

IPSWICH BOROUGH COUNCIL

STATEMENT OF ACCOUNTS 2008/09

CONTENTS

	Page No
Explanatory Foreword by the 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	65
Statement of Movement on the HRA Balance	65
Notes to the Housing Revenue Account	67
Collection Fund	73
Notes to the Collection Fund	74
Group Accounts	76
Annual Governance Statement	90
Glossary of Financial Terms	101
Auditors Report	106

1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. The Council's accounts for the year ended 31st March 2009 are set out in this publication and they consist of the following: -

- Statement of Accounting Policies (explains the basis of the figures used in the accounts).
- Responsibilities for the Statement of Accounts.
- Approval of the Statement of Accounts.
- Income and Expenditure Account (summarises the Council's net expenditure for all services).
- Statement of Movement on the General Fund Balance (includes those items in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non statutory proper practices to be charged or credited to the General Fund).
- Statement of Total Recognised Gains and Losses (brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth).
- Balance Sheet (sets out the financial position of the Council on 31st March 2009).
- Cash Flow Statement (summarises the movements of cash arising from transactions with third parties for revenue and capital purposes).
- Housing Revenue Account (covers income and expenditure on council housing).
- Collection Fund (records transactions relating to the Council Tax and National Non-Domestic Rates).
- Group Accounts (provide a summary of financial transactions of those companies over which the Council has a controlling interest or influence).
- Annual Governance Statement
- Glossary of Financial Terms.

2. Revenue Accounts – Financial Position

The main components of the Revenue budget for 2008/09, 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 £25.371m (million), which after transferring a net £0.110m from Reserves and Provisions and transferring £1.608m from the Working Balance, left £23.653m to be met from Government Grant and Local Taxpayers. This amount represented the Council's Budget Requirement for 2008/2009.

Actual net expenditure was £23.945m, which was £1.426m less than budgeted, which after transferring a net £0.313m to Reserves and Provisions leaves the Working Balance at 31st March 2009 £1.003m 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: -

	2007/08	2008/09		
	Out-Turn £000's	Budget £000's	Out-Turn £000's	Variance £000's
Services (Net Expenditure)	21,777	25,035	23,780	1,255Cr
Capital Financing	1,591	1,618	1,574	44Cr
Interest Received	1,672Cr	1,839Cr	1,966Cr	127Cr
Pension Interest & Return on Assets	1,118Cr	557	557	0
Net Expenditure	20,578	25,371	23,945	1,426Cr
Use of Provisions and Reserves	2,657	110Cr	313	423
Use of Working Balance	294Cr	1,608Cr	605Cr	1,003
Budget Requirement	22,941	23,653	23,653	0
Financing:-				
Revenue Support Grant	1,643Cr	1,430Cr	1,430Cr	0
Non-Domestic Rates National Pool	9,792Cr	10,275Cr	10,275Cr	0
Collection Fund Surplus	25Cr	21Cr	21Cr	0
Council Tax	11,481Cr	11,927Cr	11,927Cr	0
Total Funding	22,941Cr	23,653Cr	23,653Cr	0
Working Balance:-				
Balance 1 April 2008		3,898Cr	3,898Cr	0
Contribution to/from(Cr) General Fund		1,608	605	1,003Cr
Balance 31 March 2009		2,290Cr	3,293Cr	1,003Cr

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 2008/09 the Housing Revenue Account incurred a deficit of £2.396m compared with a budgeted deficit of £2.643m, a reduction of £0.247m in net expenditure compared with the budget. The Working Balance at 31st March 2009 is therefore correspondingly greater than anticipated. After transferring a net £0.065m from Reserves and Provisions,

and allowing for commitments that have been delayed until 2009/10 (£0.185m), the increase in Working Balance that is available to finance revenue expenditure in future years is £0.062m.

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

	2007/08 Out-Turn £000's	2008/09		
		Budget £000's	Out-Turn £000's	Variance £000's
Services (Net Expenditure)	10,900	11,210	11,294	84
Capital Financing	10,223	12,956	12,968	12
Interest Received	247Cr	157Cr	139Cr	18
Rents (Net of Rebates)	26,402Cr	27,904Cr	27,994Cr	90Cr
Government Subsidy	4,567	6,318	6,332	14
Budgets Carried Forward (Net)	0	185	0	185Cr
Net Expenditure	959Cr	2,608	2,461	147Cr
Contribution to Provisions and Reserves (Net)	615Cr	35	65Cr	100Cr
Surplus(Cr)/Deficit	1,574Cr	2,643	2,396	247Cr
Use of(Cr)/Contribution to Working Balance	1,574	2,643Cr	2,396Cr	247
	0	0	0	0
Working Balance:-				
Balance 1 April 2008		5,241Cr	5,241Cr	0
Contribution to/from(Cr) Housing Revenue Account		2,643	2,396	247Cr
Balance 31 March 2009		2,598Cr	2,845Cr	247Cr

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 2008/09 the prescribed minimum levels were as follows: -

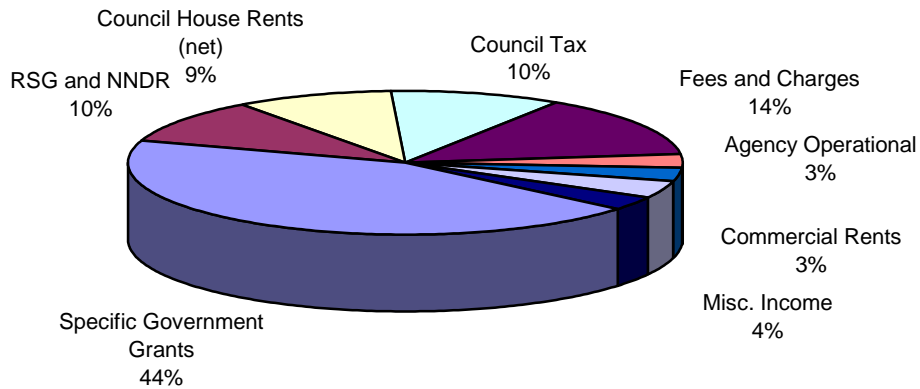
	£000's
General Fund Revenue Account	1,500
Housing Revenue Account	500
	2,000

The Council also has a number of provisions and reserves. The accounting treatment of these is described on *pages 15 to 16*. Details about the nature and purpose of these reserves and provisions, together with their movements in the year, are described on *pages 49 to 54*.

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

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

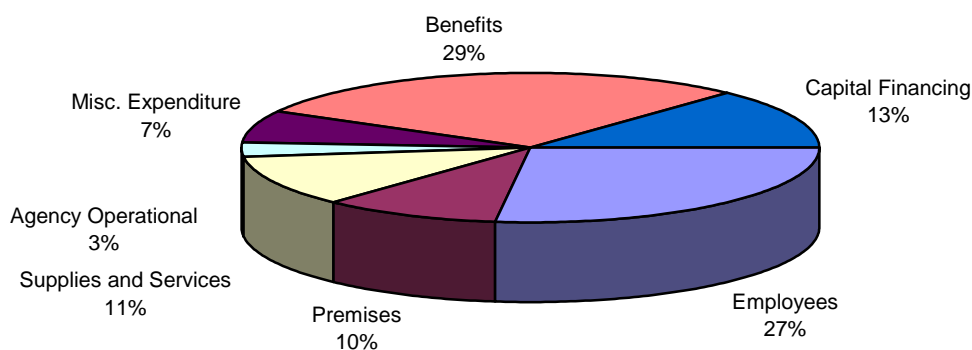
Where the money comes from



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

The largest item of income is Specific Government Grants that contribute significantly towards the cost of Housing and Council Tax Benefit payments. Altogether, such grants provide 44% of the total income. 9% of income is provided through Council House Rents and 10% through the Revenue Support Grant and contributions from the National Non-Domestic Rate Pool (General Government Grants). The other main sources of income are Council Tax and Fees and Charges paid by users of the Council's facilities.

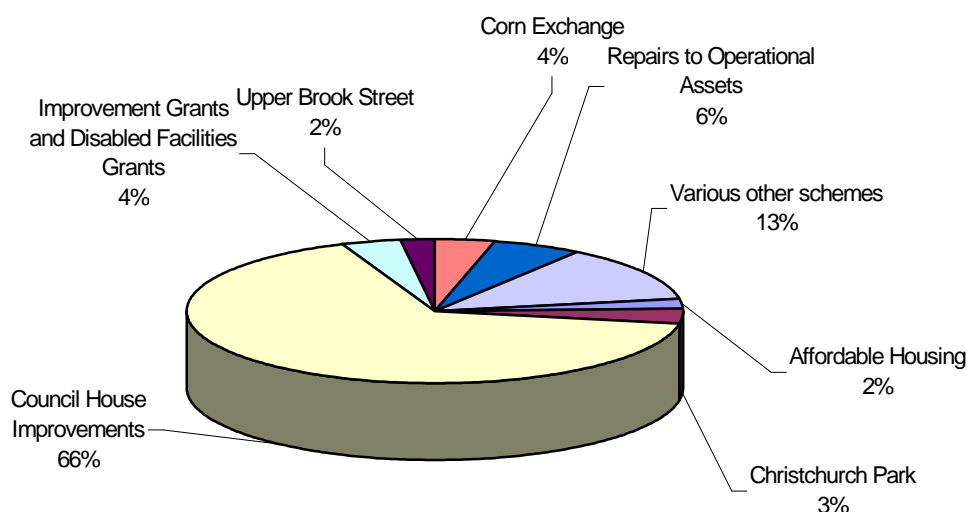
How the money was spent



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

4. Capital Expenditure and Financing

The major items of capital expenditure in 2008/09 were as follows: -



Details of the Council's 2008/09 capital expenditure by service groupings, together with details of financing are shown below. The main sources of financing are capital receipts arising from the sale of assets, revenue contributions to capital outlay and the major repairs allowance.

	2007/08 £000's	2008/09 £000's
<u>SERVICES EXPENDITURE</u>		
Council Housing (HRA)	9,564	12,633
Central and Support Services	3,770	753
Highways, Roads and Transport	1,391	921
Other (Non HRA) Housing Services	1,377	1,141
Planning and Development	1,306	72
Environmental Services	119	412
Cultural Services	5,225	3,044
DLO	24	6
TOTAL	22,776	18,982
<u>FINANCING</u>		
Usable Capital Receipts	7,684	4,762
Borrowing	320	212
External Contributions	4,197	580
Government Grants	1,158	902
Major Repairs Allowance (HRA)	5,073	4,985
Use of Credit Approvals	1,314	1,314
Revenue Contributions to Capital Outlay	3,030	6,227
TOTAL	22,776	18,982

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 £156.3m (*page 58*) 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 £42.8m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

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

6. Changes

There have been changes in the Council's accounting policies during the year, introduced by the 2008 Statement of Recommended Practice (SORP):

- The circumstances in which it would be appropriate to use the depreciated replacement cost method of valuing property have been clarified.
- Amendments to the Pension Fund Accounts to reflect the requirements of the Pension SORP 2007.
- Concept of deferred charges has become redundant now that, in accordance with GAAP, deferred charges can never be carried on the balance sheet. This has been replaced with 'Revenue Expenditure Funded from Capital Under Statute', which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
- Clarification on how the date the Statement of Accounts is "authorised for issue" should be interpreted, in accordance with FRS 21.
- Inclusion of Area Based Grant, a new government grant that came into force on 1 April 2008. This replaced the Local Area Agreement Grant and is paid directly to the authority that benefited from the grant, rather than being paid to the upper-tier authority for the area in the capacity of 'accountable body' for onward distribution.
- Revaluation of fixed assets on disposal, are now prohibited.
- Separate line item for 'Amortisation of premiums and discounts' has been removed from HRA Income and Expenditure Account.
- New treatment for income that is defined by statute as a capital receipt but does not arise from the disposal of a fixed asset.

- Cash Flows can be presented using either the 'direct method', whereby major categories of gross cash receipts and gross cash payments are disclosed, or the 'indirect method', whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account.

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

7. Further Information

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

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The glossary of financial terms on *pages 101 to 105* provides definitions of the accounting terms used in the Statement of Accounts.

The Accounts have been prepared in accordance with the 2008 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply therefore with the “proper accounting practice” under the terms of the Local Government and Housing Act 1989.

