charges in 2006/07)	20,255Cr	19,544	245	3,212		2,746
Contribution to Housing Pooled Capital Receipts	3,299					3,299
Pensions Financing Costs	628					628
<b>Net Operating Expenditure</b>	<b>35,973</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17Cr</b>	<b>35,956</b>

### 3. Trading Undertakings

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

## Summary of Accounts for Ipswich Borough Contracts 2006/07

	Income	Expenditure	Surplus (Cr) / Deficit
	£000's	£000's	£000's
Building Maintenance (Mtce of Council Dwellings)	4,903Cr	4,570	333Cr
Highways and Sewerage (Highways Agency work)	3,107Cr	3,017	90Cr
<b>Totals</b>	<b>8,010Cr</b>	<b>7,587</b>	<b>423Cr</b>

<b>Accumulated Profits</b>	Restated	
	2005/06 £000's	2006/07 £000's
Balance 1 April	68Cr	1,023Cr
Surplus(Cr)/Deficit for year	834Cr	423Cr
	<b>902Cr</b>	<b>1,446Cr</b>
Transfer to I&E Summary	54	300
Transfer to Services	54	0
Transfer from Vehicles Reserve	75Cr	0
Transfer from Staff Compensation Reserve	154Cr	0
<b>Balance 31 March</b>	<b>1,023Cr</b>	<b>1,146Cr</b>

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

### Other Trading Services Summary

	2005/06	2006/07		
	Restated Net Expenditure/ Income(Cr)	Income	Expenditure	Net Expenditure
	£000's	£000's	£000's	£000's
Corporate Properties	705Cr	2,299Cr	1,635	664Cr
Council Halls/Theatres	3,408	3,108Cr	6,619	3,511
Car Parks	241Cr	3,464Cr	3,195	269Cr
Crematorium	530Cr	1,115Cr	486	629Cr
Trade Refuse	37	929Cr	1,084	155
	<b>1,969</b>	<b>10,915Cr</b>	<b>13,019</b>	<b>2,104</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 below: -

	2005/06	2006/07		
	Restated Net Expenditure /Income(Cr)	Net Expenditure excl Variation in Capital Charges	Variation in Capital Charges	Net Expenditure
	£000's	£000's	£000's	£000's
Corporate Properties	705Cr	713Cr	49	664Cr
Council Halls/Theatres	3,408	3,421	90	3,511
Car Parks	241Cr	340Cr	71	269Cr
Crematorium	530Cr	634Cr	5	629Cr
Trade Refuse	37	151	4	155
	<b>1,969</b>	<b>1,885</b>	<b>219</b>	<b>2,104</b>

#### 4. Discretionary Expenditure

- 4.1 The Local Government Act 2000 granted new powers to local authorities to promote economic, social and environmental well-being to their inhabitants. Expenditure under section 137 of the Local Government Act has been repealed with the exception of contributions to UK charities, not for profit bodies providing public services within the UK, and mayoral appeals.
- 4.2 Grants to charitable and voluntary organisations amounted to £412,000 in 2006/07 (£406,000 in 2005/06).
- 4.3 There were no mayoral appeals during 2006/07.

#### 5. Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires that local authorities must keep a separate account of expenditure on publicity. In accordance with this requirement a summary of expenditure incurred in the year 2006/07 and a comparison with the previous year, is set out below: -

	2005/06 £000's	2006/07 £000's
Staff Recruitment	162	75
General Advertising	250	336
Publicity & Information (including Ipswich Angle)	280	294
Tourist Information	165	143
Other Promotional Expenditure	13	3
	<b>870</b>	<b>851</b>

#### 6. Building Control

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

between the chargeable (i.e. work for which building regulation charges can be made) and non-chargeable activities.

### Building Regulations Account 2006/07

	2005/06 Restated Total £000's	2006/07		Total £000's
		Chargeable £000's	Non Chargeable £000's	
<b><u>Expenditure</u></b>				
Employee Expenses	438	303	199	502
Transport	11	5	8	13
Supplies & Services	51	30	15	45
Central & Support Service Charges	79	86	58	144
Capital Financing	116	76	0	76
<b>Total Expenditure</b>	<b>695</b>	<b>500</b>	<b>280</b>	<b>780</b>
<b><u>Income</u></b>				
Building Regulations Charges	403Cr	485Cr	0	485Cr
Miscellaneous Income	131Cr	27Cr	25Cr	52Cr
<b>Total Income</b>	<b>534Cr</b>	<b>512Cr</b>	<b>25Cr</b>	<b>537Cr</b>
<b>Surplus(Cr)/Deficit for Year</b>	<b>161</b>	<b>12Cr</b>	<b>255</b>	<b>243</b>

## 7. Agency Services

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

	2005/06 £000's	2006/07 £000's
Footway Maintenance	751	599
Carriageway Maintenance	1,992	2,085
Electrical Services	1,003	974
Other	479	386
<b>Total Amount Reimbursable</b>	<b>4,225</b>	<b>4,044</b>

## 8. Local Authority (Goods and Services) Act 1970

The Council is empowered by the above act to provide goods and services to other public bodies. During 2006/07 Ipswich Borough Contracts provided services to a number of Housing Associations. Income from these services amounted to £90,000 (£108,000 in 2005/06) and the related expenditure was £57,000 (£71,000 in 2005/06). In addition, the Council provided an internal audit service to Babergh and Suffolk Coastal District Councils. Income from these services amounted to £26,000 (£34,000 in 2005/06) and the related expenditure was £26,000 (£34,000 in 2005/06).

## 9. Councillor's Allowances

The total value of Councillors' allowance paid in the year was £245,302 (£232,591 in 2005/06). A detailed analysis of these payments is published in the July 2007 edition of "The Ipswich Angle".

## 10. Officer Emoluments

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

Range	2005/06	2006/07
£110,000 - £119,999	0	1
£100,000 - £109,999	1	0
£90,000 - £99,999	0	0
£80,000 - £89,999	0	0
£70,000 - £79,999	2	2
£60,000 - £69,999	1	1
£50,000 - £59,999	5	7

## 11. 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.

## 12. Audit and Inspection

In 2006/07, the Council incurred the following fees relating to external audit inspection:

	2005/06		2006/07	
	£000's	£000's	£000's	£000's
Fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor - current year	30		50	
Fees paid in respect of other services provided by the appointed auditor - current year	8		22	
<b>TOTAL FEES RELATING TO CURRENT YEAR</b>		<b>38</b>		<b>72</b>
Fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor - prior years	88		120	
Fees paid in respect of other services provided by the appointed auditor - prior years	0		3	
Fees paid to the Audit Commission in respect of statutory inspection - prior years	4		6	
Fees paid to the Audit Commission for the certification of grant claims and returns - prior years	50		32	
<b>TOTAL FEES RELATING TO PRIOR YEARS</b>		<b>142</b>		<b>161</b>
<b>TOTAL FEES</b>		<b>180</b>		<b>233</b>

## Notes to Balance Sheet

### 13. 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 £46K provision for MRP in 2006/07 (£0 in 2005/06).

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: -

	2005/06 £000's	2006/07 £000's
Non-Housing value of MRP - 4% of Credit Ceiling (defined in Local Government and Housing Act 1989)	456	634
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.	456Cr	588Cr
MRP charged to General Fund	0	46
Voluntary MRP charged to General Fund	124	374
<b>Total MRP</b>	<b>124</b>	<b>420</b>
Amount charged to (non-housing) revenue accounts for depreciation	9,610Cr	10,025Cr
Commutation Adjustment	192Cr	0
Difference - provision for loan repayment/depreciation	9,678Cr	9,605Cr

## 14. Fixed Assets

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

	Balance at 01/04/06 £000's	Revaluations during year £000's	Reclassifications / Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 31/03/07 £000's
<b>Intangible Fixed Assets</b>	289	0	0	0	0	77	212
<b>Tangible Fixed Assets</b>							
<b>Operational Assets</b>							
Council Dwellings	378,911	53,260	29Cr	5,375	3,866	6,661	426,990
Other Land & Buildings	68,607	2,345Cr	29	1,809	44	8,671	59,385
Infrastructure	980	0	0	287	0	48	1,219
Community Assets	2,431	0	0	1,174	0	0	3,605
Vehicles, Plant, Equipment etc.	1,708	0	0	374	0	406	1,676
<b>Non Operational Assets</b>							
Investment Properties	8,825	0	0	0	0	0	8,825
Assets under Construction	6,143	0	6,143Cr	0	0	0	0
Other	40,509	2,697	6,184	1,943	4,085	996	46,252
<b>Total</b>	<b>508,403</b>	<b>53,612</b>	<b>41</b>	<b>10,962</b>	<b>7,995</b>	<b>16,859</b>	<b>548,164</b>

## 15. 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

	2005/06 £000's	2006/07 £000's
<b><u>Capital Expenditure</u></b>		
Intangible Assets	268	0
Operational Assets	10,520	9,020
Non-Operational Assets	3,441	1,943
Fixed Asset Restatement Account	6,693	6,269
Deferred Charges	7,214	6,094
	<b>28,136</b>	<b>23,326</b>
<b><u>Capital Financing</u></b>		
Use of Credit Approvals	1,461	1,314
Borrowing	3,977	750
Government Grants	2,844	3,058
Major Repairs Allowance	4,948	4,992
Usable Capital Receipts	7,697	7,957
External Contributions	3,037	950
Revenue Contribution to Capital Outlay	4,172	4,305
	<b>28,136</b>	<b>23,326</b>

### 16. Deferred Charges

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

	Balance at 01/04/06 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/07 £000's
Improvement Grant	0	968	0	968	0
Housing Association Grants	0	306	0	306	0
Other Capital Expenditure not creating a Fixed Asset	0	4,820	0	4,820	0
<b>Total</b>	<b>0</b>	<b>6,094</b>	<b>0</b>	<b>6,094</b>	<b>0</b>

## 17. Commitments Under Capital Contracts

### Significant Capital Commitments as at 31 March 2007

Scheme	Amount £000's	Period of Investment	Purpose of Investment
Affordable Housing	687	2 Years	To help fund Affordable Housing
Block Paving - Town Centre	438	1 Year	Pedestrianisation of Town Centre
Capitalised IT	450	1 Year	Development of IT systems
Capitalised Repairs	221	1 Year	Maintenance of stock
Community Improvements	386	1 Year	Environmental Improvements
Crown Street Car Park	675	4 Years	Essential maintenance to prolong life
HRA Capital Programme	9,564	1 Year	Investment to help meet the Decent Homes Standard
Liveability Schemes	663	1 Year	Environmental Improvements
Pension Fund Contributions	339	1 Year	To meet pension liabilities
Ravenswood Scheme	1,705	2 Years	To provide the infrastructure on the Ravenswood Development
	<b>15,128</b>		

## 18. Tangible Fixed Assets Held

Tangible Fixed Assets include: -	31 March 2006 (No's)	31 March 2007 (No's)
Council Dwellings	8,310	8,257
Town Hall/Corn Exchange	1	1
Regent Theatre	1	1
Offices	4	4
Depots & Workshops	6	6
Off Street Car Parks	14	12
Swimming Pools	3	3
Sports Centres	4	4
Museums & Galleries	2	2
Parks & Recreation Grounds	300 Ha approx	496 Ha approx
Cemeteries	2	4
Crematorium	1	1
Factory Units	27	24
Other commercial property lettings	200 approx	200 approx

## 19. Leases

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

	2005/06		2006/07	
	£000's	£000's	£000's	£000's
Finance Leases:				
Misc Equipment		10		5
Operating Leases:				
Premises	0		702	
Transport	727		535	
IT Equipment	215		118	
Misc Equipment	146		191	
		1,088		1,546
		<b>1,098</b>		<b>1,551</b>

19.2 The value of assets held under finance leases, as at 31<sup>st</sup> March 2007 is detailed below:

	2005/06	2006/07
	Vehicles, Plant & Equipment £000's	Vehicles, Plant & Equipment £000's
Net Book Value at 1 April 2006	21	12
Additions during year	0	0
Depreciation	9Cr	2Cr
Net Book Value at 31 March 2007	12	10

The value of interest payments made in respect of Finance Leases during 2006/07 was £1,300.