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

2. Tangible Fixed Assets - Recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Tangible Fixed Asset Valuation

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

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

A qualified valuer revalues assets recorded at current value at least once every 5 years. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31st March 2009 in accordance with the requirements of Resource Accounting for the Housing Revenue Account.

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

4. Basis of Charges for Use of Tangible Fixed Assets

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

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

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

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

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

5. Intangible Assets

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

Development Expenditure

Goodwill

Other Intangible Assets, including software licences

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

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

6. Debtors and Creditors

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

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

Periodic payments, including utilities, rentals – these are charged into the Accounts when they are due, rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

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

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

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

7. Revenue Expenditure Funded from Capital under Statute

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

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

8. Government Grants

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

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

9. Prior Period Adjustments

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

10. Capital Receipts

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

11. Leasing

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

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

The Council complies with SSAP 21.

12. Stocks and Work-in-Progress

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

Work-in-progress at 31st March 2009 is included in the accounts at cost, including any attributable overheads.

13. Support Services

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

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

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

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

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

14. Pensions

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

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

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

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

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

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

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

As the pension cost is determined triennially in arrears, the liabilities included in the Balance Sheet may be understated. These additional costs are disclosed as part of the notes to the Accounts (see *note 48 on page 57*). These notes are provided in accordance with the Financial Reporting Standard 17 "Retirement Benefits".

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement, in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have taken the view that an allowance 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 2008/09 and the balance sheet liabilities as at 31st March 2009.

15. Redemption of Debt and Interest Charges

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

It has also undertaken voluntary minimum revenue provision payments for assets that

have been acquired using Prudential Borrowing.

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

16. Investments and Borrowings

Investments and borrowings are shown on the balance sheet at amortised cost and is the total of the principal invested plus the accrued interest as at 31 March. The most significant investment held is in Ipswich Buses Limited, a company set up by the Council under the Transport Act 1985.

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

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

17. Financial Relationships with Companies

A summarised group financial statement has been produced in accordance with the Code of Practice 2008 to reflect the Council's material interests in subsidiary, associated and joint venture companies. The Council's only related company is Ipswich Buses Limited (referred to in *note 16* above).

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

18. Estimation Techniques

The final Housing Benefit and Housing Revenue Account Subsidy claims are due to be certified by 30th November 2009. It is necessary to employ estimation techniques to determine the level of subsidy for the period. This has been achieved by analysing the benefit awarded and the payments made in the period into the subsidy claim's component parts and applying the appropriate subsidy rate.

The Council's pension liability also employs significant estimation techniques and these are identified in *note 48 on page 57*.

19. Provisions

Provisions are required to be recognised when:

The local authority has a present obligation (legal or constructive) as a result of a past event;

It is probable that a transfer of economic benefits will be required to settle the obligation; and

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

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

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

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

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

20. Reserves

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

contingencies and cash flow management.

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

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

21. Miscellaneous Accounts

Where sums are received in advance and the proportion of revenue and capital expenditure is not known, the Council records these sums under Miscellaneous Accounts in the Balance Sheet until the nature of these transactions can be determined. Further detail is given in *note 44* on *page 55*.

RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In the Authority, that officer is the Chief Financial Officer.

Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31st March 2009.

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

Selected suitable accounting policies in accordance with FRS18 and then applied them consistently;

Made judgements and estimates that were reasonable and prudent;


Complied with the Code

The Chief Financial Officer has also:

Kept proper accounting records which were up to date;

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

This Statement of Accounts presents fairly the financial position of the Authority at 31st March 2009 and its income and expenditure for the year ended on that date. These financial statements replace the unaudited financial statements authorised for issue by Ian Blofield at the meeting of the Council on 24th June 2009.


Chief Financial Officer
September 2009

Date: 25th

APPROVAL OF THE STATEMENT OF ACCOUNTS

The unaudited Statement of Accounts for 2008/09 was considered and approved by Full Council at the meeting on 24th June 2009.


The Worshipful, The Mayor of Ipswich, Councillor David Goldsmith

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 2007/08 Net Expenditure £000's	Note	2008/09 Gross Expenditure £000's	2008/09 Gross Income £000's	2008/09 Net Expenditure £000's
3,063	Central services to the public	15,556	12,702Cr	2,854
26,942	Cultural, environmental and planning services	42,888	16,040Cr	26,848
3,425	Highways, roads and transport services	12,357	9,272Cr	3,085
699	Housing services	146,276	62,843Cr	83,433
3,789	Corporate and democratic core	4,767	764Cr	4,003
1,675	Non distributed costs	1,460	23Cr	1,437
39,593	Net Cost of Services	223,304	101,644Cr	121,660
0	Gain(Cr)/Loss on the disposal of fixed assets			62Cr
0	Capital Receipts not from disposal of fixed assets			32Cr
130Cr	Surpluses(Cr)/deficits on trading undertakings not included in Net Cost of Services	3		326Cr
2,669	Interest payable and similar charges			2,304
0	Exceptional item: Investment Impairment charge	2.1		1,488
2,107	Contribution of housing capital receipts to Government Pool	38.5		718
1,842Cr	Interest and investment income			2,444Cr
1,118Cr	Pensions interest cost and expected return on pensions assets	48		557
41,279	Net Operating Expenditure			123,863
11,506Cr	Demand on the Collection Fund			11,948Cr
2,173Cr	General Government Grants	10		1,671Cr
9,792Cr	Non-domestic rates redistribution			10,275Cr
17,808	Surplus (Cr)/Deficit for the Year			99,969

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.

2007/08 £000's	2008/09 £000's
17,808 Surplus (Cr) /Deficit for the year on the Income and Expenditure Account	99,969
17,514Cr Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	99,364Cr
294 Increase(Cr)/Decrease in General Fund Balance for the Year	605
4,192Cr General Fund Balance brought forward	3,898Cr
<u>3,898Cr</u> General Fund Balance carried forward	<u>3,293Cr</u>
3,898Cr Amount of General Fund Balance generally available for new expenditure	3,293Cr
<u>3,898Cr</u>	<u>3,293Cr</u>

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

2007/08 £000's	Note	2008/09 £000's
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
77Cr Amortisation of intangible fixed assets	17	74Cr
16,369Cr Depreciation and impairment of fixed assets	17	98,817Cr
0 Impairment of investments	38.4	1,148Cr
3,124Cr Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy		2,940Cr
399 Government Grants Deferred amortisation		430
4,040Cr Revenue expenditure funded from capital under statute.		1,633Cr
0 Net gain(Cr)/loss on sale of fixed assets		62
0 Capital receipts not from disposal of fixed assets		32
0 Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on early repayment of debt	38.4	300
3,992Cr Net charges made for retirement benefits in accordance with FRS 17	48	5,164Cr
27,203Cr		108,952Cr
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		
217 Minimum revenue provision for capital financing	16	362
3,358 Capital expenditure charged in-year to the General Fund Balance		6,126
2,107Cr Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	38.5	718Cr
7,435 Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	48	5,561
8,903		11,331
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		
1,574 Housing Revenue Account balance		2,396Cr
484 Voluntary revenue provision for capital financing	16	475
1,272Cr Net transfer to or from (Cr) earmarked reserves		178
786		1,743Cr
17,514Cr		99,364Cr
Net additional amount required to be credited to the General Fund balance for the year		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08 £000's	Note	2008/09 £000's
17,808	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	99,969
25,927Cr	Surplus(Cr)/Deficit arising on revaluation of fixed assets	635Cr
12,288Cr	Actuarial gains (Cr)/losses on pension fund assets and liabilities	30,408
1,297Cr	Revaluation gains (Cr)/losses on available-for-sale financial assets	1,294
Any other gains and losses required to be included:		
161Cr	Movement in Collection Fund Balance	437Cr
524	Re-measurement of Financial Instruments	0
21,341Cr	Total recognised gains(Cr)/losses for the year	130,599

BALANCE SHEET

31 March 2008 £000's		Note	31 March 2009 £000s
135	Fixed Assets		
	Intangible Fixed Assets	25	111
	Tangible Fixed Assets	17	
	Operationable Assets:		
428,430	Council Dwellings		348,841
49,420	Other Land & Buildings		43,417
1,263	Infrastructure		1,315
6,644	Community Assets		7,568
1,658	Vehicles, Plant, Equipment etc.		1,752
	Non Operational Assets:		
8,825	Investment Properties		8,825
0	Assets under Construction		0
49,417	Other		37,457
<u>545,792</u>	Total Fixed Assets		<u>449,286</u>
12,702	Long Term Investments	35	7,366
	External Lending: -		
15	to House Purchasers	27	12
<u>558,509</u>	TOTAL LONG TERM ASSETS		<u>456,664</u>
	Current Assets: -		
147	Work in Progress	28	27
267	Stocks	28	287
13,174	Debtors	29	14,556
25,783	Investments	35	25,285
355	Cash at Bank	49	0
839	Cash in Hand	49	734
	Less Current Liabilities: -		
17,634Cr	Creditors	30	15,425Cr
4,078Cr	Borrowing repayable within 12 months	35	11,108Cr
0	Cash Overdrawn	49	2,234Cr
<u>18,853</u>	NET CURRENT ASSETS		<u>12,122</u>
577,362	TOTAL NET ASSETS		468,786
	Long Term Borrowing	35	36,311Cr
44,950Cr	Government Grants Deferred	31	13,561Cr
13,441Cr	Revenue Provisions	37	1,524Cr
1,205Cr	Miscellaneous Accounts	44	117Cr
34	Other Grants/Contributions Deferred	32	5,307Cr
5,246Cr	Asset/Liability(Cr) relating to Pension Scheme	48	42,830Cr
12,819Cr			<u>369,136</u>
<u>499,735</u>			
5,216Cr	Specific Revenue Reserves	38.6	5,290Cr
13,211Cr	Revaluation Reserve	38.1	2,881Cr
1,297Cr	Available-for-sale Financial Instruments Reserve	38.3	3Cr
471,365Cr	Capital Adjustment Account	38.2	384,381Cr
12,438Cr	Usable Capital Receipts	38.5	13,797Cr
524	Financial Instruments Adjustment Account	38.4	1,372
13Cr	Deferred Capital Receipts	33	10Cr
12,819	Pensions Reserve	48	42,830
125Cr	Legacies	42	127Cr
	Revenue Balances: -		
3,898Cr	General Fund		3,293Cr
5,242Cr	Housing Revenue Account		2,845Cr
273Cr	Collection Fund Balance	41	711Cr
<u>499,735Cr</u>	TOTAL EQUITY	26	<u>369,136Cr</u>



Chief Financial Officer

Date: 25th September 2009

Ipswich Borough Council

CASH FLOW STATEMENT

Restated 2007/08 £000's		2008/09	
		£000's	£000's
	Revenue Activities		
	Expenditure		
34,060	Cash paid to & on behalf of employees	33,257	
39,803	Other Operating Costs	44,535	
19,739	Housing Benefits paid out	22,655	
46,578	Precepts paid (incl surplus/deficit adjustment)	49,025	
43,398	Payments to NNDR Pool	45,767	
2,856	Payments to Capital Receipts Pool	846	
	Income		
9,691Cr	Rents (after rebates)	10,590Cr	
49,348Cr	Council Tax receipts (incl Community Charge)	51,922Cr	
43,745Cr	Non Domestic rates receipts	46,936Cr	
9,792Cr	Receipts from NNDR Pool	10,275Cr	
1,643Cr	Revenue Support Grant	1,430Cr	
47,895Cr	DWP Grants for Benefits	48,975Cr	
4,078	Other Government Grants	5,258	
19,063Cr	Cash received for Goods & Services	21,012Cr	
10,599Cr	Other Revenue Cash receipts	8,723Cr	
1,264Cr	Net Cash Inflow(Cr)/Outflow from Revenue activities		1,480
	Dividends from Subsidiaries		
976Cr	Dividends Received		0
	Servicing of Finance		
	Expenditure		
3,517	Interest Paid	2,276	
	Income		
3,218Cr	Interest Received	2,289Cr	
299			13Cr
	Capital Activities		
	Expenditure		
14,469	Purchase of Fixed Assets	10,961	
753	Other Capital payments	673	
	Income		
21,380Cr	Sale of Fixed Assets	6,869Cr	
375Cr	Capital Grants received	253Cr	
5,061Cr	Other Capital Cash income	1,502Cr	
11,594Cr			3,010
	Acquisitions & Disposals		
0	Investments in subsidiary undertakings		0
13,535Cr	Net Cash Inflow(Cr)/Outflow before Financing Management of Liquid Resources		4,477
11,870	Net increase(Cr)/decrease in short-term deposits		3,391Cr
	Financing Expenditure		
23,820	Repayments of Amounts borrowed	23,072	
0	Capital elements of Finance Lease Rental Payments	0	
	Income		
119Cr	New Loans Raised	4,084Cr	
21,326Cr	New Short-term Loans	17,380Cr	
2,375			1,608
710	Increase(Cr)/Decrease in Cash		2,694