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

	Operating Leases £000's	Finance Leases £000's
Leases expiring in 2007/08	70	0
Leases expiring between 2008/09 & 2011/12	508	0
Leases expiring after 2011/12	873	2
	<b>1451</b>	<b>2</b>

## 20. Asset Valuation Information

The general principles associated with asset valuation, as part of the capital accounting regulations, are set out in *note 3* of the Statement of Accounting Policies on *page 9*. Revised Balance Sheet figures for fixed assets, with the exception of Council dwellings are based on values as at 1<sup>st</sup> April 2004. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31<sup>st</sup> March 2007, in accordance with the requirements of Resource Accounting for the Housing Revenue Account in 2006/07. The valuations were carried out under the direction of Mr Paul Chippendale, FSVA, DMS, the Council's Head of Property and Economic Development Services.

Asset values have been reviewed in compliance with FRS11 and the 2006 SORP and specifically considered whether any impairment had occurred because of general price decreases or because of consumption of economic benefits. The review considered aspects of impairment including any decline in the fixed asset's market value, evidence of obsolescence or physical damage, adverse changes in the statutory or other regulatory environment in which the Council operates and any commitment to undertake a significant reorganisation. The judgement is that there was no such impairment loss during 2006/07.

## 21. Depreciation

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

	Balance at 01/04/06 £000's	Depreciation during year £000's	Balance at 31/03/07 £000's	Useful Life (Years)
<b>Intangible Fixed Assets</b>	64	77	141	3 to 4
<b>Tangible Fixed Assets</b>				
<b>Operational Assets</b>				
Council Dwellings	37,852	6,661	44,513	10 to 60
Other Land & Buildings	23,067	8,671	31,738	2 to 40
Infrastructure	268	48	316	25 to 100
Community Assets	0	0	0	N/A
Vehicles, Plant, Equipment etc.	2,161	406	2,567	4 to 5
<b>Non Operational Assets</b>				
Investment Properties	0	0	0	
Assets under Construction	0	0	0	
Other	1,637	996	2,633	
<b>Total</b>	<b>65,049</b>	<b>16,859</b>	<b>81,908</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*.

## 22. 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 3 categories:

Development Expenditure

Goodwill

Other Intangible Assets, including software licences

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

## 23. Net Assets Employed

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

	Restated 31 March 2006 £000's	31 March 2007 £000's
General Fund	64,602Cr	62,521Cr
Housing Revenue Account	365,627Cr	412,819Cr
Trading Accounts	2,819Cr	2,942Cr
Collection Fund	182	112Cr
<b>Total Equity</b>	<b>432,866Cr</b>	<b>478,394Cr</b>

## 24. Investments

Long-term Investments consist of: -

	Book Value 31 March 2006 £000's	Nominal Value 31 March 2007 £000's	Book Value 31 March 2007 £000's
Investment in Ipswich Buses	252	252	252
Other	71	84	66
<b>Total</b>	<b>323</b>	<b>336</b>	<b>318</b>

The Consolidated Balance Sheet reflects the market value of the investment in Ipswich Buses as at 31<sup>st</sup> March 2007.

The Company was set up in accordance with the provisions of the Transport Act 1985 to run the Council's bus operation, and is wholly owned by the Council. The Company started operations in October 1986. Copies of the published accounts of Ipswich Buses Limited for the period ended 31<sup>st</sup> March 2007 can be obtained from Ipswich Buses Limited, Constantine Road, Ipswich, IP1 2DL. The operational results and the financial position of the company are summarised on *page 63*

Short-term investments of £25,000,000 are included in the Balance Sheet as current assets.

## 25. External Lending

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

	Balance 31 March 2006 £000's	Additions during year £000's	Repayments during year £000's	Balance 31 March 2007 £000's
Housing Associations	0	0	0	0
House Purchasers	22	0	3	19
Ipswich Building Preservation Trust	80	0	0	80
Womens Refuge	150	0	0	150
Gymnastics in Ipswich	20	0	15	5
<b>Total</b>	<b>272</b>	<b>0</b>	<b>18</b>	<b>254</b>

## 26. Stocks and Work-in-progress

The bases for stock and work-in-progress valuations are described in *note 13* to the Statement of Accounting Policies on *page 12*

	31 March 2006 £000's	31 March 2007 £000's
<b>Work in Progress: -</b>		
Rechargeable Works	93	137
	<b>93</b>	<b>137</b>
<b>Stocks: -</b>		
Ipswich Borough Contracts	118	127
Other Services	175	155
	<b>293</b>	<b>282</b>

## 27. Debtors

	31 March 2006 £000's	31 March 2007 £000's
<b>Amounts falling due within one year: -</b>		
Sundry Debtors	9,010	10,765
Council Tax	3,153	3,213
Business Rates	3,095	1,981
Housing Rents	1,014	910
Payments in Advance	2,146	972
Customs & Excise	760	389
Government Departments	540	986
Business Loans	0	0
Car Loans & Car Leasing to Employees	38	32
	<b>19,756</b>	<b>19,248</b>
<b>Amounts falling due after one year: -</b>		
Car Loans & Car Leasing to Employees	18	22
	<b>19,774</b>	<b>19,270</b>
<b>Less Provision for Bad Debts: -</b>		
Housing Rents	603Cr	587Cr
Sundry Debtors	860Cr	860Cr
Business Rates	487Cr	379Cr
Council Tax	1,559Cr	1,599Cr
	<b>16,265</b>	<b>15,845</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<sup>st</sup> April 1990. Annual provision continues to be made to cover debts arising since that date.

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

The Collection Fund Bad Debts Provision covers debts on Council Tax and Non-Domestic Rates.

## 28. Creditors

	31 March 2006 £000's	31 March 2007 £000's
Sundry Creditors	9,218	11,477
Business Rates	870	661
Income in Advance	2,491	1,680
Agency Takings etc.	9,105	4,030
Council Tax	867	886
Housing Rents	463	626
Government Departments	458	180
Other Public Authorities	135	135
Inland Revenue	0	1
Customs & Excise	157	72
	<b>23,764</b>	<b>19,748</b>

## 29. 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.

## 30. Other Grants/Contributions Deferred

The other grants/contributions balance is analysed as follows:

	2005/06 £000's	2006/07 £000's
Section 106 Contributions	2,810Cr	2,913Cr
Miscellaneous Contributions from Developers	91Cr	75Cr
Miscellaneous Grants	1,701Cr	541Cr
	<b>4,602Cr</b>	<b>3,529Cr</b>



### 31. 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.

### 32. Loan Premiums

Deferred Premiums paid on the early settlement of long term loans as at 31<sup>st</sup> March 2007, amounted to £0.799m, a decrease of £0.166m from 2005/06.

Deferred Discounts received on the early settlement of long term loans as at 31<sup>st</sup> March 2007, amounted to £0.191m, an increase of £0.064m from 2005/06.

### 33. Long Term Borrowing

Source of Loan	Range of Interest Rates Payable (%)	Total Outstanding at 31 March	
		2006 £000's	2007 £000's
Public Works Loan Board	3.00 - 11.125	32,941	36,403
Market Loans	4.35 - 4.79	5,300	5,300
		<b>38,241</b>	<b>41,703</b>

The analysis of loans by maturity at 31 March 2007, is as follows: -

Range of Interest Rates	P.W.L.B	Market Loans	Total
	3.00 - 11.125% £000's	4.35 - 4.79% £000's	£000's
Maturing in 1-2 Years	572	0	572
Maturing in 2-5 Years	3,140	5,300	8,440
Maturing in 5-10 Years	2,961	0	2,961
Maturing in > 10 Years	29,730	0	29,730
	<b>36,403</b>	<b>5,300</b>	<b>41,703</b>

### 34. 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 2006 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2007 £000's
Insurance	937Cr	564Cr	269	1,232Cr
<b>Total</b>	<b>937Cr</b>	<b>564Cr</b>	<b>269</b>	<b>1,232Cr</b>

The Insurance Provision represents funds set aside to meet the expected value of claims that have not been settled as at 31<sup>st</sup> March 2007.

## 35. Reserves

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

### Summary Statement of Movements on Reserves

Reserve	Balance 1 April 2006 £000's	Net Movement in Year £000's	Balance 31 March 2007 £000's	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	394,838Cr	39,389Cr	434,227Cr	Store of gains on revaluation of fixed assets	35.1 below
Capital Financing Account	60,741Cr	3,312	57,429Cr	Store of capital resources set aside to meet past expenditure	35.2 page 41
Usable Capital Receipts	3,759Cr	2,745	1,014Cr	Proceeds of fixed asset sales available to meet future capital investment	35.3 page 42
Pensions Reserve	41,887	13,337Cr	28,550	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet	Note 44 to the Core Financial Statements, pages 45-49
Housing Revenue Account	3,907Cr	239	3,668Cr	Resources available to meet future running costs for council houses.	HRA statements, page 52
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing	Note 10 to the HRA statements, page 57
General Fund	5,463Cr	1,271	4,192Cr	Resources available to meet future running costs for non- housing services	Statement of Movement on the General Fund Balance, page 20
Legacies	103Cr	19Cr	122Cr	Resources invested to provide a yearly income for the purchase of Museum items.	Note 39 to the Core Financial Statements, page 43
Other Reserves	6,105Cr	58Cr	6,163Cr	Earmarked reserves that are set aside for specific policy purposes	35.4 page 42 and HRA statements, pages 55 & 56

#### 35.1 Fixed Asset Restatement Account

This reserve reflects the difference between the valuation of assets, valued at depreciated replacement cost or current market value and the historic cost of those assets. Formerly, assets were included in the balance sheet on the basis of outstanding debt, together with capital discharged representing the financing of the assets.

Gain or losses arising on revaluations are debited or credited against this reserve, which is also written down by the book value of assets disposed of.

The fund movements were:

	<b>2005/06</b> <b>£000's</b>	<b>2006/07</b> <b>£000's</b>
Brought Forward at 1 April	495,751Cr	394,838Cr
Expenditure not adding value	6,693	6,269
Disposals written out	7,534	7,995
Revaluation adjustments	86,686	53,653Cr
<b>Balance 31 March</b>	<b>394,838Cr</b>	<b>434,227Cr</b>

### 35.2 Capital Financing Account

This reserve comprises:

1. Provision for Credit Liabilities (PCL's) brought forward.
2. Amounts set aside from revenue for the repayments of external loans.
3. The reserved part of capital receipts required to be set aside to repay external loans.
4. Direct revenue financing of expenditure on fixed assets.
5. Usable capital receipt financing of expenditure on fixed assets.
6. Adjustments of depreciation provision and revenue type expenditure financed from capital resources under capital financing regulations to match the statutory minimum revenue provision (MRP).

<b>Movements on the fund:</b>	<b>2005/06</b> <b>£000's</b>	<b>2006/07</b> <b>£000's</b>
Balance at 1 April	66,634Cr	60,741Cr
Net Adjustment of MRP/Depreciation	17,757	15,559
Capital Receipts set aside in year	0	0
Expenditure on fixed assets financed from Revenue	4,172Cr	4,305Cr
Long term Debtors written down	5	15
Expenditure on fixed assets financed from Useable Capital Receipts	7,697Cr	7,957Cr
Expenditure on fixed assets financed from Major Repairs Reserve	4,948Cr	4,992Cr
Contribution to Major Repairs Reserves	4,948	4,992
<b>Balance at 31 March</b>	<b>60,741Cr</b>	<b>57,429Cr</b>

### 35.3 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.

	2005/06 £000's	2006/07 £000's
Balance of Usable Capital Receipts at 1 April	7,212Cr	3,759Cr
Received in the year	4,244Cr	5,212Cr
Applied or voluntary set aside in the year	7,697	7,957
<b>Balance Usable Capital Receipts at 31 March</b>	<b>3,759Cr</b>	<b>1,014Cr</b>

### 35.4 Specific Revenue Reserves

Reserves are defined in *note 20* to the Statement of Accounting Policies on *page 15*. 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 2006 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2007 £000's
Transport Realisation Account	252Cr	0	0	252Cr
Trading Account Profits	1,023Cr	423Cr	300	1,146Cr
Insurance	1,633Cr	0	164	1,469Cr
HRA Capital Financing	0	4,322Cr	4,305	17Cr
Repairs & Renewal	1,530Cr	272Cr	52	1,750Cr
Miscellaneous	1,667Cr	94Cr	232	1,529Cr
<b>Total</b>	<b>6,105Cr</b>	<b>5,111Cr</b>	<b>5,053</b>	<b>6,163Cr</b>

The Transport Realisation Account is represented by the initial investment in Ipswich Buses less the writing down of accumulated losses to 31<sup>st</sup> March 2007 (see *note 24* on *page 36*).

Trading Account Profits are a summary of income earned and payments made by Ipswich Borough Contracts and the Grounds Maintenance Contractor during 2006/07. 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.

### **36 Authorisation of Accounts for Issue**

The accounts were authorised for issue by Ian Blofield, Head of Finance, on 27<sup>th</sup> June 2007, being the date up to which all events have been considered.

### **37. Post Balance Sheet Events**

No post balance sheet events have been identified which would materially affect the Statement of Accounts for 2006/07.

### **38. 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 59 to 61*.

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

These are invested to provide a yearly income for the purchase of museum items. The balances for 2006/07 are included in the Council's investments in the sum of £121,950 (£102,586 in 2005/06).

### **40. Trust Funds**

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

**Ipswich Town Trust** – set up to provide grants to local charities. This has a balance of £7,098 as at 31 May 2007.

**Mayor of Ipswich Relief Fund** – set up to provide assistance in the event of an emergency. This has a balance of £3,657 as at 31 March 2007.

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

There are no liabilities.

#### **41. Miscellaneous Accounts**

The miscellaneous accounts balance is analysed as follows: -

	<b>2005/06 £000's</b>	<b>2006/07 £000's</b>
Debtors/Creditors(net) which relate to Trading Accounts,		
Works in progress for internal (I.e. Ipswich Borough Council) clients	45	56Cr
Miscellaneous	131	63
	<b>176</b>	<b>7</b>

#### **42. Financial Relationships with Companies**

The Council's only related company is Ipswich Buses Limited. At 31<sup>st</sup> March 2007, the Company had ordinary share capital of £1,437,002, all of which 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**

The Council still has outstanding issues on the 2005/06 Housing Benefit Claim due to issues identified during the course of the audit. The Department for Works and Pensions wrote to the Council on 17 April 2007 notifying a financial penalty could be incurred and we are undertaking further work in conjunction with our software suppliers, the Council's external auditors and the Department for Works and Pensions to resolve these issues and reduce the Council's potential liability.

#### **44. Pensions**

Pensions and other benefits are available to all full time Council employees under the requirements of statutory regulations. In certain circumstances, the regulations extend to cover part-time employees. The Local Government Pension Scheme is a funded defined benefit scheme. The cost of pensions and other benefits is provided from the Pension No. 1 Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement Regulations) 1982. Suffolk County Council in accordance with the Local Government Pension Regulations, 1997 as amended, administers the Fund. The Fund's Actuary determined the Council's contribution to the Fund for 2006/07 on the basis of the actuarial valuation as at 31<sup>st</sup> March 2004. The contribution rate remained at 24.8% of pay to address the Pension Fund deficit over 15 years. The next triennial valuation will come into effect on 31<sup>st</sup> March 2007, and will set the employer rates for the next 3 years.

The actuarial value of the fund's liabilities as at 31<sup>st</sup> March 2007, in accordance with Financial Reporting Standard (FRS) 17, was completed in May 2007 by Hymans Robertson, who are an independent firm of actuaries.

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

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

2005/06 £000's	Local Government Pension Scheme	2006/07 £000's
	Net Cost of Services	
3,859	- Current Service Cost	5,091
564	- Past Service Cost	353
389	- Settlements & Curtailments	286
	Net Operating Expenditure	
8,318	- Interest Cost	9,057
7,690Cr	- Expected Return on Scheme Assets	9,581Cr
	Amounts to be met from Local Taxation	
1,206	- Movement on Pensions Reserve	749
	Actual Charge to Council Tax for Pensions	
6,646	- Employer Contributions	5,955

In addition to employer's contributions for funded benefits, the Council is liable for directly funding discretionary added years benefits awarded to employees retiring early or suffering redundancy. However, there were no such costs charged to the Council for these additional benefits in 2006/07. The Council has a policy of making a lump sum payment to the pension fund to fully finance the liability as it arises.

The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31<sup>st</sup> March 2007:

	History of Experience Gains & Losses				
	Year to 31 Mar 2003 £000's	Year to 31 Mar 2004 £000's	Year to 31 Mar 2005 £000's	Year to 31 Mar 2006 £000's	Year to 31 Mar 2007 £000's
Difference between Expected & Actual Return on Assets	21,029Cr	12,588	3,945	21,334	1,460
Value of Assets	71,797	95,143	109,807	142,061	155,134
<b>Percentage of Assets</b>	<b>-29.3%</b>	<b>13.2%</b>	<b>3.6%</b>	<b>15.0%</b>	<b>0.9%</b>
Experience Gains/Losses on Liabilities	532	41Cr	3,879Cr	54	0
Total Present Value of Liabilities	108,881	115,736	153,348	183,948	183,684
<b>Percentage of the Total Present Value of Liabilities</b>	<b>0.5%</b>	<b>0.0%</b>	<b>2.5%</b>	<b>0.0%</b>	<b>0.0%</b>
Actuarial Gains/Losses Recognised in STRGL	20,497Cr	12,547	25,294Cr	448	12,588
Total Present Value of Liabilities	108,881	115,736	153,348	183,948	183,684
<b>Percentage of the Total Present Value of Liabilities</b>	<b>-18.8%</b>	<b>10.8%</b>	<b>-16.5%</b>	<b>0.2%</b>	<b>6.9%</b>

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



2005/06 £000's	Local Government Pension Scheme	2006/07 £000's
142,061	Estimated Assets in the Scheme	155,134
183,948	Estimated Liabilities in the Scheme	183,684
41,887Cr	Net Asset/Liability (Cr)	28,550Cr

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

The main assumptions used in their calculation are: -

31 March 2006 % per annum		31 March 2007 % per annum
3.1%	Inflation	3.2%
4.6%	Salary Increases	4.7%
3.1%	Increase for pensions in payment & deferred pensions	3.2%
4.9%	Rate used to discount scheme liabilities	5.4%

The valuation reflects: -

- individual membership data submitted for the previous formal valuation at 31<sup>st</sup> March 2004
- the latest numbers of employees, deferred pensioners and pensioners as at 28<sup>th</sup> February 2007
- actual employer and employee contributions up to 31<sup>st</sup> March 2007
- actual fund returns from 1<sup>st</sup> April 2006 up to 31<sup>st</sup> December 2006, and
- any new early retirements from 1<sup>st</sup> April 2006 to 28<sup>th</sup> February 2007 which are not anticipated in the normal employer service costs

Assets are valued at fair value, principally market value for investments, and consist of the following categories:

Assets	Value at 31 March 2006 £000's	Asset Distribution %	Value at 31 March 2007 £000's	Asset Distribution %
Whole Fund				
Equities	818,600	71.4%	900,100	70.6%
Bonds	181,700	15.8%	202,300	15.9%
Property	126,100	11.0%	158,800	12.5%
Cash	20,700	1.8%	12,800	1.0%
<b>Estimated Assets</b>	<b>1,147,100</b>	<b>100.0%</b>	<b>1,274,000</b>	<b>100.0%</b>

## Expected Rate of Return

Employer	31 March 2006 %	31 March 2007 %
Equities	7.4%	7.8%
Bonds	4.6%	4.9%
Property	5.5%	5.8%
Cash	4.6%	4.9%
<b>Expected Return</b>	<b>6.7%</b>	<b>7.1%</b>

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

2005/06 £000's		2006/07 £000's
43,541Cr	Deficit at the beginning of the year	41,887Cr
3,859Cr	Current service cost	5,091Cr
6,646	Employer contributions	5,955
564Cr	Past service cost	353Cr
389Cr	Impact of settlements & curtailments	286Cr
7,690	Expected return on employer assets	9,581
8,318Cr	Interest on pension scheme liabilities	9,057Cr
448	Actuarial gains/losses(Cr)	12,588
<u>41,887Cr</u>	Deficit at the end of the year	<u>28,550Cr</u>

	2005/06 £000's	2006/07 £000's
<b>Net Pension Asset</b>		
Estimated Assets (A)	142,061	155,134
Present Value of Scheme Liabilities - <b>Note 1</b>	183,948	183,684
Present Value of Unfunded Liabilities - <b>Note 2</b>	0	0
Total Value of Liabilities (B)	183,948	183,684
<b>Net Pension Asset (A) - (B)</b>	<b>41,887Cr</b>	<b>28,550Cr</b>

## Note 1

The Actuary estimates that this liability comprises of approximately £104,631,000, £15,826,000 and £63,227,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31<sup>st</sup> March 2007. 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 80% of members are married at death and that their spouse will receive a pension equal to 50% of the member's pension as at the date of the member's death.