Notes to Income & Expenditure Account

1. Discontinued and Expanded Operations

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

2.1 Exceptional Items

Impairment of Investments

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

Bank	Heritable	Landsbanki	Landsbanki	Landsbanki
Date Invested	12/02/2007	05/11/2007	29/8/2008	2/9/2008
Maturity Date	10/12/2008	03/11/2008	28/8/2009	2/6/2009
Interest Rate	6.21%	6.18%	6.18%	6.09%
Amount Invested	£1,000,000	£1,000,000	£1,000,000	£2,000,000
Interest Credited in 2007/08	£18,885	£25,059	£0	£0
Interest Credited in 2008/09	£62,100	£126,380	£36,403	£70,410
Total Investment	£1,080,985	£1,151,439	£1,036,403	£2,070,410
Impairment	£324,413Cr	£310,583Cr	£285,482Cr	£567,376Cr
Carrying Amount	£756,572	£840,856	£750,921	£1,503,034

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

Date	Heritable	Landsbanki
	£	£
July 2009	169,533	
December 2009	105,104	
March 2010		899,342
July 2010	212,521	
December 2010		899,342
July 2011	202,010	
December 2011		899,342
July 2012	75,885	
December 2012		856,516
July 2013	75,780	

2.2 Prior Period Adjustments

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

No such adjustments have been identified during 2008/09, which affect the Income and Expenditure Account.

3. Trading Undertakings

3.1 The following table provides a summary of the turnover and surplus or deficit for each of the services originally established, in accordance with the Local Government, Planning and Land Act 1980 or the Local Government Act 1988. The accounts are no longer subject to the directions and regulations made under those Acts but much of the work of these services continues to be undertaken in a

competitive environment (i.e. the right to undertake work has been won in competition against other bidders for the work).

Summary of Accounts for Ipswich Borough Contracts 2008/09

	Income £000's	Expenditure £000's	Surplus (Cr) / Deficit £000's
Building Maintenance (Maintenance of Council Dwellings)	4,332Cr	3,996	336Cr
Highways and Sewerage (Highways Agency work)	3,181Cr	3,191	10
Totals	7,513Cr	7,187	326Cr

Accumulated Profits

	2007/08 £000's	2008/09 £000's
Balance 1 April	1,146Cr	30Cr
Surplus(Cr)/Deficit for year	130Cr	326Cr
	1,276Cr	356Cr
Transfer to I&E Summary	1,246	300
Balance 31 March	30Cr	56Cr

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

	2007/08	2008/09		
	Net Expenditure/ Income(Cr)	Income	Expenditure	Net Expenditure/ Income(Cr)
	£000's	£000's	£000's	£000's
Corporate Properties	833Cr	2,339Cr	4,907	2,568
Council Halls/Theatres	3,961	3,659Cr	7,725	4,066
Car Parks	5Cr	3,392Cr	3,391	1Cr
Crematorium	548Cr	1,273Cr	537	736Cr
Trade Refuse	16	1,335Cr	1,344	9
	2,591	11,998Cr	17,904	5,906

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: -

	2007/08	2008/09		
	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	833Cr	823Cr	3,391	2,568
Council Halls/Theatres	3,961	3,919	147	4,066
Car Parks	5Cr	53	54Cr	1Cr
Crematorium	548Cr	737Cr	1	736Cr
Trade Refuse	16	5Cr	14	9
	2,591	2,407	3,499	5,906

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 £472,000 in 2008/09 (£483,000 in 2007/08).
- 4.3 There were no mayoral appeals during 2008/09.

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 2008/09 and a comparison with the previous year, is set out below: -

	2007/08 £000's	2008/09 £000's
Staff Recruitment	93	128
General Advertising	301	399
Publicity & Information (including Ipswich Angle)	282	303
Tourist Information	191	182
Other Promotional Expenditure	15	20
	882	1,032

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 2008/09

	2007/08	2008/09		Total £000's
	Total £000's	Chargeable £000's	Non Chargeable £000's	
<u>Expenditure</u>				
Employee Expenses	477	290	207	497
Transport	17	9	7	16
Supplies & Services	79	80	30	110
Central & Support Service Charges	122	66	50	116
Capital Financing	17	17	0	17
Total Expenditure	712	462	294	756
<u>Income</u>				
Building Regulations Charges	437Cr	396Cr	0	396Cr
Miscellaneous Income	57Cr	18Cr	24Cr	42Cr
Total Income	494Cr	414Cr	24Cr	438Cr
Surplus(Cr)/Deficit for Year	218	48	270	318

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:

	2007/08 £000's	2008/09 £000's
Footway Maintenance	321	476
Carriageway Maintenance	1,804	1,795
Electrical Services	1,066	1,284
Other	418	460
Total Amount Reimbursable	3,609	4,015

8. Business Improvement District Schemes

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

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

The Council acts as agent for the Ipswich BID, collecting levies for the BID company from business ratepayers within the BID area. The Council pays the total amounts collected to the BID company. In 2008/09, the Council paid £505,000 (£503,000 in 2007/08) to Ipswich BID.

9. Local Authority (Goods and Services) Act 1970

The Council is empowered by the above act to provide goods and services to other public bodies. During 2008/09 Ipswich Borough Contracts provided services to a number of Housing Associations. Income from these services amounted to £68,000 (£54,000 in 2007/08) and the related expenditure was £33,000 (£37,000 in 2007/08). Streetcare Highways provided services to a number of lottery funded and minor projects. Income from these services amounted to £221,000 (£835,000 in 2007/08) and the related expenditure was £250,000 (£830,000 in 2007/08). In addition, the Council provided an internal audit service to Suffolk Coastal District Council. Income from this services amounted to £25,000 (£28,000 in 2007/08) and the related expenditure was £25,000 (£28,000 in 2007/08).

10. General Grants

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

	2007/08 £000's	2008/09 £000's
Area Based Grants:		
Climate Change	0	22Cr
Youth Taskforce	0	30Cr
	<hr/>	<hr/>
	0	52Cr
Other General Grants:		
Revenue Support Grant	1,643Cr	1,430Cr
LABGI	530Cr	189Cr
	<hr/>	<hr/>
	2,173Cr	1,671Cr

11. Councillor's Allowances

The total value of Councillors' allowance paid in the year was £266,956 (£255,679 in 2007/08). A detailed analysis of these payments is published in the June 2009 edition of "The Ipswich Angle".

12. Officer Emoluments

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

Range	2007/08	2008/09
£110,000 - £119,999	1	1
£100,000 - £109,999	0	0
£90,000 - £99,999	0	0
£80,000 - £89,999	1	1
£70,000 - £79,999	2	0
£60,000 - £69,999	4	3
£50,000 - £59,999	17	12

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

13. Related Parties

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

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

14. Audit and Inspection

In 2008/09, the Council incurred the following fees relating to external audit inspection:

	2007/08 £000's	2008/09 £000's
Fees paid to the Audit Commission with regard to external audit services carried out by the appointed auditor	149	164
Fees paid in respect of other services provided by the appointed auditor	15	2
Fees paid to the Audit Commission in respect of statutory inspection	6	6
Fees paid to the Audit Commission for the certification of grant claims and returns	40	48
TOTAL FEES	210	220

15. Financial Instruments Gains and Losses

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

	Financial Liabilities Liabilities measured at amortised cost £000's	Loans and Receivables £000's	Financial Assets Available for sale assets £000's	Fair Value through the I&E £000's	Total
Interest Expenses	2,304Cr	0	0	0	2,304Cr
Losses on derecognition	0	0	0	0	0
Impairment Losses	0	1,488Cr	0	0	1,488Cr
Interest payable and similar charges	2,304Cr	1,488Cr	0	0	3,792Cr
Interest Income	0	2,444	0	0	2,444
Gains on derecognition	0	0	0	0	0
Interest and Investment Income	0	2,444	0	0	2,444
Gains on revaluation	0	0	2	0	2
Losses on revaluation	0	0	1,296Cr	0	1,296Cr
Amounts recycled to the I & E Account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	1,294Cr	0	1,294Cr
Net gain/loss(cr) for the year	2,304Cr	956	1,294Cr	0	2,642Cr

Notes to Balance Sheet

16. Minimum Revenue Provision

Section 63 of the Local Government and Housing Act 1989 requires local authorities to set aside a minimum revenue provision (MRP) each year to provide for the repayment of external loans. Due to the effect of the Commutation Adjustment, there was a £362,000 provision for MRP in 2008/09 (£217,000 in 2007/08).

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

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

	2007/08 £000's	2008/09 £000's
Non-Housing value of MRP - 4% of Credit Ceiling (defined in Local Government and Housing Act 1989)	675	653
Effect of commuted sum payment (in 1992/93) in lieu of future grant reimbursements due in respect of pre 1990 Improvement Grant expenditure. This gives rise to losses which the Council is allowed to offset against MRP.	458Cr	291Cr
MRP charged to General Fund	217	362
Voluntary MRP charged to General Fund	484	454
Voluntary MRP charged to Housing Revenue Account	0	22
Total MRP	701	838
Amount charged to (non-housing) revenue accounts for depreciation	9,861Cr	9,946Cr
Difference - provision for loan repayment/depreciation	9,160Cr	9,108Cr

17. Fixed Assets

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

	Balance at 01/04/2008 £000's	Revaluations during year £000's	Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Gain/Loss(Cr) on Disposals £000's	Depreciation during year £000's	Balance at 31/03/09 £000's
Operational Assets								
Intangible Assets	135	0	0	50	0	0	74	111
Council Dwellings	428,430	83,830Cr	0	12,561	958	392	7,754	348,841
Other Land & Buildings	49,420	543	0	2,267	81	89Cr	8,643	43,417
Infrastructure	1,263	0	0	112	0	0	60	1,315
Community Assets	6,644	0	0	924	0	0	0	7,568
Vehicles, plant etc.	1,658	0	0	510	0	0	416	1,752
Non Operational Assets								
Investment Properties	8,825	0	0	0	0	0	0	8,825
Assets under Construction	0	0	0	0	0	0	0	0
Other	49,417	5,023Cr	0	6Cr	5,765	241Cr	925	37,457
Total	545,792	88,310Cr	0	16,418	6,804	62	17,872	449,286

18. Capital Expenditure and Financing

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

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

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

Capital Expenditure and Finance

	2007/08 £000's	2008/09 £000's
<u>Capital Expenditure</u>		
Intangible Assets	0	50
Operational Assets	15,344	16,374
Non-Operational Assets	2,206	6Cr
Revenue Expenditure Financed from Capital Under Statute	5,226	2,564
	22,776	18,982
<u>Capital Financing</u>		
Use of Credit Approvals	1,314	1,314
Borrowing	320	212
Government Grants	1,158	902
Major Repairs Allowance	5,073	4,985
Usable Capital Receipts	7,684	4,762
External Contributions	4,197	580
Revenue Contribution to Capital Outlay	3,030	6,227
	22,776	18,982

19. Revenue Expenditure Funded from Capital under Statute

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

	Balance at 01/04/08 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/09 £000's
Improvement Grants	0	698	0	698	0
Housing Association Grants	0	437	0	437	0
Other Capital Expenditure not creating a Fixed Asset	0	1,429	0	1,429	0
Total	0	2,564	0	2,564	0