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

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

## Notes to Cash Flow Statement

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

	Balance 31 March 2006 £000's	Balance 31 March 2007 £000's	Movement in the Year £000's
Bank in hand/overdraft (cr)	4,093	1,186	2,907Cr
Cash in Hand	724	718	6Cr
	<b>4,817</b>	<b>1,904</b>	<b>2,913Cr</b>

## 46 Reconciliation of Surplus to Net Cash Flow

	2005/06 £000's	2006/07 £000's
Surplus(Cr)/Deficit on Income and Expenditure Account	15,674	14,811
Adjustment for Statutory and Non-Statutory Proper Practice	16,588Cr	13,540Cr
Surplus(Cr)/Deficit for year per Collection Fund	175	293Cr
<b>Net Surplus(Cr)/Deficit</b>	<b>739Cr</b>	<b>978</b>
<b><u>Add back non-cash transactions</u></b>		
Net movements in reserves	597	161
Net movements in provisions	198Cr	295Cr
Minimum revenue provisions	124Cr	420Cr
Transfer to Major Repairs Reserve	4,948Cr	4,992Cr
Transfer to Usable Capital Receipts	3,089	2,609
Direct revenue financing	4,172Cr	4,305Cr
Charges to Capital	8,551	6,701
<b><u>Items on an accrual basis</u></b>		
Increase/Decrease(Cr) in Stocks & Work in Progress	34Cr	38
Increase/Decrease(Cr) Debtors	1,891	546
Increase(Cr)/Decrease Creditors	9,415Cr	5,123
<b><u>Items in another classification in the Cash Flow Statement</u></b>		
Less investment income	1,524	826
Plus interest paid	2,441Cr	1,621Cr
<b>Net Cash Flow from revenue activities</b>	<b>6,419Cr</b>	<b>5,349</b>

## 47. Analysis of Government Grants Received

	Awarding Body	2005/06 £000's	2006/07 £000's
Revenue Support Grant	DCLG	6,301Cr	1,779Cr
DWP Grants for Rebates	DWP	38,914Cr	43,140Cr
Housing Subsidy	DCLG	3,497	4,093
Capital Grants	DCLG	283Cr	251Cr
Homelessness Grant	DCLG	70Cr	78Cr
Planning Delivery	DCLG	648Cr	271Cr
LABGI	DCLG	110Cr	459Cr
		<b>42,829Cr</b>	<b>41,885Cr</b>

DCLG – Department of Communities and Local Government

DWP – Department for Work and Pensions

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

	Balance 31 March 2006 £000's	Balance 31 March 2007 £000's	Movement in the Year £000's
<b><u>From Balance Sheet</u></b>			
Investments	22,855	25,000	2,145
Loans Repayable < 12 months	4,161Cr	9,463Cr	5,302Cr
Long Term Loans Outstanding	38,241Cr	41,940Cr	3,699Cr
			<u>6,856Cr</u>
<b><u>From Cashflow Statement</u></b>			
Management of Liquid Resources			2,145
Financing			9,001Cr
			<u>6,856Cr</u>

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

	Balance 31 March 2006 £000's	Cash flows £000's	Other Changes £000's	Balance 31 March 2007 £000's
<b><u>Changes in Net Debt</u></b>				
Bank in hand / overdrawn (Cr)	4,092	2,906Cr		1,186
Cash in Hand	725	7Cr		718
Debts due within 1 year	4,161Cr	1,089Cr	4,213Cr	9,463Cr
Debts due after 1 year	38,241Cr	7,912Cr	4,213	41,940Cr
Short Term Deposits	22,855	2,145		25,000
	<u>14,730Cr</u>	<u>9,769Cr</u>	<u>0</u>	<u>24,499Cr</u>
<b><u>From Cashflow Statement</u></b>				
Increase/Decrease(Cr) in Cash		2,913Cr		
Cash used to repay/raise(Cr) loans		9,001Cr		
Cash used to increase/decrease(Cr) liquid resources		2,145		
Change in Net Debt		9,769Cr		
Net Debt at 1 April 2005		14,730Cr		
Net Debt at 31 March 2006		<u>24,499Cr</u>		

## HRA INCOME AND EXPENDITURE ACCOUNT

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

	Note	2005/06 £000's	2006/07 £000s
<b>INCOME</b>			
Gross Rent Income - Domestic	1&2	22,271Cr	23,849Cr
- Commercial		859Cr	834Cr
Charges for Services & Facilities		323Cr	541Cr
Contributions from GF		160Cr	165Cr
Housing Revenue Account Subsidy	3	0	
<b>Total Income</b>		<b>23,613Cr</b>	<b>25,389Cr</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance		5,699	5,364
Supervision & Management		5,058	5,521
Rents, Rates & Taxes		125	98
Housing Revenue Account Subsidy	3	3,408	4,077
Depreciation on Fixed Assets	7	8,483	6,834
Debt Management Costs		42	51
Provision for Bad Debts		150	100
<b>Total Expenditure</b>		<b>22,965</b>	<b>22,045</b>
<b>Net Cost of HRA Services per I&amp;E Account</b>		<b>648Cr</b>	<b>3,344Cr</b>
HRA services share of Corporate & Democratic Core		108	108
HRA services share of Unallocated Overheads		15	15
<b>Net Cost of HRA Services</b>		<b>525Cr</b>	<b>3,221Cr</b>
Gains(Cr)/Loss on sale of HRA Fixed Assets		0	0
Interest Payable and Similar Charges		1,623	1,609
Amortised Premiums & Discounts		356	229
HRA Investment Income		187Cr	149Cr
<b>Surplus(Cr)/Deficit for Year on HRA Services</b>		<b>1,267</b>	<b>1,532Cr</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

	Note	2005/06 £000's	2006/07 £000s
Surplus(Cr)/Deficit for year on HRA Services		1,267	1,532Cr
Net Additional amount required by statute to be debited/credited to the HRA		666Cr	1,771
<b>Increase(Cr)/Decrease in HRA Balance</b>		<b>601</b>	<b>239</b>
HRA Account Balance brought forward		4,507Cr	3,906Cr
<b>HRA Account Balance carried forward</b>		<b>3,906Cr</b>	<b>3,667Cr</b>

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

2005/06 £000's		2006/07 £000's
	<b>Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA Balance for the year</b>	
0	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	0
179Cr	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements (if any)	0
0	Gain or loss on sale of HRA fixed assets	0
40Cr	Net charges made for retirement benefits in accordance with FRS17	428Cr
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
219Cr		428Cr
	<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year</b>	
3,534Cr	Transfer to/(from) Major Repairs Reserve	1,841Cr
125Cr	Transfers to/(from) Housing Repairs Account	232Cr
0	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	0
0	Voluntary set aside for debt repayment	0
3,212	Capital expenditure funded by the HRA	4,272
447Cr		2,199
666Cr	<b>Net additional amount required by statute to be debited/credited(Cr) to the HRA balance for the year</b>	1,771

## 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, 0.46% of lettable properties were vacant (0.45% in 2005/06). Typical rents were £54.85 per week in 2006/07 representing an increase of £2.95 or 5.7% 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 (57% in 2005/06). 66% of the tenants receive some financial assistance towards the cost of their rent (62% in 2005/06).

### 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: -

	2005/06 £000's	2006/07 £000's
Rental Constraint Allowance	0	111Cr
Admissible Allowance	19Cr	0
Management & Maintenance	10,792Cr	11,809Cr
Major Repairs Allowance	4,948Cr	4,992Cr
Charges on Capital	2,616Cr	2,474Cr
Interest on Receipts	2	1
Guideline Rent Income	21,800	23,451
Rent Rebate Entitlement	0	0
<b>HRA Subsidy Claimed</b>	<b>3,427</b>	<b>4,066</b>
Previous Year Adjustments		
Rent Rebate Entitlement	0	0
Housing Element	19Cr	11
<b>HRA Subsidy Receivable(Cr)/Payable</b>	<b>3,408</b>	<b>4,077</b>

### 4. Housing Stock

The Council was responsible for managing an average of 8,283 dwellings, excluding temporary accommodation, during 2006/07 (8,348 dwellings in 2005/06).

The average stock was made up as follows: -

	2005/06	2006/07
Houses/Bungalows	5,090	5,038
Flats	3,258	3,245
	<b>8,348</b>	<b>8,283</b>



The change in stock can be summarised as follows: -

	2005/06	2006/07
Stock at 1 April	8,386	8,310
Less: Sales/Demolitions etc.	76	57
Add: New Buildings/Acquisitions	0	4
Stock at 31 March	8,310	8,257

## 5. Rent Arrears

- 5.1 During the year, 2006/07 rent arrears as a proportion of gross rent income have decreased from 3.81% of the amount due to 3.24%.

	2005/06	2006/07
Arrears at 31 March	879	793

Amounts written off during the year amounted to £116,694.

- 5.2 The Housing Revenue Account made a contribution of £100,000 to the provision for bad debts account, and the aggregate provision for uncollectible debts, as at 31st March 2007 amounted to £586,473 (see *note 27 on page 37*).

## 6. Reserves

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

- 6.1 The balance on the Repairs Reserve as at 31<sup>st</sup> March 2007 was £1,000,000. This forms part of the Repairs and Renewals Reserve included in *note 35* to the Balance Sheet on *page 40*.
- 6.2 The balance on the Sheltered Scheme Energy Reserve at 31<sup>st</sup> March 2007 was £102,612 and forms part of the Miscellaneous Reserve (see *note 35* to the Balance Sheet on *page 40*).
- 6.3 A contribution of £231,607 was made to the Housing Revenue Account for the acquisition of the Housing Repairs computer system. The balance on the IT Development Reserve as at 31<sup>st</sup> March 2007 was £118,393. This forms part of the Miscellaneous Reserve included in *note 35* to the Balance Sheet on *page 40*.
- 6.4 The balance on the Supporting People (Hostels) Reserve as at 31<sup>st</sup> March 2007 was £331,366. This forms part of the Miscellaneous Reserve included in *note 35* to the Balance Sheet on *page 40*.
- 6.5 The balance on the Supporting People Sheltered Reserve as at 31<sup>st</sup> March 2007 was £438,350. This forms part of the Miscellaneous Reserve included in *note 35* to

the Balance Sheet on *page 40*.

6.6 A contribution of £58,710 was made from the Housing Revenue Account, to the Ipswich Standard Reserve in 2006/07. The balance on the Ipswich Standard Reserve as at 31<sup>st</sup> March 2007 was £325,000. This forms part of the Miscellaneous Reserve (see *note 35* to the Balance Sheet on *page 40*).

6.7 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 15* to the Statement of Accounting Policies on *pages 13 & 14*.

6.8 A contribution of £24,417 was made from the Insurance Reserve to the Housing Revenue Account.

## 7. HRA Fixed Assets

	Balance at 01/04/06 £000's	Revaluations during year £000's	Reclassifications /Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 31/03/07 £000's
<b>Operational Assets</b>							
Council Dwellings	378,911	53,260	29Cr	5,375	3,866	6,661	426,990
Other land & buildings	1,462	113	0	0	0	28	1,547
Community Assets	31	0	24	0	0	0	55
Vehicles, Plant Eqpt etc.	8	0	0	3	0	5	6
<b>Non Operational Assets</b>	8,754	435	0	302	543	114	8,834
<b>Total</b>	<b>389,166</b>	<b>53,808</b>	<b>5Cr</b>	<b>5,680</b>	<b>4,409</b>	<b>6,808</b>	<b>437,432</b>

The £3,032,000 of asset disposals during the year represents the carrying value of those assets.

The total capital receipts generated during the year was:

	2005/06 £000's	2006/07 £000's
Land	0	23
Council Houses	4,521	3,821
Other Property	0	224
	4,521	4,068
Excluded Discounts Repaid and Housing Advances	0	48
<b>Total</b>	<b>4,521</b>	<b>4,116</b>

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<sup>st</sup> March 2007 is £868,812,055. This represents the economic cost to government of providing council housing at less than open market rents.

	31 March 2006	31 March 2007
Analysis of Dwellings in the HRA: -		
Houses/Bungalows	5,059	5,018
Flats	2,697	2,685
Sheltered Housing Units	554	554
<b>Total</b>	<b>8,310</b>	<b>8,257</b>

## 8. Housing Revenue Account Capital Expenditure and Financing

	2005/06 £000's	2006/07 £000's
<b><u>EXPENDITURE</u></b>		
Housing Revenue Account Services - Housing	11,022	11,146
<b>TOTAL</b>	<b>11,022</b>	<b>11,146</b>
<b><u>FINANCING</u></b>		
Usable Capital Receipts	1,041Cr	566Cr
External Contributions	0	2Cr
Major Repairs Reserve	4,948Cr	4,992Cr
Credit Approvals	861Cr	1,314Cr
Revenue Contributions to Capital Outlay	4,172Cr	4,272Cr
<b>TOTAL</b>	<b>11,022Cr</b>	<b>11,146Cr</b>

## 9. HRA Deferred Charges

DESCRIPTION	Balance at 01/04/06 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/07 £000's
Pension Fund Deficit	0	0	0	0	0
Other Capital Expenditure not creating a Fixed Asset	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

## 10. Major Repairs Reserve

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

	2005/06 £000's	2006/07 £000's
<b><u>INCOME</u></b>		
Balance B/fwd	0	0
Depreciation on Fixed Assets - On Dwellings	8,264Cr	6,661Cr
- On Other Assets	219Cr	172Cr
	8,483Cr	6,833Cr
<b><u>EXPENDITURE</u></b>		
Amount transferred from Reserve to HRA	3,535	1,841
Capital Expenditure - all on Dwellings	4,948	4,992
	8,483	6,833
Balance C/fwd	0	0

## 11. Capital Asset Charges Accounting Adjustment

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

## 12. Prior Period Adjustments

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

The accounts have been restated for 2005/06 to reflect changes introduced in the 2006 SORP and outlined in *note 6* to the Explanatory Foreword on page 6.

# THE COLLECTION FUND

## Income and Expenditure Account

	Note	2005/06 £000's	2006/07 £000s
<b><u>INCOME</u></b>			
Local Taxes: -			
Council Tax		43,471Cr	45,758Cr
Business Rates		40,649Cr	42,692Cr
Transfers from General Fund			
Council Tax Benefits		8,545Cr	9,244Cr
Proportion of Discretionary Relief not met by National Pool (adjustment)		75Cr	77Cr
Share of Estimated Deficits (Cr) / Surpluses (Council Tax)			
Suffolk County Council		19	85Cr
Ipswich Borough Council		5	25Cr
Suffolk Police Authority		3	11Cr
Contributions: -			
Collection Fund Deficit - Previous Year (Community Charge)		0	0
		<b>92,713Cr</b>	<b>97,892Cr</b>
<b><u>EXPENDITURE</u></b>			
Precepts & Demands: -			
Suffolk County Council	<b>2</b>	36,459	38,555
Ipswich Borough Council	<b>2</b>	10,585	10,950
Suffolk Police Authority	<b>2</b>	4,808	5,093
Business Rates: -			
Payment to National Pool		40,371	42,185
Cost of Collection Allowance		188	188
Interest on Repayments		71	31
Provision of Uncollectable Amounts: -			
Council Tax		312	231
Business Rates		94	366
Contributions: -			
Collection Fund Surplus - Previous Year (Community Charge)		0	0
		<b>92,888</b>	<b>97,599</b>
<b>DEFICIT/SURPLUS(Cr) ON FUND MOVEMENTS IN YEAR</b>		<b>175</b>	<b>293Cr</b>

## NOTES TO THE COLLECTION FUND

### 1. General

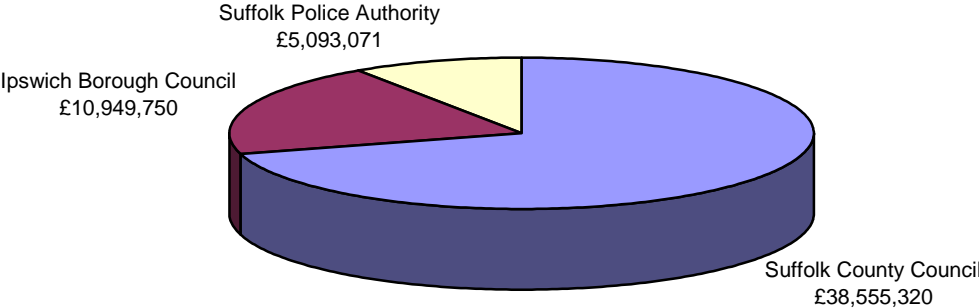
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General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

### 2. Income from Council Tax

The Council set a charge of £281.34 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 October 2005	Band D Equivalent No. of Dwellings
Band A	16,823	9,229
Band B	20,167	13,872
Band C	10,218	8,225
Band D	3,837	3,489
Band E	1,981	2,248
Band F	870	1,202
Band G	321	493
Band H	12	5
	<hr/>	<hr/>
	54,229	38,763
Contributions in Lieu (in respect of class "O" exempt dwellings)		<hr/>
		0
		<hr/>
		38,763
Adjustments for changes October 2005 to March 2006 :		
New Dwellings		667
Additional discounts, exemptions, appeals etc.		213Cr
		<hr/>
		39,217
		<hr/>
		<hr/>
Discounted by assumed collection rate of 99.25%		<hr/>
		<b>38,920</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 2006/07 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<sup>st</sup> March 2007 was £114.02m and the uniform business rate was 42.6p.

**4. Bad and Doubtful Debts**

The value of write-offs in 2006/07 were: Business Rates £474,704 (2005/06 - £97,211) and Council Tax £190,133 (2005/06 - £160,811).

### 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 31<sup>st</sup> March 2007, the Company had ordinary share capital of £1,437,002, all of which was owned by the Council. The Council therefore has a controlling influence.
- 3.2 The Council has no commitment to meet accumulated deficits or losses of Ipswich Buses Ltd.
- 3.3 Copies of the published accounts of Ipswich Buses Limited for the period ended 31<sup>st</sup> March 2007, can be obtained from Ipswich Buses Ltd., Constantine Road, Ipswich, IP1 2DL. Summarised accounts for Ipswich Buses are shown overleaf:



	<b>Period Ended 31st March 2007 £000's</b>	
Turnover		9,502Cr
Operating and other expenditure (net)		9,002
Profit (Cr)/Loss on ordinary activities before and after taxation		<u>500Cr</u>
<b>A summary of the Company's financial position as at 31st March 2007 is as follows:-</b>		
	<b>£000's</b>	<b>£000's</b>
Fixed Assets- Tangible Assets		5,346
Current Assets	3,425	
less Current Liabilities	<u>3,393</u>	<u>32</u>
Total assets less current liabilities		5,378
less Creditors falling due after more than one year		<u>6,135</u>
Net assets excluding Pension Liability		757Cr
Pension Liability		959Cr
<b>Net Assets-including pension liability</b>		<u><u>1,716Cr</u></u>
Represented by:- Capital and Reserves		
Equity - called up ordinary share capital		1,437
Profit and Loss account		3,153Cr
		<u><u>1,716Cr</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 reduce the Council's revenue reserves by £2.213m, representing the Council's share of the Bus Company's negative shareholders' funds.