20. Commitments Under Capital Contracts

Capital Commitments greater than £250,000 as at 31 March 2009

Scheme	Amount £000's	Period of Investment	Purpose of Investment
Affordable Housing	1,551	2 Years	To help fund Affordable Housing
Capitalised IT	562	1 Year	Development of IT systems
Capitalised Repairs	499	1 Year	Maintenance of stock
Carbon Reduction Initiative	300	1 Year	Reducing the Council's energy usage
Community Improvements	300	1 Year	Environmental Improvements
Crown Street Car Park	359	2 Years	Essential maintenance to prolong life
Empty Homes Strategy	483	1 Year	Bringing homes back into use
HRA Capital Programme	12,765	1 Year	Investment to help meet the Decent Homes Standard
Ravenswood Scheme	441	1 Year	To provide infrastructure on the Ravenswood Development
Corn Exchange Roof Repairs	417	1 Year	Maintenance
Museum - HEG Roof Refurbishment	332	1 Year	Maintenance
	18,009		

21. Tangible Fixed Assets Held

Tangible Fixed Assets include: -	31 March 2008 (No's)	31 March 2009 (No's)
Council Dwellings	8,221	8,202
Town Hall/Corn Exchange	1	1
Regent Theatre	1	1
Offices	4	4
Depots & Workshops	6	6
Off Street Car Parks	11	11
Swimming Pools	3	3
Sports Centres	4	4
Museums & Galleries	2	2
Parks & Recreation Grounds	496 Ha approx	496 Ha approx
Cemeteries	4	4
Crematorium	1	1
Factory Units	24	24
Other commercial property lettings	200 approx	200 approx

22. Leases

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

	2007/08		2008/09	
	£000's	£000's	£000's	£000's
Finance Leases:				
Misc Equipment		2		2
Operating Leases:				
Premises	830		885	
Transport	655		755	
IT Equipment	38		12	
Misc Equipment	155		125	
		1,678		1,777
		1,680		1,779

22.2 The value of assets held under finance leases, as at 31st March 2009 is detailed below:

	2007/08	2008/09
	Vehicles, Plant & Equipment £000's	Vehicles, Plant & Equipment £000's
Net Book Value at 1 April 2008	10	8
Additions during year	0	0
Depreciation	2Cr	1Cr
Net Book Value at 31 March 2009	8	7

The value of interest payments made in respect of Finance Leases during 2008/09 was £564.

22.3 The payments which the Council is committed to make during 2009/10 in respect of leases are analysed below:

Operating Leases	Land & Buildings	Vehicles, Plant & Equipment	Total
	£000's	£000's	£000's
Leases expiring in 2009/10	0	142	142
Leases expiring between 2010/11 & 2013/14	0	583	583
Leases expiring after 2013/14	885	28	913
	885	753	1,638

Finance Leases	Land & Buildings	Vehicles, Plant & Equipment	Total
	£000's	£000's	£000's
Leases expiring in 2009/10	0	0	0
Leases expiring between 2010/11 & 2013/14	0	1	1
Leases expiring after 2013/14	0	0	0
	0	1	1

23. Asset Valuation Information

The general principles associated with asset valuation, as part of the capital accounting regulations, are set out in *note 3* of the Statement of Accounting Policies on *page 9*. Revised Balance Sheet figures for fixed assets, with the exception of Council dwellings are based on values as at 1st April 2004. Council dwellings have been revalued on an Existing Use Value for Social Housing basis as at 31st March 2009, in accordance with the requirements of Resource Accounting for the Housing Revenue Account in 2008/09. The valuations were carried out under the direction of Mr David Mapus-Smith Bsc(Hons) MRICS FAAV AAPM, the Council's Operations Manager, Asset and Property Department. Asset values have been reviewed in compliance with FRS11 and the 2008 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. It was noted that there were impairments of £88.945M in 2008/09.

24. Depreciation

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

	Balance at 01/04/08 £000's	Depreciation during year £000's	Balance at 31/03/09 £000's	Useful Life (Years)
Intangible Fixed Assets	218	74	292	2 to 3
Tangible Fixed Assets				
Operational Assets				
Council Dwellings	52,505	7,754	60,259	10 to 60
Other Land & Buildings	40,310	8,643	48,953	3 to 40
Infrastructure	372	60	432	25 to 100
Community Assets	0	0	0	N/A
Vehicles, Plant, Equipment etc.	3,035	416	3,451	1 to 10
Non Operational Assets				
Investment Properties	0	0	0	
Assets under Construction	0	0	0	
Other	3,526	925	4,451	2 to 33
Total	99,966	17,872	117,838	

The Council has a policy of not depreciating land.

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

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

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

25. Intangible Assets

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

Development Expenditure

Goodwill

Other Intangible Assets, including software licences

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

26. Net Assets Employed

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

	31 March 2008 £000's	31 March 2009 £000's
General Fund	116,881Cr	65,569Cr
Housing Revenue Account	380,983Cr	301,280Cr
Trading Accounts	1,598Cr	1,576Cr
Collection Fund	273Cr	711Cr
Total Equity	499,735Cr	369,136Cr

27. External Lending

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

	Balance 31 March 2008 £000's	Additions during year £000's	Repayments during year £000's	Balance 31 March 2009 £000's
House Purchasers	15	0	3	12
Total	15	0	3	12

28. Stocks and Work-in-progress

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

	31 March 2008 £000's	31 March 2009 £000's
Work in Progress: -		
Rechargeable Works	147	27
	147	27
Stocks: -		
Ipswich Borough Contracts	124	146
Other Services	143	141
	267	287

29. Debtors

	31 March 2008 £000's	31 March 2009 £000's
Amounts falling due within one year: -		
Sundry Debtors	8,150	8,736
Council Tax	3,048	3,214
Business Rates	1,959	1,639
Housing Rents	774	651
Payments in Advance	1,270	1,515
Customs & Excise	855	910
Government Departments	269	1,423
Car Loans & Car Leasing to Employees	37	26
	16,362	18,114
Amounts falling due after one year: -		
Car Loans & Car Leasing to Employees	14	4
	16,376	18,118
Less Provision for Bad Debts: -		
Housing Rents	615Cr	396Cr
Sundry Debtors	654Cr	544Cr
Business Rates	376Cr	993Cr
Council Tax	1,557Cr	1,629Cr
	13,174	14,556

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

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

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

30. Creditors

	31 March 2008 £000's	31 March 2009 £000's
Sundry Creditors	7,098	7,784
Business Rates	536	1,134
Income in Advance	2,898	3,287
Agency Takings etc.	4,050	770
Council Tax	919	1,100
Housing Rents	892	826
Government Departments	993	520
Other Public Authorities	135	0
Inland Revenue	0	4
Revenue and Customs	113	0
	17,634	15,425

31. Government Grants Deferred

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

32. Other Grants/Contributions Deferred

The other grants/contributions balance is analysed as follows:

	2007/08 £000's	2008/09 £000's
Section 106 Contributions	4,551Cr	4,628Cr
Miscellaneous Contributions from Developers	59Cr	42Cr
Miscellaneous Grants	636Cr	637Cr
	5,246Cr	5,307Cr

33. Deferred Capital Receipts

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

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

Key Risks

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

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

Overall Procedures for Managing Risk

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

- The requirements of the Code of Practice were formally adopted by the Council in 2002;
- The Council approves annually in advance prudential indicators for the following three years limiting;
- The Council's overall borrowing, which was limited to £54m in 2008/09;
- Its maximum exposures to fixed and variable rates which were 100% for fixed rates and 50% for variable rates in 2008/09;
- Its maximum and minimum exposures for the maturity structure of its debt which is shown below;

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

- Its maximum annual exposure to investments maturing beyond a year which was set at £15m for 2008/09.

- o An annual investment strategy was approved for 2008/09 which set out the criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These were reported and approved at Full Council on 27 February 2008 for 2008/09. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Councillors.

A further report was taken to Executive on 28 October 2008 and Executive approved that any further investments during 2008/09 should only be made in top rated UK banks.

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Fitch) gives details of global corporate finance average cumulative default rates on investments out to 5 years.

	Amount at 31 March 2009 £000's	Historical experience of default %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000's
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions	(a)	(b)	(c)	(a * c)
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	6,000	0.06%	0.06%	4
A rated counterparties	3,000	0.65%	0.65%	20
Other counterparties	23,000	0.65%	4.99%	1,148
Trade debtors	<u>18,118</u>	3.29%	3.29%	<u>596</u>
Total	<u>50,118</u>			<u>1,768</u>

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

Bank	Amount	Interest Rate	Date taken out	Date Matures
Heritable Bank	1,000,000	6.21%	12/02/2007	10/12/2008
Landsbanki	1,000,000	6.18%	05/11/2007	03/11/2008
Landsbanki	1,000,000	6.18%	29/08/2008	28/08/2009
Landsbanki	2,000,000	6.09%	02/09/2008	02/06/2009

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

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

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. Subsequently, a payment of 16.13p in the £ was received in July 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 16.13%, December 2009 – 10%, July 2010 – 20.22%, July 2011 – 19.22%, July 2012 – 7.22%, July 2013 – 7.21%

Recoveries are expressed as a percentage of the authority's claim in the administration,

which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest available information as per LAAP bulletin 82 update 1 estimates that 83p in the £ could be recovered. The authority has taken this advice and assumed recovery at 83% by 2012. The authority has therefore decided to recognise an impairment based on it recovering 83p in the £.

Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Landsbanki to enjoy rights in New Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to one third of its liabilities, assuming that the Bond remains at its current value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 33p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetables for Heritable and KS&F as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 22 April 2009.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, as £1,487,853 has been calculated by discounting the assumed cash flows at the effective

interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

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

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £1,148,616 has been transferred to the Financial Instruments Adjustment Account. The balance of £339,237 relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

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

During 2008/09 the Council also used non credit rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

The Council does not generally allow credit for its trade debtors, such that £16.602m of the £18.118m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2008 £000's	31 March 2009 £000's
Less than three months	10,382	10,756
Three to six months	842	895
Six months to one year	1,335	1,546
More than one year	2,791	3,405
Total	15,350	16,602

To offset the debtors outstanding the Council does have £3.562m of provisions.

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

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of financial liabilities is as follows:

	31 March 2008 £000's	31 March 2009 £000's
Less than one year	4,078	11,108
Between one and two years	713	710
Between two and five years	3,384	2,657
Between five and ten years	2,079	1,095
Between ten and twenty years	0	5,000
More than twenty years	38,774	26,849
Total	49,028	47,419

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

	31 March 2008 £000's	31 March 2009 £000's
Less than one year	25,928	25,286
Between one and two years	2,168	974
Between two and three years	6,830	965
More than three years	2,089	5,106
Total	37,015	32,331

All trade and other payables (£18.118m) are due to be paid in less than one year and are not shown in the table above.

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

The Council did have the authority to invest in gilts during 2008/09, but due to the fluctuations in price did not undertake any investments as principal sums could have been reduced.

Due to the economic climate, the Council reduced its borrowings and investments during 2008/09 therefore reducing the risk that counterparties would not repay investments when they were due.

All investments undertaken during 2008/09 met the Council's criteria when the investment was made, in terms of the counterparty with whom the investment was made and was within the limit for that counterparty. As at 31 March 2009 the Council held investments, based on the carrying value in the balance sheet, with institutions domiciled in the following countries.

Country	Amount as at 31/3/2009 (£000's)
United Kingdom	17,945
Belgium	2,107
Ireland	8,427
Iceland	3,852
Total	32,331

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

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

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

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

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

All of the Council's borrowing and investments held during 2008/09 were at fixed interest rates. Investment income in the Council's instant access accounts suffered in the latter part of 2008/09 due to base rates reducing from 5% to 0.5% between October 2008 and March 2009. However, temporary borrowing costs in the latter part of the year were lower than expected.