## GROUP INCOME AND EXPENDITURE ACCOUNT

	Restated 2005/06	2006/07			
	Total £000's	Ipswich Borough Council £000's	Ipswich Buses £000's	Consol. Adjustment £000's	Total £000's
Central Services	2,434	3,256	0	0	3,256
Cultural, Environmental & Planning Services	19,973	21,012	0	0	21,012
Highways, Roads & Transport	1,093	2,637	426Cr	177Cr (a)	2,034
Housing Services	3,322	182Cr	0	0	182Cr
Corporate & Democratic Core	3,316	3,955	0	0	3,955
Non Distributed Costs	1,298	2,813	0	0	2,813
<b>Net Cost of Services</b>	31,436	33,491	426Cr	177Cr (a)	32,888
Gain/Loss on Disposal of Fixed Assets	0	0	0	0	0
Surplus/Deficit on Trading	834Cr	424Cr	0	0	424Cr
Interest Payable and Similar Charges	2,746	2,730	0	0	2,730
Contribution to Housing Pooled Capital Receipts	3,299	2,800	0	0	2,800
Interest & Investment Income	1,534Cr	1,319Cr	0	177 (a)	1,142Cr
Pensions Interest Cost & Expected Return on Assets	656	524Cr	73Cr	0	597Cr
<b>Net Operating Expenditure</b>	35,769	36,754	499Cr	0	36,255
Collection Fund	10,590Cr	10,925Cr	0	0	10,925Cr
Government Grants	6,301Cr	1,779Cr	0	0	1,779Cr
National Non Domestic Rates	3,391Cr	9,239Cr	0	0	9,239Cr
<b>Surplus(Cr)/Deficit for the year</b>	15,487	14,811	499Cr	0	14,312

### Explanation of Consolidation Adjustments:

(a) Elimination of intra-group transactions

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

2005/06 £000's	2006/07 £000's
15,674	14,811
0	0
15,674	14,811
187Cr	499Cr
15,487	14,312

## 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.

2005/06 £000's		2006/07 £000's
	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	14,312
15,487		
93,378	Surplus arising on revaluation of fixed assets	47,384Cr
	Actuarial gains (Cr)/losses on pension fund assets and liabilities	
515Cr		13,434Cr
	Any other gains and losses required to be included:	
175	Movement in Collection Fund Balance	293Cr
2,710	Movement in Share Capital	0
192Cr	Commutation Adjustment	0
106Cr	Capital Financing - External Contributions	74Cr
772Cr	Deferred Tax Asset on Pension Deficit	0
0	Deferred Tax Realised on Movement of Pension Deficit	254
110,165	Total recognised gains/losses for the year	46,619Cr

# GROUP BALANCE SHEET

	Re-stated	2006/07			
	2005/06	IBC	Ipswich	Consol. Adj	Total
	Total	£000's	Buses	Note: £000's	£000's
	£000's	£000's	£000's		£000's
Fixed Assets:					
Intangible Assets	289	212	0	0	212
Operational Assets					
Council Dwellings	378,911	426,990	0	0	426,990
Other Land & Buildings	68,607	59,385	0	0	59,385
Infrastructure	980	1,219	0	0	1,219
Community Assets	2,431	3,605	0	0	3,605
Vehicles, Plant, Equipment etc.	6,765	1,676	5,346	1 & 2	7,022
Non Operational Assets	55,477	55,077	0	0	55,077
	513,460	548,164	5,346	0	553,510
Long Term Investments	71	318	0	252Cr (a)	66
External Lending:					
to House Purchasers	22	19	0	0	19
to Voluntary Bodies	250	235	0	0	235
Deferred Premiums on Early Repayment of Debt	964	799	0	0	799
<b>TOTAL LONG TERM ASSETS</b>	514,767	549,535	5,346	252Cr	554,629
Current Assets:					
Work in Progress	93	137	0	0	137
Stocks	395	282	104	0	386
Debtors	16,118	15,845	620	3	1,055Cr (b)&(c)
Cash at Bank	4,093	1,186	0	0	1,186
Cash in Hand	2,831	718	2,701	0	3,419
Investments	22,855	25,000	0	0	25,000
Less Current Liabilities:					
Creditors	25,872Cr	19,748Cr	3,393Cr	4	1,036 (c)
Borrowing repayable within 12 months	4,161Cr	9,463Cr	0	0	9,463Cr
Net Current Assets	16,352	13,957	32	19Cr	13,970
Creditors: amounts falling due after one year	3,073Cr	0	6,135Cr	4	2,962 (a)
<b>TOTAL NET ASSETS</b>	528,046	563,492	757Cr	2,691	565,426
Long Term Borrowing	38,241Cr	41,703Cr	0	0	41,703Cr
Government Grants Deferred	7,876Cr	9,900Cr	0	0	9,900Cr
Deferred Discounts on Early Repayment of Debt	127Cr	191Cr	0	0	191Cr
Revenue Provisions	937Cr	1,232Cr	0	0	1,232Cr
Miscellaneous Accounts	176	7	0	0	7
Other Grants/Contributions Deferred	4,602Cr	3,529Cr	0	0	3,529Cr
Asset/Liability(Cr) relating to Pension Scheme	43,689Cr	28,550Cr	959Cr	5	29,509Cr
<b>TOTAL ASSETS LESS LIABILITIES</b>	432,750	478,394	1,716Cr	2,691	479,369
Specific Revenue Reserves	10,252Cr	6,163Cr	0	4,147Cr (d)	10,310Cr
Fixed Asset Restatement Account	394,838Cr	434,227Cr	0	0	434,227Cr
Capital Financing Account	60,741Cr	57,429Cr	0	0	57,429Cr
Usable Capital Receipts	3,759Cr	1,014Cr	0	0	1,014Cr
Deferred Capital Receipts	19Cr	17Cr	0	0	17Cr
Pensions Reserve	43,689	28,550	959	5	29,509
Legacies	103Cr	122Cr	0	0	122Cr
	426,023Cr	470,422Cr	959	4,147Cr	473,610Cr
Share Capital	0	0	1,437Cr	6	1,437 (d)
Revenue Balances	6,727Cr	7,972Cr	2,194	19	5,759Cr (b)
<b>TOTAL EQUITY</b>	432,750Cr	478,394Cr	1,716	2,691Cr	479,369Cr

## 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 & creditor included in Ipswich Buses' accounts
- (c) Elimination of intra-group debtor/creditor
- (d) Elimination of share capital

# GROUP CASH FLOW STATEMENT

	2005/06	2006/07			Total £000's
	Total £000's	IBC £000's	Ipswich Buses £000's	Consol. Adj £000's	
<b>Net Cash Flow from Revenue Activities</b>	<b>7,159Cr</b>	<b>5,349</b>	<b>1,546Cr</b>	<b>0</b>	<b>3,803</b>
<b>Returns on Investments &amp; Servicing of Finance</b>					
Interest Paid	2,440	1,621	15	14Cr (a)	1,622
Net Premium on Debt Restructuring	0	0	0	0	0
Interest element of finance lease rental payments	235	0	208	0	208
Interest element of loan & hire purchase payments	0	0	0	0	0
Interest Received	1,595Cr	826Cr	105Cr	14 (a)	917Cr
	<b>1,080</b>	<b>795</b>	<b>118</b>	<b>0</b>	<b>913</b>
<b>Taxation paid in the year</b>	<b>8</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>9</b>
<b>Capital Activities</b>					
Purchase of fixed assets	14,806	13,657	108	0	13,765
Other Capital payments	2,358	1,392	0	0	1,392
Sale of fixed assets	6,766Cr	8,196Cr	9Cr	0	8,205Cr
Capital grants received	283Cr	251Cr	0	0	251Cr
Other capital cash income	5,031Cr	2,977Cr	0	0	2,977Cr
	<b>5,084</b>	<b>3,625</b>	<b>99</b>	<b>0</b>	<b>3,724</b>
<b>Acquisitions &amp; Disposals</b>					
Investments in Subsidiary undertakings	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Cash Inflow(Cr)/Outflow before Financing</b>	<b>987Cr</b>	<b>9,769</b>	<b>1,320Cr</b>	<b>0</b>	<b>8,449</b>
<b>Management of Liquid Resources</b>					
Net Increase/decrease in short-term deposits	3,010Cr	2,145	0	0	2,145
<b>Financing</b>					
Repayments of amounts borrowed	413	22,399	0	0	22,399
Capital elements of finance lease rental payments	680	0	726	0	726
New loans raised	3,000Cr	18,730Cr	0	0	18,730Cr
New short-term loans	0	12,670Cr	0	0	12,670Cr
	<b>1,907Cr</b>	<b>9,001Cr</b>	<b>726</b>	<b>0</b>	<b>8,275Cr</b>
<b>Increase(Cr)/Decrease in Cash</b>	<b>5,904Cr</b>	<b>2,913</b>	<b>594Cr</b>	<b>0</b>	<b>2,319</b>

## Explanation of Consolidation Adjustments:

(a) Elimination of intra-group transactions

# NOTES TO THE GROUP BALANCE SHEET

## 1. Fixed Assets – Ipswich Buses

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

	Balance at 25/03/06 £000's	Revaluations during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 31/03/07 £000's
<b>Operational Assets</b>						
Vehicles, plant, equipment, etc.	5,057	0	966	306	371	5,346
	<b>5,057</b>	<b>0</b>	<b>966</b>	<b>306</b>	<b>371</b>	<b>5,346</b>

The cumulative amounts of provisions for depreciation are as follows:

	Balance at 25/03/06 £000's	Depreciation during year £000's	Balance at 31/03/07 £000's
<b>Operational Assets</b>			
Vehicles, plant, equipment, etc.	4,697	371	5,068
	<b>4,697</b>	<b>371</b>	<b>5,068</b>

## 2. Finance Leases – Ipswich Buses

2.1 The value of assets held under finance leases, as at 31<sup>st</sup> March 2007 is detailed below:

	Vehicles, Plant and Equipment £000's
Net Book Value at 26 March 2006	4,412
Additions during year	858
Disposals during year	99Cr
Depreciation	475Cr
Net Book Value at 31 March 2007	<b>4,696</b>

2.2 Obligations under Finance Leases

**Vehicles, Plant  
and Equipment  
£000's**

Amounts payable within one year	732
Amounts payable in 2nd to 5th year inclusive	2,588
Amounts payable thereafter	586
	<b>3,906</b>

**3. Debtors – Ipswich Buses**

	<b>25 March 2006 £000's</b>	<b>31 March 2007 £000's</b>
<b>Amounts falling due within one year:-</b>		
Trade Debtors	380	333
Other Debtors	49	60
Leasing Debtors	20	7
Prepayments and Accrued Income	322	220
	<b>771</b>	<b>620</b>
<b>Amounts falling due after one year:-</b>		
Leasing Debtors	8	0
	<b>8</b>	<b>0</b>
	<b>779</b>	<b>620</b>

**4. Creditors – Ipswich Buses**

	<b>25 March 2006 £000's</b>	<b>31 March 2007 £000's</b>
<b>Amounts falling due within one year:-</b>		
Trade Creditors	202	247
Other Taxes	74	77
Social Security	69	70
Obligations under Finance Leases (buses)	678	721
Obligations under Finance Leases (HCl)	22	11
Contributions re Pensions	27	27
Other Creditors	4	5
Accruals and Deferred Income	1,127	1,259
Undeclared dividend payable	813	976
	<b>3,016</b>	<b>3,393</b>
<b>Amounts falling due after one year:-</b>		
Debenture Loans	252	252
Obligations under Finance Leases (buses)	3,062	3,173
Obligations under Finance Leases (HCl)	11	0
Shares classified as liabilities	2,710	2,710
	<b>6,035</b>	<b>6,135</b>

## 5. Pension Costs – Ipswich Buses

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

### Defined Contribution Scheme

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

### Defined Benefit Scheme

The assets of the scheme are held separately from those of the company, being invested with the Suffolk County Council Superannuation Fund in accordance with the Local Government Superannuation Regulations. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent completed valuation was at 31st March 2004. In addition to the triennial valuation, the company has interim reviews carried out and the results of these are used in preparing the accounts of the company.