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

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

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

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

35. Financial Instruments Balances

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

	Long Term		Short Term	
	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's
Financial liabilities at cost	44,831	36,193	4,072	11,023
Accrued Interest on Financial Liabilities	119	118	6	85
Financial liabilities at fair value through the I&E	0	0	0	0
Total Borrowings	44,950	36,311	4,078	11,108
Loans and Receivables	10,000	6,822	25,000	24,030
Accrued Interest on Loans and Receivables	1,087	224	783	1,255
Available for sale financial assets	1,615	320	0	0
Financial assets at fair value through the I&E	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total Investments	12,702	7,366	25,783	25,285

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

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

	31 March 2008		31 March 2009	
	Carrying Amount £000's	Fair Value £000's	Carrying Amount £000's	Fair Value £000's
PWLB Debt	36,478	41,394	32,990	38,114
Non-PWLB Debt	12,550	14,087	14,429	15,537
Total Debt	49,028	55,481	47,419	53,651
Creditors arising through contract	14,659	14,659	12,776	12,776
Total Financial Liabilities	63,687	70,140	60,195	66,427
Money Market loans < 1 year	25,783	25,783	25,285	25,409
Money Market loans > 1 year	11,087	11,130	7,046	7,896
Long Term Investments	1,615	1,615	320	320
Debtors arising through contract	7,730	7,730	8,773	8,773
Total Loans and Receivables	46,215	46,258	41,424	42,398

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

The differences on total loans and receivables is attributable to fixed interest instruments payable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2009. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for financial liabilities have been determined by reference to PWLB

redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair value for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

37. Provisions

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

	Balance 31 March 2008 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2009 £000's
Insurance	1,205Cr	658Cr	339	1,524Cr
Total	1,205Cr	658Cr	339	1,524Cr

The Insurance Provision at 31st March 2009 represents funds set aside for the purpose of providing for liabilities, which are likely or certain to be incurred but are uncertain as to the amount or the date on which they will arise. Insurance claims are met by an insurance fund operated by the Council. Insurance premiums are paid into the fund from the revenue account by services requiring insurance cover. Insurance claims less than the policy excesses, and policy excesses, are then met from the Insurance Fund. Risks covered by the fund include: Employers Liability; Third Party Claims; Property; Motor Vehicles; Terrorism and Officials Indemnity within agreed excess levels.

38. Reserves

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

Summary Statement of Movements on Reserves

Reserve	Balance 1 April 2008	Net Movement in Year	Balance 31 March 2009	Purpose of Reserve	Further Detail of Movements
	£000's	£000's	£000's		
Revaluation Reserve	13,211Cr	10,330	2,881Cr	Records unrealised revaluation gains arising from holding fixed assets	38.1 below
Capital Adjustment Account	471,365Cr	86,984	384,381Cr	Provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls system	38.2 below
Available-for-sale Financial Instruments Reserve	1,297Cr	1,294	3Cr	Records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets	38.3 below
Financial Instruments Adjustment Account	524	848	1,372	Provides a balancing mechanism between the different rates at which gains and losses are recognised under the SORP and are required by statute to be met from the General Fund	38.4 below
Usable Capital Receipts	12,438Cr	1,359Cr	13,797Cr	Proceeds of fixed asset sales available to meet future capital investment	38.5 below
Pensions Reserve	12,819	30,011	42,830	Balancing Account to allow inclusion of Pensions Liability in the Balance Sheet	Note 48 to the Core Financial Statements, pages 57-61
Housing Revenue Account	5,241Cr	2,396	2,845Cr	Resources available to meet future running costs for council houses.	HRA statements, page 65
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in council housing	Note 10 to the HRA statements, page 71
General Fund	3,898Cr	605	3,293Cr	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 19
Legacies	125Cr	2Cr	127Cr	Resources invested to provide a yearly income for the purchase of Museum items.	Note 42 to the Core Financial Statements, page 55
Other Reserves	5,216Cr	74Cr	5,290Cr	Earmarked reserves that are set aside for specific policy purposes	38.6 below and note to the HRA statements, pages 68 & 69

38.1 Revaluation Reserve

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

The Reserve is also debited with amounts equal to the part of depreciation charges on assets that has been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital

Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost.

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

The fund movements were:

	2007/08 £000's	2008/09 £000's
Brought Forward at 1 April	0	13,211Cr
Disposals written out	12,708	4,883
Depreciation	0	58
Revaluation adjustments	25,919Cr	5,389
Balance 31 March	13,211Cr	2,881Cr

38.2 Capital Adjustment Account

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

Movements on the fund:	2007/08 £000's	2008/09 £000's
Balance at 1 April	491,656Cr	471,365Cr
Net Adjustment of MRP/Depreciation	15,695	13,194
Disposals	8,490	1,858
Expenditure on fixed assets financed from Revenue	3,030Cr	6,227Cr
Revaluation Adjustment	6,585	82,921
Long term Debtors written down	235	0
Expenditure on fixed assets financed from Usable Capital Receipts	7,684Cr	4,762Cr
Balance at 31 March	471,365Cr	384,381Cr

38.3 Available-for-sale Financial Instruments Reserve

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

	Balance 31 March 2008 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2009 £000's
Gilts	1Cr	0	2Cr	3Cr
Ipswich Buses Shares	1,296Cr	0	1,296	0
Total	1,297Cr	0	1,294	3Cr

38.4 Financial Instruments Adjustment Account

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

	Balance 31 March 2008 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2009 £000's
Debt Rescheduling - Premiums Incurred	685	0	114Cr	571
Debt Rescheduling - Discounts Incurred	161Cr	221Cr	35	347Cr
Impairment of Investments	0	1,148	0	1,148
Total	524	927	79Cr	1,372

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

Bank	Amount
	£
Heritable	243,428
Landsbanki	905,189

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until

such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the Financial Instruments Adjustment Account:

Bank	Balance on FIAA as at 31/03/09	Transfers during 2009/10	Transfers during 2010/11	Balance on FIAA as at 31/03/11
	£	£	£	£
Heritable	243,428	-39,556	-203,872	0
Landsbanki	905,189	-195,339	-709,850	0

38.5 Usable Capital Receipts Reserve

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

	2007/08 £000's	2008/09 £000's
Balance of Usable Capital Receipts at 1 April	1,014Cr	12,438Cr
Received in the year	19,107Cr	6,121Cr
Applied or voluntary set aside in the year	7,683	4,762
Balance of Usable Capital Receipts at 31 March	12,438Cr	13,797Cr

38.6 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 2008 £000's	Appropriations £000's	Applications £000's	Balance 31 March 2009 £000's
Transport Realisation Account	252Cr	0	0	252Cr
Trading Account Profits	30Cr	326Cr	300	56Cr
Insurance	1,467Cr	0	432	1,035Cr
HRA Capital Financing	345Cr	6,126Cr	6,227	244Cr
Repairs & Renewal	1,947Cr	821Cr	636	2,132Cr
Miscellaneous	1,175Cr	453Cr	57	1,571Cr
Total	5,216Cr	7,726Cr	7,652	5,290Cr

Trading Account Profits are a summary of income earned and payments made by Ipswich Borough Contracts and the Grounds Maintenance Contractor during 2008/09. Sums transferred out are used to assist in financing net expenditure on services, included in the Income and Expenditure Account.

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

39. Authorisation of Accounts for Issue

The accounts were authorised for issue by Ian Blofield, Head of Finance, on 25th September 2009, being the date up to which all events have been considered.

40. Post Balance Sheet Events

No post balance sheet events have been identified which would materially affect the Statement of Accounts for 2008/09.

41. Collection Fund Balance

The balance on this account represents amounts owed to, or by, precepting authorities, including Ipswich Borough Council, on behalf of their local taxpayers. Further details can be found on *pages 73 to 75*.

42. Legacies – Felix Cobbold and Jennings Bequest

These are invested to provide a yearly income for the purchase of museum items. The balances for 2008/09 are included in the Council's investments in the sum of £126,759 (£124,999 in 2007/08).

43. Trust Funds

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

Ipswich Town Trust – set up to provide grants to local charities. This has a balance of £7,888 as at 31 May 2009 (£7,360 as at 31 May 2008).

Mayor of Ipswich Relief Fund – set up to provide assistance in the event of an emergency. This has a balance of £3,872 as at 31 March 2009 (£3,711 as at 31 March 2008).

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

There are no liabilities.

44. Miscellaneous Accounts

The miscellaneous accounts balance is analysed as follows: -

	2007/08 £000's	2008/09 £000's
Debtors/Creditors(net) which relate to Trading Accounts,		
Works in progress for internal (I.e. Ipswich Borough Council) clients	10	0
Miscellaneous	24	117Cr
	34	117Cr

45. Prior Period Adjustments

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

In 2007/08 Deferred Charges were included in the Capital Activities section of the Cash Flow statement. From 2008/09, as Revenue Expenditure Funded from Capital under Statute (known as 'Deferred Charges' in 2007/08) is included in the Income and Expenditure Account, it is now included in the Revenue Activities section of the Cash Flow statement, along with any grants credited to the revenue account. This amounts to a change in accounting policy, and therefore the Cash Flow Statement and relevant note for 2007/08 has been restated, as follows:

Cash Flow Statement

Revenue Activities - Other Operating Cash Payments £3,640,000

Capital Activities - Purchase of Fixed Assets £3,640,000cr

adjusting the Net Cash Flow from Revenue Activities from £4,904,000cr to £1,264,000cr

Note 50: Reconciliation of Surplus to Net Cash Flow

New line introduced "Revenue Expenditure Funded from Capital Under Statute"
£3,640,000

46. Financial Relationships with Companies

The Council's only related company is Ipswich Buses Limited. At 28th March 2009, all the allotted called up ordinary share capital of the Company was owned by the Council. The Council therefore has a controlling influence.

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

47. Contingent Liabilities

Concessionary Fares

The bus operator “Stagecoach” sought a judicial review last year against the Secretary of State, which is still outstanding. Their claim disputes the dismissal of the challenge to the methodology of calculating payments to bus operators, by the Suffolk Countywide Concessionary Fares Scheme. This challenge is based upon the legality of including a “generation” factor in calculations. The potential impact of a successful review would add in excess of £500,000 in each year to the payments Ipswich Borough Council would need to make to Stagecoach under the Concessionary Fares Scheme from 2007/08 onwards –

the potential for a successful appeal is judged unlikely.

Back Pay

The Council is aware of the possibility that Equal Pay claims may be lodged against it. It is not possible to estimate the cost of any such claim, however, the Council is currently finalising an Equal Pay Audit on its current pay system and believes that there is a low risk of any claim being successful. It is believed that this risk further diminishes when the new grading, pay and terms and conditions of service are implemented. Currently this is planned for 1st April 2010.

48. Pensions

Participation in pensions schemes

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

Pensions and other benefits are available to all full time Council employees under the requirements of statutory regulations. In certain circumstances, the regulations extend to cover part-time employees. The Local Government Pension Scheme is a funded defined benefit final salary scheme. The cost of pensions and other benefits is provided from the Pension No. 1 Fund, other than the cost arising from the award of added years under the Local Government (Compensation for Premature Retirement Regulations) 1982. Suffolk County Council in accordance with the Local Government Pension Regulations, 1997 as amended, administers the Fund. The Fund's Actuary determined the Council's contribution to the Fund for 2008/09. The contribution rate remained at 24.8% of pay to address the Pension Fund deficit over 15 years.

The actuarial value of the fund's liabilities as at 31st March 2009, in accordance with Financial Reporting Standard (FRS) 17, was completed in May 2009 by Hymans Robertson, who are an independent firm of actuaries.

Change of accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from £114.183m to £113.446m, a decrease of £0.737m, resulting in an increase in the pension deficit of £0.737m.

Transactions relating to retirement benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/08 £000's	Local Government Pension Scheme	2008/09 £000's
	Income and Expenditure Account	
	<i>Net Cost of Services:</i>	
4,219Cr	- Current Service Cost	2,987Cr
11Cr	- Past Service Cost	1,434Cr
880Cr	- Settlements & Curtailments	186Cr
	<i>Net Operating Expenditure:</i>	
9,926Cr	- Interest Cost	11,047Cr
11,044	- Expected Return on Scheme Assets	10,490
3,992Cr	<i>Net Charge to the Income and Expenditure Account</i>	5,164Cr
	<i>Statement of Movement on the General Fund Balance:</i>	
	- Reversal of Net Charges made for retirement benefits in accordance with FRS 17	
3,992		5,164
	<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
7,435Cr	- Employers' Contributions payable to scheme	5,561Cr

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £30,408,000Cr (£12,288,000 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £29,603,000Cr.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2007/08 £000's	Funded Liabilities: Local Government Pension Scheme	2008/09 £000's
183,684Cr	1 April	160,359Cr
4,219Cr	Current service cost	2,987Cr
9,926Cr	Interest cost	11,047Cr
1,303Cr	Contributions by scheme participants	1,447Cr
33,524	Actuarial gains/losses(Cr)	14,605
6,140	Benefits paid	6,578
11Cr	Past service cost	1,434Cr
880Cr	Impact of settlements & curtailments	186Cr
160,359Cr	31 March	156,277Cr

Reconciliation of fair value of the scheme assets:

2007/08 £000's	Local Government Pension Scheme	2008/09 £000's
155,133	1 April	147,539
11,044	Expected rate of return	10,490
21,236Cr	Actuarial gains/losses(Cr)	45,013Cr
7,435	Employer contributions	5,561
1,303	Contributions by scheme participants	1,447
6,140Cr	Benefits paid	6,578Cr
147,539	31 March	113,446

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

The actual return on scheme assets in the year was £33,953,000 (2007/08: £5,493,000).

Scheme history

	Year to 31 Mar 2005	Year to 31 Mar 2006	Year to 31 Mar 2007	Year to 31 Mar 2008	Year to 31 Mar 2009
Local Government Pension Scheme	£000's	£000's	£000's	£000's	£000's
Total Present Value of Liabilities	153,348Cr	183,948Cr	183,684Cr	160,359Cr	156,276Cr
Fair Value of Assets	109,807	142,061	155,133	147,539	113,446
Surplus/deficit(Cr) in the scheme:	43,541Cr	41,887Cr	28,551Cr	12,820Cr	42,830Cr

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £5,528,000.

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: -

2007/08	Local Government Pension Scheme	2008/09
	Long-term expected rate of return on assets in the scheme:	
7.7%	Equity Investments	7.0%
5.7%	Bonds	5.6%
5.7%	Property	4.9%
4.8%	Cash	4.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners:	
n/a	Men	19.6 years
n/a	Women	22.5 years
	Longevity at 65 for future pensioners:	
n/a	Men	20.7 years
n/a	Women	23.6 years
3.6%	Rate of inflation	3.1%
5.1%	Rate of increase in salaries	4.6%
3.6%	Rate of increase in pensions	3.1%
6.9%	Rate for discounting scheme liabilities	6.9%
7.1%	Expected return on assets	6.4%
25%	Take up option to convert annual pension into retirement lump sum	25%

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

31 March 2008 % of assets	Assets Whole Fund	31 March 2009 % of assets
69	Equities	67
19	Bonds	21
11	Property	9
1	Cash	3
100	Estimated Assets	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	Year to 31 Mar 2005	Year to 31 Mar 2006	Year to 31 Mar 2007	Year to 31 Mar 2008	Year to 31 Mar 2009
Local Government Pension Scheme	%	%	%	%	%
Differences between the expected and actual return on assets	3.6	15.0	0.9	-11.2	-39.2
Experience gains and losses(-) on liabilities	-2.5	0.0	0.0	4.0	0.0

Note 1

The Actuary estimates that this liability comprises of approximately £72,386,400, £15,664,500 and £68,225,200 in respect of employee members, deferred pensioners and pensioners respectively as at 31st March 2009. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

Note 2

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension between 37.5% and 50% of the member's pension as at the date of the member's death (spouses pensions as a proportion of members pension is now dependent on the members pre and post April 2008 service).

The liabilities as at 31 March 2009 are based on the current benefit structure of the LGPS. The liabilities include an allowance in respect of retrospective changes to member benefits that came into effect on 1 April 2008 as follows:

- £1,024,000 in respect of the extension of the death grant upon death after retirement to 10 times the pension less the total pension payments already paid; and
- £346,000 in respect of the extension of the eligibility criteria for dependants' pensions upon death to include a nominated cohabitee.

The effect of these changes come through as a past service cost item in the revenue account.

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

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

Notes to Cash Flow Statement

49. Increase/Decrease in Cash and Cash Equivalents

	Balance 31 March 2008 £000's	Balance 31 March 2009 £000's	Movement in the Year £000's
Bank in hand/overdraft (cr)	355	2,234Cr	2,589Cr
Cash in Hand	839	734	105Cr
	1,194	1,500Cr	2,694Cr

50. Reconciliation of Surplus to Net Cash Flow

	2007/08 £000's Restated	2008/09 £000's
Surplus(Cr)/Deficit on Income and Expenditure Account	17,808	99,969
Adjustment for Statutory and Non-Statutory proper Practice	17,514Cr	99,364Cr
Surplus(Cr)/Deficit for year per Collection Fund	161Cr	437Cr
Net Surplus(Cr)/Deficit	133	168
<u>Add back non-cash transactions</u>		
Net movements in reserves, provisions and non I&E accounts	247Cr	2,015
Minimum revenue provisions	701Cr	838Cr
Transfer to Major Repairs Reserve	5,073Cr	4,985Cr
Transfer to Usable Capital Receipts	2,856	846
Direct revenue financing	3,358Cr	6,126Cr
Charges to Capital	4,278	6,604
Interest Accrual	1,745Cr	0
Revenue Expenditure Funded from Capital under Statute	3,640	1,203
Other non-cash transactions (net)	579Cr	427Cr
<u>Items on an accrual basis</u>		
Increase/Decrease(Cr) in Stocks & Work in Progress	4Cr	100Cr
Increase/Decrease(Cr) Debtors	1,532Cr	1,511
Increase(Cr)/Decrease Creditors	1,367	1,596
<u>Items in another classification in the Cash Flow Statement</u>		
Less investment income	3,218	2,289
Plus interest paid	3,517Cr	2,276Cr
Net Cash Flow from revenue activities	1,264Cr	1,480

51. Analysis of Government Grants Received

	Awarding Body	2007/08 £000's	2008/09 £000's
Revenue Support Grant	DCLG	1,643Cr	1,430Cr
DWP Grants for Benefits	DWP	47,895Cr	48,975Cr
Housing Subsidy	DCLG	4,573	6,287
Area Based Grants	DCLG	0	53Cr
Capital Grants	DCLG	375Cr	253Cr
Homelessness Grant	DCLG	103Cr	113Cr
Planning Delivery	DCLG	212Cr	325Cr
LABGI	DCLG	180Cr	539Cr
		45,835Cr	45,401Cr

DCLG – Department of Communities and Local Government

DWP – Department for Work and Pensions

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

	Balance 31 March 2008 £000's	Balance 31 March 2009 £000's	Movement in the Year £000's
<u>From Balance Sheet</u>			
Investments	36,870	32,331	4,539Cr
Loans Repayable < 12 months	4,078Cr	11,108Cr	7,030Cr
Long Term Loans Outstanding	44,950Cr	36,311Cr	8,639
			<u>2,930Cr</u>
Non-cash items excluded from Cash Flow Statement			<u>1,148</u>
			<u>1,782Cr</u>
<u>From Cashflow Statement</u>			
Management of Liquid Resources			3,391Cr
Financing			<u>1,609</u>
			<u>1,782Cr</u>

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

	Balance 31 March 2008 £000's	Cash flows £000's	Other Changes £000's	Balance 31 March 2009 £000's
Changes in Net Debt				
Bank in hand / overdrawn (Cr)	355	2,589Cr	0	2,234Cr
Cash in Hand	839	105Cr	0	734
Debts due within 1 year	4,078Cr	1,308Cr	5,722Cr	11,108Cr
Debts due after 1 year	44,950Cr	2,917	5,722	36,311Cr
Non-cash items adj	114	0	1,148	1,262
Short Term Deposits	36,870	4,539Cr	0	32,331
	10,850Cr	5,624Cr	1,148	15,326Cr

From Cashflow Statement

Increase/Decrease(Cr) in Cash	2,694Cr
Cash used to repay/raise(Cr) loans	1,609
Cash used to increase/decrease(Cr) liquid resources	3,391Cr
Change in Net Debt	4,476Cr
Net Debt at 1 April 2008	10,850Cr
Net Debt at 31 March 2009	15,326Cr

HRA INCOME AND EXPENDITURE ACCOUNT

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

	Note	2007/08 £000s	2008/09 £000s
INCOME			
Gross Rent Income - Domestic	1&2	25,068Cr	26,486Cr
- Commercial		830Cr	861Cr
Charges for Services & Facilities		639Cr	647Cr
Contributions from General Fund		169Cr	173Cr
Total Income		26,706Cr	28,167Cr
EXPENDITURE			
Repairs & Maintenance		5,647	5,762
Supervision & Management		4,882	5,399
Rents, Rates & Taxes		94	130
Housing Revenue Account Subsidy	3	4,567	6,332
Depreciation of Fixed Assets	7	8,781	91,847
Debt Management Costs		49	57
Provision for Bad Debts		135	0
Total Expenditure		24,155	109,527
Net Cost of HRA Services per I&E Account		2,551Cr	81,360
HRA services share of Corporate & Democratic Core		108	110
HRA services share of Unallocated Overheads		15	16
Net Cost of HRA Services		2,428Cr	81,486
Gains(Cr)/Loss on sale of HRA Fixed Assets		0	473
Interest Payable and Similar Charges		1,661	1,698
HRA Investment Income		246Cr	139Cr
Surplus(Cr)/Deficit for Year on HRA Services		1,013Cr	83,518

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2007/08 £000s	2008/09 £000s
Surplus(Cr)/Deficit for year on HRA Services	1,013Cr	83,518
Net Additional amount required by statute to be debited/credited to the HRA	561Cr	81,122Cr
Increase(Cr)/Decrease in HRA Balance	1,574Cr	2,396
HRA Account Balance brought forward	3,667Cr	5,241Cr
HRA Account Balance carried forward	5,241Cr	2,845Cr

RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2007/08 £000's		2008/09 £000's
	Items included in the HRA Income and Expenditure Account but excluded from the Movement on HRA Balance for the year	
83	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	81
0	Gain or loss on sale of HRA fixed assets	473Cr
292Cr	Net charges made for retirement benefits in accordance with FRS17	15Cr
209Cr		407Cr
	Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balance for the year	
3,709Cr	Transfer to/from(Cr) Major Repairs Reserve	86,862Cr
0	Voluntary set aside for debt repayment	21
3,357	Capital expenditure funded by the HRA	6,126
352Cr		80,715Cr
561Cr	Net additional amount required by statute to be debited/credited(Cr) to the HRA balance for the year	81,122Cr

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, 0.50% of lettable properties were vacant (0.53% in 2007/08). Typical rents were £61.59 per week in 2008/09 representing an increase of £3.79 or 6.56% over the previous year.

2. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 58% of the rents collected are made up of benefits paid to tenants (58% in 2007/08)

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: -

	2007/08 £000's	2008/09 £000's
Rental Constraint Allowance	348Cr	0
Management & Maintenance	12,322Cr	12,406Cr
Major Repairs Allowance	5,073Cr	4,985Cr
Charges on Capital	2,455Cr	2,378Cr
Interest on Receipts	1	1
Guideline Rent Income	24,782	25,946
HRA Subsidy Claimed	4,585	6,178
Previous Year Adjustments		
Rental Constraint Allowance	1Cr	72
Housing Element	17Cr	82
HRA Subsidy Receivable(Cr)/Payable	4,567	6,332

4. Housing Stock

The Council was responsible for managing an average of 8,211 dwellings, excluding temporary accommodation, during 2008/09 (8,240 dwellings in 2007/08).

The average stock was made up as follows: -

	2007/08	2008/09
Houses/Bungalows	5,011	4,992
Flats	3,229	3,219
	8,240	8,211

The change in stock can be summarised as follows: -

	2007/08	2008/09
Stock at 1 April	8,260	8,221
Less: Sales/Demolitions etc.	41	20
Add: New Buildings/Acquisitions	2	1
Stock at 31 March	8,221	8,202

5. Rent Arrears

- 5.1 During the year, 2008/09 rent arrears as a proportion of gross rent income have decreased from 2.73% of the amount due to 2.26%.

	2007/08	2008/09
Arrears at 31 March	714	611

Amounts written off during the year amounted to £206,922.

- 5.2 The Housing Revenue Account made no contribution to the provision for bad debts account in 2008/09, and the aggregate provision for uncollectible debts, as at 31st March 2009 amounted to £396,158 (see note 29 on page 38).