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

	At 26/03/05	At 25/03/06	At 31/03/07
Rate of increase in salaries	4.40%	4.60%	4.70%
Rate of increase in pensions in payment	2.90%	3.10%	3.20%
Discount rate	5.50%	4.90%	5.40%
Inflation assumption	2.90%	3.10%	3.20%

### Composition of the Scheme

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



	Long-term rate of return expected at 26/03/05	Value at 26/03/05 £000's	Long-term rate of return expected at 26/03/06	Value at 26/03/06 £000's	Long-term rate of return expected at 31/03/2007	Value at 31/03/2007 £000's
UK Bonds	4.80%	4,709	4.60%	5,688	4.90%	6,264
UK Equities	7.70%	6,444	7.40%	8,085	7.80%	8,217
Property	5.70%	1,247	5.50%	1,509	5.80%	1,691
Other	4.80%	320	4.60%	114	4.90%	34
Total market value of assets		12,720		15,396		16,206
Value of scheme liabilities		15,656Cr		17,970Cr		17,576Cr
Total deficit		2,936Cr		2,574Cr		1,370Cr
Deferred tax asset recognised		0		772		411
Net pension deficit		2,936Cr		1,802Cr		959Cr

### Analysis of the amount charged to operating profit

	2005/06 £000's	2006/07 £000's
Current service cost - final salary scheme	209	253
Current service cost - money purchase scheme	62	63
<b>Pension cost</b>	<b>271</b>	<b>316</b>

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

	2005/06 £000's	2006/07 £000's
Actual return less expected return on pension scheme assets	1,817	9Cr
Experience gains/losses (Cr) arising from the scheme liabilities	2Cr	27Cr
Changes in assumptions underlying the present value of the scheme liabilities	1,763Cr	882
Actuarial gain recognised in the statement of recognised gains and losses	52	846
Deferred tax asset on pension deficit	772	411

## Movement in net pension deficit during the year

	2005/06 £000's	2006/07 £000's
Deficit in scheme at beginning of the year	2,936Cr	2,574Cr
Movement in the year:		
Current service cost	209Cr	253Cr
Contributions	547	538
Past service costs	0	0
Impact of settlements and curtailments	0	0
Net interest on assets	28Cr	73
Actuarial gains/losses (Cr)	52	846
Deficit in scheme at end of year:	<b>2,574Cr</b>	<b>1,370Cr</b>
Deferred Tax Asset	772	411
Scheme Deficit net of Deferred Tax Asset	<b>1,802Cr</b>	<b>959Cr</b>

The above interest on assets, includes interest on pension liabilities of £936,000 (2005/06 - £838,000) and the expected return on assets of £1,031,000 (2006/07 - £810,000).

## Reserves note

	2005/06 £000's	2006/07 £000's
Profit and loss reserve excluding pension liability	2,443Cr	2,194Cr
Pension reserve	1,802Cr	959Cr
Profit and loss reserve	<b>4,245Cr</b>	<b>3,153Cr</b>

## History of experience gains and losses

	2002/03 £000's	2003/04 £000's	2004/05 £000's	2005/06 £000's	2006/07 £000's
Difference between the expected and actual return on scheme assets	1,872Cr	1,144	497	1,817	9Cr
	%	%	%	%	%
Percentage of scheme assets	-19.1%	10.0%	3.9%	11.8%	0.1%
	£000's	£000's	£000's	£000's	£000's
Experience gains and losses on scheme liabilities	146Cr	6	1,071	2Cr	27Cr
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	-1.0%	0.0%	6.8%	0.0%	-0.2%
	£000's	£000's	£000's	£000's	£000's
Total amount recognised in statement of total recognised gains and losses	2,379Cr	378	1,343	52	846
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	-16.0%	2.4%	8.6%	0.3%	4.8%

## 6. Share Capital – Ipswich Buses

	25 March 2006 £000's	31 March 2007 £000's
Equity		
Authorised (Ordinary Shares of £1 each)	2,000	2,000
Non-equity		
Authorised (Cumulative Non Redeemable Preference Shares of £1 each)	3,000	3,000
Total Authorised	5,000	5,000
Equity		
Allotted, called up and fully paid Ordinary Shares	1,437	1,437
Non-equity		
Allotted, called up and fully paid Cumulative Non Redeemable Preference Shares	2,710	2,710
Total allotted, called up and fully paid	4,147	4,147
Shares classified as liabilities	2,710	2,710
Shares classified in shareholders funds	1,437	1,437

## 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: -

Martin Cook, Philip Smart, Inga Lockington, William Wright, Paul West.

	2005/06 £000's	2006/07 £000's
Concessionary Fares Income		
Revenue in the year	706	0
Receivable at 31st March 2007	61	0
Car Parks Servicing Income		
Revenue in the year	24	24
Receivable at 31st March 2007	2	2
Fuel Distribution		
Revenue in the year	658	376
Receivable at 31st March 2007	32	59
Double S Design		
Expenditure in the year	0	3
Payable at 31st March 2007	0	0
Debenture Loan		
Balance as at 31st March 2007	252	252

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

# NOTES TO THE GROUP CASH FLOW STATEMENT

## 1. Reconciliation of Surplus to Net Cash Flow

	IBC £000's	Ipswich Buses £000's	Total £000's
Surplus(Cr)/Deficit for year per Income & Expenditure Account	14,811	827Cr	13,984
Adjustment for Statutory and Non-Statutory proper Practice	13,540Cr	0	13,540Cr
Surplus(Cr)/Deficit for year per Collection Fund	293Cr	0	293Cr
Net Surplus(Cr)/Deficit	978	827Cr	151
<b><u>Add back non-cash transactions</u></b>			
Net movements in reserves	161	285	446
Net movements in provisions	295Cr	0	295Cr
Depreciation	0	677Cr	677Cr
Minimum revenue provisions	420Cr	0	420Cr
Transfer to Major Repairs Reserve	4,992Cr	0	4,992Cr
Transfer to Usable Capital Receipts	2,609	0	2,609
Direct revenue financing	4,305Cr	0	4,305Cr
Charges to Capital	6,701	0	6,701
<b><u>Items on an accrual basis</u></b>			
Increase/Decrease in Stocks & Work in Progress	38	2	40
Increase/Decrease in Debtors	546	159Cr	387
Increase/Decrease in Creditors	5,123	179Cr	4,944
<b><u>Items in another classification in the Cash Flow Statement</u></b>			
Less investment income	826	0	826
Plus interest paid	1,621Cr	0	1,621Cr
Sale of Tangible Fixed Assets	0	9	9
Net Cash Flow from revenue activities	<b>5,349</b>	<b>1,546Cr</b>	<b>3,803</b>

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

	Balance 25 March 2006 £000's	Cash Flows £000's	Other Changes £000's	Balance 31 March 2007 £000's
<b><u>Changes in Net Debt</u></b>				
Cash in hand and at bank	2,107	595	0	2,702
Debenture due after one year	252Cr	0	0	252Cr
Finance leases	3,774Cr	726	858Cr	3,906Cr
	<b>1,919Cr</b>	<b>1,321</b>	<b>858Cr</b>	<b>1,456Cr</b>
<b><u>From Cashflow Statement</u></b>				
Increase/decrease(cr) in cash		595		
lease financing		726		
New finance leases		858Cr		
Change in Net Debt		463		
Net Debt at 25th March 2006		1,919Cr		
Net Debt at 31st March 2007		<b>1,456Cr</b>		

## Scope of Responsibility

As the two most senior representatives of the Council's corporate management we have a responsibility for maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives, (as outlined in the Council's recent Corporate plan – Transforming Ipswich) whilst safeguarding the public funds and departmental assets for which we are responsible, in accordance with the responsibilities assigned to us under the Council's Constitution.

The key elements of Ipswich Borough Council's internal control environment are as follows:

The Council has formally adopted a Constitution, which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

Policy and decision making is achieved through the establishment of the Council Executive and service specific committees such as Planning and Licensing. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers and portfolio holders of the Council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of the key decisions to be made by the Council, its committees and Chief Officers under their delegated powers.

The Council has adopted a 'Local Code of Corporate Governance' in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website at [www.ipswich.gov.uk/](http://www.ipswich.gov.uk/)

The Council is striving to put into place robust systems that will identify and evaluate all significant risks. It will seek to do this by developing and maintaining a culture of pro-active participation, involving all those associated with planning and delivering services. The Council approved a revised Risk Management Policy Statement in January 2006 (updated by Executive April 2007) to embed a comprehensive performance framework for risk management into the culture of the authority. This is demonstrated by significant progress in implementing the associated action plan. A corporate risk register is also in place and training has been given to appropriate staff. All managers were trained in identifying risks relating to their service and operational plans have been prepared, that address the risks identified.

Through reviews by external auditors, external agencies, Internal Audit and its Performance Management Unit the Council constantly seeks ways of ensuring the economical, effective and efficient use of its resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the principles of Best Value.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the corporate Appraisal process and the preparation of Personal Training Plans, which are subsequently collated and addressed by a Corporate Training programme.

The Council has designated the Corporate Legal Advisor / Monitoring Officer as Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Chief Executive and Head of Financial Services, the Monitoring Officer will report to the full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The financial management of the authority is conducted in accordance with the Financial Standing Orders section of the Constitution. The Council has designated the Head of Financial Services as Chief Finance Officer in accordance with section 151 of the Local Government Act 1972. The Council has in place a Finance Strategy that has been regularly updated to support the medium term aims of the Corporate Plan. The Council has a medium term financial plan which is updated annually.

The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'.

The Council has always had an objective and professional relationship with its external auditors and statutory inspectors, as evidenced by the Annual Audit letter.

The Council has developed an effective performance management framework. The system is driven by the Corporate Plan, which focuses attention on Corporate priorities. This is then cascaded down through Strategic and Operational service plans to individual staff appraisals and action plans. This is clearly laid out in the annual service and financial planning and performance management cycle. The Council's Performance Management Unit monitors and reports on progress to both the Executive and Overview & Scrutiny committees, scrutinising progress against targets and performance in priority areas affecting relevant service areas, and considers and approves corrective action where necessary on a quarterly basis.

## **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 corporate, directorate and service area 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 system of internal control has been in place for the duration of the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

## **Capacity to handle risk**

The Council has a Risk Management Policy – this was signed by the Leader of the Council and Chief Executive in January 2006. A series of training workshops were held for key officers and councillors which enabled Service Managers and Directors to identify a number of both Strategic and Operational risks. These risks have been linked to the corporate objectives as identified in the Corporate Plan.

A risk register has been created. Service Managers, Directors and Councillor's are encouraged to identify and develop their risks.

## **The risk and control framework**

The following processes aiming at embedding risk management into the culture of this organisation are:

The production of a Corporate Plan that sets out the strategic objectives of the Council. This is in turn translated into a number of Strategic and Operational Service Plans that articulate the detailed tasks and activities to be undertaken by each of the Service Areas.

Regular reports from Internal Audit to standards defined by CIPFA's 'Code of Practice for Internal Audit in Local Government in the UK', which include their independent opinion on the adequacy and effectiveness of the Council's internal controls, together with recommendations for improvement where necessary.

A Finance and Audit Scrutiny Sub-Committee, which meets 4 times a year. The Committee has clear terms of reference and is attended by Internal and External Audit as well as representatives from each of the political parties.

A Directors Team that regularly meets to consider performance against objectives. This consists of all Directors with the Head of Financial Services and Corporate Legal Advisor / Monitoring Officer attending as appropriate. Other Service Managers will attend for service specific items.



The Executive committee met approximately 20 times during 2006/2007 and on a regular basis receives performance management reports from across the Council. The Forward Plan identifies all of the major decisions that the Council is expected to make – this is updated monthly and enables representations to be made from interested parties.

The performance management culture that regularly monitors a number of both key and local performance indicators highlighting and reporting poor performance along with action plans to address each problem.

### **Review of effectiveness**

From 2004/2005, Ipswich Borough Council had responsibility for conducting, at least annually, a review of the system of internal control.

The review of the effectiveness of internal control is informed by the work of the Internal Auditors, the Performance Management Unit and the Directors and Service Managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:-

The Corporate Legal Adviser / Monitoring Officer (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council periodically reviews the Constitution.

The Council has a local Code of Corporate Governance. This Code is reviewed annually, (including Dimension 4 relating to Risk Management and internal control) and an Action Plan produced to deal with any issues.

Ipswich Buses are included in the Group Accounts of Ipswich Borough Council, as a wholly owned company. The Company is operated independently of the Borough Council, having its own board of directors, code of governance, management and external auditors. The Council is represented on the board by Councillors, and the Head of Finance, as a non-voting member. The Company supplies the minutes of board meetings and audited Annual Accounts for inspection.

The Council implemented an integrated financial system (Agresso) to replace the existing, general ledger, debtors and accounts payable systems in October 2006. The closing balances on the existing systems were reconciled to the opening balances on the new system to ensure the integrity of data transfer. The internal audit section, are undertaking ongoing work to provide assurance to management on the efficiency, effectiveness and reliability of the new system. The short timescale between the introduction of the new system and the year-end means that this work has not yet been completed.

The Council has an Overview and Scrutiny Committee that can “call-in” a decision that has been made by a policy committee but not yet implemented, to enable them to consider whether the decision is appropriate. This allows people to have a greater say in Council matters by holding public enquiries into matters of local concern.

The Council has a Finance and Audit Sub Committee (reporting to Overview and Scrutiny), which has delegated authority to discharge the functions of an audit committee, including reviewing the adequacy of internal controls, monitoring the performance of internal audit and agreeing to the external audit plan.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a five-year plan, which is approved by the Audit Sub Committee and from which the annual workload is identified (and also approved by Audit Sub Committee). The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service Manager, their Director, the Head of Financial Services and the Chief Executive. Abridged versions of these reports are forwarded to all members of the Sub Committee at the conclusion of each audit and again as part of each committee agenda. Each report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by management. There is an established mechanism in place to monitor the timely implementation of audit recommendations and to report any non-compliance back to Directors and the Audit Sub Committee.

The Internal Audit section is subject to regular inspection by the Council’s external auditors who place reliance on the work carried out by the section.

The Risk Management Policy Statement and Strategy is reviewed annually to ensure their continued relevance to the Council. The review also monitors performance against the aims and objectives of the Risk Management Strategy.

Since last year the Council has embarked upon a programme to embed risk management throughout the organisation. The external consultants’ report was published and continues to be actioned. Training continues to be given by the Performance Management Unit, who have overall responsibility for delivering the Risk Management Strategy.

The Corporate Directors Team meets on a regular basis and reviews progress on performance indicators, best value, budget monitoring etc.

For performance management, a traffic light monitoring and reporting system is in place. Quarterly reports are provided to both the Executive and Overview and Scrutiny Committee and include any corrective action plans put in place for any under performing services.

The Council periodically reviews and revises its Financial Regulations (Standing Orders) to ensure they are appropriate for the changing financial environment.

In March 2007, following the Comprehensive Performance Assessment – Use of Resources assessment by PriceWaterhouseCoopers, the Council were awarded a score of 3 for Financial Management.

Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the service managers within the directorates who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by Executive and a plan to address weaknesses and ensure continuous improvement of the system has been prepared. It is intended that both Standards and the Audit Sub Committees will now undertake a more detailed appraisal of the information gathering and assurance processes and will feed their own findings and deliberations back into what is intended to be a system of continuous review of the Council's systems of internal control. The following significant control issues have been identified:-

No.	Issue	Action
1.	Procurement	The Procurement Strategy is being revised to further reinforce the move towards more centrally procured contracts. The Contracts Register, published on the website, is being updated and will form the basis of an informed Action Plan for the coming year.
2.	Targeting resources to priority areas	This is addressed as part of the Medium Term Financial Plan and associated processes.
3.	Linking Operational, Strategic Action Plans with the Corporate Plan	A newly adopted risk based approach to Operational Planning will enable staff to focus clearly on individual contributions to achieving the Goals and Aims of Transforming Ipswich.
4.	Communication Strategy	A Communication Strategy has been written ready for adoption by Executive together with an action plan which will then be implemented.
5.	Business Continuity	The Council is developing a Corporate Resilience Action Plan and training

No.	Issue	Action
		programme to address the issues, in partnership with Zurich Municipal.
6.	Improve Overview and Scrutiny Committee	An improvement plan has been drawn up in response to the latest audit. This will be reviewed by the newly appointed Strategic O & S Committee as part of their overall work programme.
7.	Work together with other district councils to develop a shared vision for integrated services in Suffolk	The Council participates in the Suffolk Integration Group which is developing proposals for integrated services.
8.	LAA establish governance arrangements that are "fit for purpose" with central government and LAA partners	The LAA arrangements continue to be developed in consultation with partners.
9.	Equality and Diversity Policy is underdeveloped	An improvement plan is being developed to embed the process, including introduction of impact assessments.
10.	Ensure that recent improvements in Asset Management arrangements are embedded	Continued development is driven by a clear action plan. Options to develop the Councils asset management database are being developed.
11.	<p>Improve speed and accuracy of processing Housing Benefits.</p> <p>Better recovery of overpayments.</p> <p>Maximisation of subsidy</p> <p>Implementation of internal audit recommendations</p>	<p>Actions taken include: Appointment of management consultants, Integration of Benefits and Revenues, internal management changes, improved performance management and 66% increase in productivity.</p> <p>Planned actions: reduce backlog of claims, additional staff training, recover overpayments through system from future claimant payments, improved quality control</p>

## Corporate Governance Statement of Assurance

Ipswich Borough Council acknowledges its responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. In discharging this accountability, elected Members and Senior Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

To this end, Ipswich Borough Council has approved and adopted a Code of Corporate Governance which is consistent with the principles and reflects the requirements of the

CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the Code is on the Council's website at [www.ipswich.gov.uk](http://www.ipswich.gov.uk) or can be obtained from the Ipswich Borough Council offices at Grafton House, 15-17 Russell Road, Ipswich IP1 2DE.

During the year, the Council has continued to develop appropriate management and reporting arrangements to enable it to satisfy itself that its approach to Corporate Governance is both adequate and effective. The Chief Executive has responsibility for:

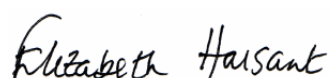
Overseeing the implementation and monitoring of the operation of the Code.

Reviewing the operation of the Code.

Reporting annually to the Executive on compliance with the Code and any changes that may be necessary to maintain and ensure its effectiveness in practice.

In addition, the Council's Internal Audit and Corporate Governance Section undertakes a continuous programme of review of corporate governance arrangements, together with the audit of the systems of internal control, including the accounting systems. The Audit Partnership Manager reports the findings of each audit review to the Chief Executive, the Audit Committee and the responsible Director. Annually, the Audit Partnership Manager provides to the Executive an independent opinion on the adequacy and effectiveness of the Corporate Governance arrangements and systems of internal control.

On the basis of the report of the Chief Executive and Audit Partnership Manager arising from the reviews of the Council's Corporate Governance arrangements, we are satisfied that the arrangements are adequate and operating effectively.



Elizabeth Harsant

Leader of the Council

Date 27<sup>th</sup> June 2007



James Hehir

Chief Executive

Date 27<sup>th</sup> June 2007

## **GLOSSARY OF FINANCIAL TERMS**

### **Accounting Period**

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

### **Accruals**

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

### **Agency**

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

### **Bad or Doubtful Debts**

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

### **Budget**

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

### **Budget Requirements**

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

### **Capital Charges**

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

### **Capital Expenditure**

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

### **Capital Financing**

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

### **Capital Financing Costs**

Principal and interest repayments relating to loans.

### **Capital Grants**

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

### **Capital Receipts**

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

### **Collection Fund**

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

### **Contingent Liability**

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

### **Credit Approval**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Deferred Charges**

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

### **Depreciation**

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

## **Debtors**

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

## **Employee Costs**

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

## **Finance lease**

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

## **Financial Year**

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

## **General Fund (GF)**

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

## **Government Grants**

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

## **Gross Expenditure**

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

## **Housing Revenue Account (HRA)**

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

## **Infrastructure Assets**

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

## **Intangible Assets**

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

## **Interest**

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

## **Minimum Revenue Provision (MRP)**

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



financial year.

### **National Non Domestic Rates (NNDR)**

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

### **Net Book Value**

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

### **Net Expenditure**

Gross expenditure less any related income.

### **Operating Lease**

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

### **Precept**

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

### **Provision**

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

### **Provision for Credit Liabilities**

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

### **Reserves**

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

### **Revenue Account**

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

### **Revenue Support Grant (RSG)**

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

### **Revised Budget**

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

### **Stock**

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

### **Tangible Fixed Assets**

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

### **Work in Progress**

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

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

### Opinion on the Statement of Accounts

We have audited the financial statements of Ipswich Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Pension Fund Account and Net Assets Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

### Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

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

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

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA 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 whether the Statement

on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Ipswich Borough Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.



PricewaterhouseCoopers LLP

Cambridge

Date 28 September 2007

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

### **Council's Responsibilities**

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### **Auditor's Responsibilities**

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Ipswich Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007

## Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 7 November 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

## Certificate

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



PricewaterhouseCoopers LLP

Cambridge

Date 28 September 2007