6. Reserves

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

- 6.1 The balance on the Repairs Reserve as at 31st March 2009 was £1,000,000. This forms part of the Repairs and Renewals Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.2 The balance on the Sheltered Scheme Energy Reserve at 31st March 2009 was £102,612 and forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.3 A contribution of £19,892 was made to the Housing Revenue Account from the IT Development Reserve in 2008/09. The balance on the IT Development Reserve as at 31st March 2009 was £98,501. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.4 The balance on the Supporting People (Hostels) Reserve as at 31st March 2009 was £331,366. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.5 A contribution of £36,882 was made to the Housing Revenue Account from the Supporting People Sheltered Reserve in 2008/09. The balance on the Supporting People Sheltered Reserve as at 31st March 2009 was £339,438. This forms part of

the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.

- 6.6 A contribution of £23,760 was made from the Housing Revenue Account, to the Ipswich Standard Reserve in 2008/09. The balance on the Ipswich Standard Reserve as at 31st March 2009 was £81,760. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.7 The balance on the Community Caretakers Reserve as at 31st March 2009 was £41,543. This forms part of the Miscellaneous Reserve included in *note 38.6* to the Balance Sheet on *page 53*.
- 6.8 The pensions liability is balanced by a pension reserve of the same value, which reflects the fact that the Council is not required to raise housing rents to cover the liability. Further information can be found in *note 14* to the Statement of Accounting Policies on *pages 12 & 13*.
- 6.9 A contribution of £17,927 was made from the Insurance Reserve to the Housing Revenue Account.

7. HRA Fixed Assets

	Balance at 01/04/2008 £000's	Revaluations during year £000's	Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Gains/Losses on Disposal £000's	Depreciation during year £000's	Balance at 31/03/09 £000's
Operational Assets								
Council Dwellings	428,430	83,830Cr	0	12,561	958	392	7,754	348,841
Other land & buildings	1,567	108	0	0	81	81	31	1,644
Community Assets	55	0	0	0	0	0	0	55
Vehicles, Plant, Equipment Etc	172	0	0	0	0	0	31	141
Non Operational Assets	8,723	0	0	72	0	0	109	8,686
Total	438,947	83,722Cr	0	12,633	1,039	473	7,925	359,367

	Balance at 01/04/2008 £000's	Revaluations during year £000's	Restatements during year £000's	Additions during year £000's	Disposals during year £000's	Gains/Losses on Disposal £000's	Depreciation during year £000's	Balance at 31/03/09 £000's
Houses	429,683	83,743Cr	0	12,561	958	392	7,775	350,160
Land	4,263	21	0	0	81	81	0	4,284
Other Property	5,001	0	0	72	0	0	150	4,923
Total	438,947	83,722Cr	0	12,633	1,039	473	7,925	359,367

The revaluation of the housing stock as at 31 March 2009, in line with accounting regulations, has resulted in an impairment loss, due to the economic conditions in the housing market.

The total capital receipts generated during the year was:

	2007/08 £000's	2008/09 £000's
Land	375	81
Council Houses	2,785	895
Other Property	416	0
	3,576	976
Excluded Discounts Repaid and Housing Advances	69	66
Total	3,645	1,042

The Council dwellings included in the Balance Sheet on *page 22* are shown at Existing Use Social Housing Value, which represents 46% of their market value. Their vacant possession value as at 31st March 2009 is £722,606,152. This represents the economic cost to government of providing council housing at less than open market rents.

	31 March 2008	31 March 2009
Analysis of Dwellings in the HRA: -		
Houses/Bungalows	5,001	4,985
Flats	2,666	2,663
Sheltered Housing Units	554	554
Total	8,221	8,202

8. Housing Revenue Account Capital Expenditure and Financing

	2007/08 £000's	2008/09 £000's
<u>EXPENDITURE</u>		
Housing Revenue Account Services - Housing	9,564	12,633
TOTAL	9,564	12,633
<u>FINANCING</u>		
Usable Capital Receipts	110Cr	0
External Contributions	55Cr	107Cr
Major Repairs Reserve	5,073Cr	4,985Cr
Credit Approvals	1,314Cr	1,314Cr
Revenue Contributions to Capital Outlay	3,012Cr	6,227Cr
TOTAL	9,564 Cr	12,633 Cr

9. HRA Revenue Expenditure Funded from Capital under Statute

DESCRIPTION	Balance at 01/04/08 £000's	Additions during year £000's	Adjustments during year £000's	Written Off during year £000's	Balance at 31/03/09 £000's
Pension Fund Deficit	0	0	0	0	0
Other Capital Expenditure not creating a Fixed Asset	0	0	0	0	0
Total	0	0	0	0	0

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

10. Major Repairs Reserve

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

	2007/08 £000's	2008/09 £000's
INCOME		
Balance B/fwd	0	0
Depreciation on Fixed Assets		
- On Dwellings	7,992Cr	7,764Cr
- On Other Assets	206Cr	171Cr
	8,198Cr	7,935Cr
EXPENDITURE		
Amount transferred from Reserve to HRA	3,125	2,950
Capital Expenditure - all on Dwellings	5,073	4,985
	8,198	7,935
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 removed and replaced by actual interest paid on external borrowing.

12. Prior Period Adjustments

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

No such adjustments have been identified during 2008/09, which affect the Housing Revenue Account.

THE COLLECTION FUND

Income and Expenditure Account

	Note	2007/08 £000s	2008/09 £000s
<u>INCOME</u>			
Local Taxes: -			
Council Tax		48,864Cr	51,765Cr
Business Rates		43,297Cr	48,190Cr
Transfers from General Fund			
Council Tax Benefits		9,533Cr	10,181Cr
Proportion of Discretionary Relief not met by National Pool (adjustment)		76Cr	78Cr
Share of Estimated Deficits (Cr) / Surpluses (Council Tax)			
Suffolk County Council		88	73
Ipswich Borough Council		25	20
Suffolk Police Authority		11	10
		101,646Cr	110,111Cr
<u>EXPENDITURE</u>			
Precepts & Demands: -			
Suffolk County Council	2	41,035	42,955
Ipswich Borough Council	2	11,481	11,928
Suffolk Police Authority	2	5,444	5,987
Business Rates: -			
Payment to National Pool		43,394	47,543
Cost of Collection Allowance		186	189
Interest on Repayments		43	46
Provision of Uncollectable Amounts: -			
Council Tax		151	367
Business Rates		249Cr	659
		101,485	109,674
DEFICIT/SURPLUS(Cr) ON FUND MOVEMENTS IN YEAR		161Cr	437Cr

NOTES TO THE COLLECTION FUND

1. General

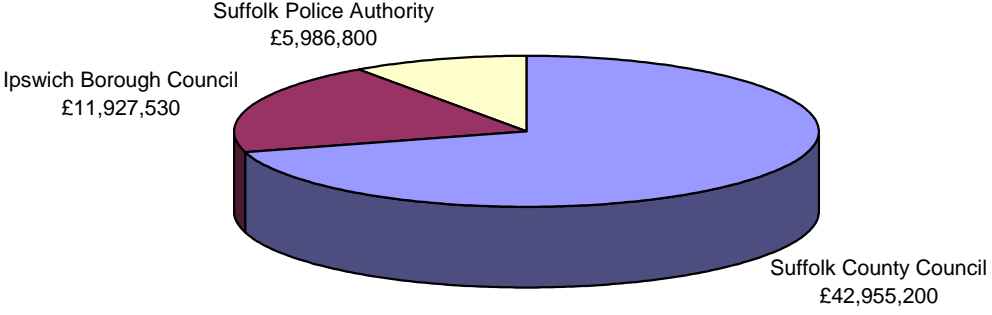
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General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

2. Income from Council Tax

The Council set a charge of £298.17 per band D property. Its tax base, i.e. the number of chargeable dwellings in each valuation band, is as follows: -

	No. of Chargeable Dwellings as at September 2007	Band D Equivalent No. of Dwellings
Band A	17,323	9,458
Band B	21,067	14,489
Band C	10,580	8,536
Band D	3,990	3,624
Band E	2,028	2,292
Band F	880	1,202
Band G	323	503
Band H	13	9
	<hr/>	<hr/>
	56,204	40,113
Contributions in Lieu (in respect of class "O" exempt dwellings)		<hr/> 0
		40,113
Adjustments for changes September 2006 to March 2007 :		
New Dwellings		596
Additional discounts, exemptions, appeals etc.		361Cr
		<hr/> 40,348
		<hr/>
Discounted by assumed collection rate of 99.25%		<hr/> 40,000 <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 2008/09 the precepts, shown in comparison with Ipswich Borough Council's share of Council Tax were: -



3. Income from Non-domestic Rates

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

The non-domestic rateable value as at 31st March 2009 was £114.26m and the uniform business rate was 46.2p.

4. Bad and Doubtful Debts

The value of write-offs/write-ons(Cr) in 2008/09 were: Business Rates £42,102 (2007/08 - £246,406Cr) and Council Tax £295,610 (2007/08 - £193,106).

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 28th March 2009, all the allotted called up ordinary share capital of the Company was owned by the Council. The Council therefore has a controlling influence.
- 3.2 The Council has no commitment to meet accumulated deficits or losses of Ipswich Buses Ltd.
- 3.3 Copies of the published accounts of Ipswich Buses Limited for the period ended 28th March 2009, can be obtained from Ipswich Buses Ltd., Constantine Road, Ipswich, IP1 2DL. Summarised accounts for Ipswich Buses are shown overleaf:

	Period Ended 28th March 2009 £000's	
Turnover		9,099Cr
Operating and other expenditure (net)		8,959
Profit (Cr)/Loss on ordinary activities after taxation		<u>140Cr</u>
A summary of the Company's financial position as at 28th March 2009 is as follows:-		
	£000's	£000's
Fixed Assets- Tangible Assets		3,681
Current Assets	2,718	
less Current Liabilities	<u>2,534</u>	<u>184</u>
Total assets less current liabilities		3,865
less Creditors falling due after more than one year		<u>1,945</u>
Net assets excluding Pension Liability		1,920
Pension Liability		2,492Cr
Net Assets-including pension liability		<u>572Cr</u>
Represented by:- Capital and Reserves		
Equity - called up ordinary share capital		0
Profit and Loss account		572Cr
		<u>572Cr</u>

3.4 The summarised group financial consolidated statements presented below show how the financial position of the Council is affected by its interest in Ipswich Buses Ltd. The main effect of this consolidation has been to increase the Council's revenue reserves by £1.920m, representing the Council's share of the Bus Company's shareholders' funds.

GROUP INCOME AND EXPENDITURE ACCOUNT

2007/08	Total £000's	2008/09			
		Ipswich Borough Council £000's	Ipswich Buses £000's	Consol. Adjustment £000's	Total £000's
3,063	Central Services	2,854	0	0	2,854
26,942	Cultural, Environmental & Planning Services	26,848	0	0	26,848
3,160	Highways, Roads & Transport	3,085	457Cr	16Cr (a)	2,612
699	Housing Services	83,433	0	0	83,433
3,789	Corporate & Democratic Core	4,003	0	0	4,003
1,675	Non Distributed Costs	1,437	0	0	1,437
39,328	Net Cost of Services	121,660	457Cr	16Cr (a)	121,187
0	Gain(Cr)/Loss on Disposal of Fixed Assets	62Cr	80	0	18
0	Capital Receipts not from Disposal of Fixed Assets	32Cr	0	0	32Cr
130Cr	Surplus/Deficit on Trading	326Cr	0	0	326Cr
2,884	Interest Payable and Similar Charges	2,304	175	0	2,479
0	Exceptional item: Investment Impairment charge	1,488	0	0	1,488
2,107	Contribution to Housing Pooled Capital Receipts	718	0	0	718
1,944Cr	Interest & Investment Income	2,444Cr	45Cr	16 (a)	2,473Cr
1,224Cr	Pensions Interest Cost & Expected Return on Assets	557	74	0	631
0	Tax on profit from ordinary activities	0	33	0	33
41,021	Net Operating Expenditure	123,863	140Cr	0	123,723
11,506Cr	Collection Fund	11,948Cr	0	0	11,948Cr
2,173Cr	Government Grants	1,671Cr	0	0	1,671Cr
9,792Cr	National Non Domestic Rates	10,275Cr	0	0	10,275Cr
17,550	Surplus(Cr)/Deficit for the year	99,969	140Cr	0	99,829

Explanation of Consolidation Adjustments:

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

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

2007/08		2008/09
£000's		£000's
17,808	Surplus (Cr) /Deficit for the year on the Income and Expenditure Account	99,969
0	Adjustments for transactions with other group entities	0
17,808	Surplus (Cr) /Deficit in the Group Income and Expenditure Account attributable to the Authority	99,969
258Cr	Surplus (Cr) /Deficit in the Group Income and Expenditure Account attributable to group entities (adjusted for intra-group transactions)	140Cr
17,550	Surplus (Cr) /Deficit for the year on the Group Income and Expenditure Account	99,829

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<u>2007/08</u>		<u>2008/09</u>
<u>£000's</u>		<u>£000's</u>
17,550	Surplus (Cr)/Deficit for the year on the Income and Expenditure Account	99,829
25,927Cr	Surplus arising on revaluation of fixed assets	635Cr
12,522Cr	Actuarial gains (Cr)/losses on pension fund assets and liabilities	32,982
1Cr	Revaluation gains (Cr)/losses on available-for-sale financial assets	2Cr
	Any other gains and losses required to be included:	
161Cr	Movement in Collection Fund Balance	437Cr
524	Re-measurement of Financial Instruments	0
52	Deferred Tax Realised on Movement of Pension Deficit	566Cr
138	Effect of Reduction on Tax Rate on Opening Asset	0
<u>20,347Cr</u>	<u>Total recognised gains(Cr)/losses for the year</u>	<u>131,171</u>

GROUP BALANCE SHEET

	Restated	2008/09			
	2007/08	Ipswich		Consol. Adj	Total
	Total	IBC	Buses	Note:	Total
	£000's	£000's	£000's	£000's	£000's
Fixed Assets:					
Intangible Assets	135	111	0	0	111
Operational Assets					
Council Dwellings	428,430	348,841	0	0	348,841
Other Land & Buildings	49,420	43,417	0	0	43,417
Infrastructure	1,263	1,315	0	0	1,315
Community Assets	6,644	7,568	0	0	7,568
Vehicles, Plant, Equipment etc.	6,072	1,752	3,681	1 & 2	5,433
Non Operational Assets	58,242	46,282	0	0	46,282
	550,206	449,286	3,681	0	452,967
Long Term Investments	11,154	7,366	0	252Cr (a)	7,114
External Lending:					
to House Purchasers	15	12	0	0	12
to Voluntary Bodies	0	0	0	0	0
TOTAL LONG TERM ASSETS	561,375	456,664	3,681	252Cr	460,093
Current Assets:					
Work in Progress	147	27	0	0	27
Stocks	367	287	99	0	386
Debtors	14,190	14,556	982	3	15,473
Cash at Bank	1,648	0	1,637	0	1,637
Cash in Hand	849	734	0	0	734
Investments	25,783	25,285	0	0	25,285
Less Current Liabilities:					
Creditors	19,915Cr	15,425Cr	2,534Cr	4	17,894Cr
Borrowing repayable within 12 months	4,078Cr	11,108Cr	0	0	11,108Cr
Cash Overdrawn	0	2,234Cr	0	0	2,234Cr
Net Current Assets	18,991	12,122	184	0	12,306
Creditors: amounts falling due after one year	2,440Cr	0	1,945Cr	4	1,693Cr
TOTAL NET ASSETS	577,926	468,786	1,920	0	470,706
Long Term Borrowing	44,950Cr	36,311Cr	0	0	36,311Cr
Government Grants Deferred	13,441Cr	13,561Cr	0	0	13,561Cr
Revenue Provisions	1,205Cr	1,524Cr	0	0	1,524Cr
Miscellaneous Accounts	34	117Cr	0	0	117Cr
Other Grants/Contributions Deferred	5,246Cr	5,307Cr	0	0	5,307Cr
Asset/Liability(Cr) relating to Pension Scheme	13,383Cr	42,830Cr	2,492Cr	5	45,322Cr
TOTAL ASSETS LESS LIABILITIES	499,735	369,136	572Cr	0	368,564
Specific Revenue Reserves	5,216Cr	5,290Cr	0	0	5,290Cr
Revaluation Reserve	13,211Cr	2,881Cr	0	0	2,881Cr
Available-for-sale Financial Instruments Reserve	1Cr	3Cr	0	0	3Cr
Capital Adjustment Account	471,365Cr	384,381Cr	0	0	384,381Cr
Usable Capital Receipts	12,438Cr	13,797Cr	0	0	13,797Cr
Financial Instruments Adjustment Account	524	1,372	0	0	1,372
Deferred Capital Receipts	13Cr	10Cr	0	0	10Cr
Pensions Reserve	13,383	42,830	2,492	5	45,322
Legacies	125Cr	127Cr	0	0	127Cr
	488,462Cr	362,287Cr	2,492	0	359,795Cr
Share Capital	0	0	0	6	0
Revenue Balances	11,273Cr	6,849Cr	1,920Cr	0	8,769Cr
TOTAL BALANCES AND RESERVES	499,735Cr	369,136Cr	572	0	368,564Cr

Explanation of Consolidation Adjustments:

- (a) Elimination of IBC's investment in Ipswich Buses (identified as a creditor in Ipswich Buses' accounts)
- (b) Elimination of debtor included in IBC accounts and creditor included in Ipswich Buses' accounts

GROUP CASH FLOW STATEMENT

	Restated	2008/09			Total £000's
	2007/08	IBC £000's	Ipswich Buses £000's	Consol. Adj £000's	
Net Cash Inflow from Revenue Activities	1,810Cr	1,480	1,214Cr	0	266
Returns on Investments & Servicing of Finance					
Interest Paid	3,516	2,276	18	16Cr	(a) 2,278
Net Premium on Debt Restructuring	0	0	0	0	0
Interest element of finance lease rental payments	201	0	156	0	156
Interest element of loan & hire purchase payments	0	0	0	0	0
Interest Received	3,302Cr	2,289Cr	45Cr	16	(a) 2,318Cr
	415	13Cr	129	0	116
Taxation paid in the year	12	0	10	0	10
Capital Activities					
Purchase of fixed assets	14,578	10,961	135	0	11,096
Other Capital payments	753	673	0	0	673
Sale of fixed assets	21,381Cr	6,869Cr	146Cr	0	7,015Cr
Capital grants received	375Cr	253Cr	0	0	253Cr
Other capital cash income	5,061Cr	1,502Cr	0	0	1,502Cr
	11,486Cr	3,010	11Cr	0	2,999
Acquisitions & Disposals					
Investments in Subsidiary undertakings	0	0	0	0	0
Net Cash Inflow(Cr)/Outflow before Financing	12,869Cr	4,477	1,086Cr	0	3,391
Management of Liquid Resources					
Net Increase/decrease in short-term deposits	11,870	3,391Cr	0	0	3,391Cr
Financing					
Repayments of amounts borrowed	23,820	23,072	0	0	23,072
Capital elements of finance lease rental payments	732	0	752	0	752
New loans raised	119Cr	4,084Cr	0	0	4,084Cr
New short-term loans	21,326Cr	17,380Cr	0	0	17,380Cr
	3,107	1,608	752	0	2,360
Increase(Cr)/Decrease in Cash	2,108	2,694	334Cr	0	2,360

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 29/03/08 £000's	Revaluations during year £000's	Additions during year £000's	Disposals during year £000's	Depreciation during year £000's	Balance at 28/03/09 £000's
Operational Assets						
Vehicles, plant, equipment, etc.	4,414	0	135	226	642	3,681
	4,414	0	135	226	642	3,681

The cumulative amounts of provisions for depreciation are as follows:

	Balance at 29/03/08 £000's	Less cumulative depreciation on assets disposed of during year £000's	Depreciation during year £000's	Balance at 28/03/09 £000's
Operational Assets				
Vehicles, plant, equipment, etc.	6,073	1,786Cr	642	4,929
	6,073	1,786Cr	642	4,929

2. Finance Leases – Ipswich Buses

2.1 The value of assets held under finance leases, as at 28th March 2009 is detailed below:

	Vehicles, Plant and Equipment £000's
Net Book Value at 31 March 2008	3,915
Additions during year	34
Disposals during year	32Cr
Depreciation	463Cr
Net Book Value at 29 March 2009	<u><u>3,454</u></u>

2.2 Obligations under Finance Leases

	Vehicles, Plant and Equipment £000's
Amounts payable within one year	728
Amounts payable in 2nd to 5th year inclusive	1,663
Amounts payable thereafter	30
	<u><u>2,421</u></u>

3. Debtors – Ipswich Buses

	29 March 2008 £000's	28 March 2009 £000's
Amounts falling due within one year:-		
Trade Debtors	284	250
Other Debtors	646	602
Leasing Debtors	0	0
Prepayments and Accrued Income	163	130
	1,093	982
Amounts falling due after one year:-		
Leasing Debtors	0	0
	0	0
	1,093	982

4. Creditors – Ipswich Buses

	29 March 2008 £000's	28 March 2009 £000's
Amounts falling due within one year:-		
Trade Creditors	229	168
Other Taxes	75	58
Social Security	77	62
Obligations under Finance Leases (buses)	733	728
Contributions re Pensions	27	29
Other Creditors	665	633
Accruals and Deferred Income	552	856
	2,358	2,534
Amounts falling due after one year:-		
Debenture Loans	252	252
Obligations under Finance Leases (buses)	2,440	1,693
	2,692	1,945

5. Pension Costs – Ipswich Buses

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

Defined Contribution Scheme

The assets of the scheme are held separately from those of the company, being managed by an independent investment manager. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting year. Contributions of £2,241 were outstanding at the year end (2008: £2,366). The total charge for the year was £60,534 (2008: £59,850).

Defined Benefit Scheme

The assets of the scheme are held separately from those of the company, being invested with the Suffolk County Council Superannuation Fund in accordance with the Local Government Superannuation Regulations. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent completed valuation was at 31st March 2007. In addition to the triennial valuation, the company has annual FRS17 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 28/03/09	At 29/03/08	At 31/03/07	At 31/03/06	At 31/03/05
Price increases	3.10%	3.60%	3.20%	3.10%	2.90%
Rate of increase in salaries	4.60%	5.10%	4.70%	4.60%	4.40%
Rate of increase in pensions	3.10%	3.60%	3.20%	3.10%	2.90%
Discount rate	6.90%	6.90%	5.40%	4.90%	5.4%
Expected return on assets	6.20%	6.70%	5.40%	---	---

The actuary's financial assumptions are summarised below:

Life expectancy for non-pensioners is based on the PMA/PFA92 table, projected to calendar year 2017 for pensioners and 2033 for non pensioners.

Based on these assumptions the average future life expectancies at age 65 are:

Current male pensioners 19.6 years, current female pensioners 22.5 years, future male pensioners 20.7 years, future female pensioners 23.6 years.

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

Year Ended	Prospective Pensioners	Pensioners
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2004
31 March 2006	calendar year 2004	calendar year 2004
31 March 2005	calendar year 2004	calendar year 2004

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

Contribution rates for the next year will be 25.73% plus an additional payment of £136,000 per annum.

Composition of the Scheme

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

	Long-term rate of return expected at 29/03/2008	Value at 29/03/2008 £000's	Long-term rate of return expected at 28/03/2009	Value at 28/03/2009 £000's
UK Bonds	5.70%	6,233	5.60%	5,333
UK Equities	7.70%	7,632	7.00%	6,077
Property	5.70%	1,409	4.90%	992
Other	4.80%	<u>0</u>	4.00%	<u>0</u>
Fair value of employer assets		15,274		12,402
Value of scheme liabilities		<u>15,997Cr</u>		<u>15,597Cr</u>
Total deficit		723Cr		3,195Cr
Deferred tax asset recognised		159		703
Net pension deficit		<u>564Cr</u>		<u>2,492Cr</u>

Recognition in the profit or loss				
	2007/08 £000's	% of pay	2008/09 £000's	% of pay
Current Service Cost	228	26.30%	294	22.80%
Interest Cost	939	108.40%	1,093	124.10%
Expected Return on Employer Assets	1,045Cr	(120.70%)	1,019Cr	(115.70%)
Total	<u>122</u>	<u>14.10%</u>	<u>368</u>	<u>41.80%</u>
Actual Return on Scheme Assets	<u>463Cr</u>		<u>2,665Cr</u>	

Movement in net pension deficit during the year	2007/08 £000's	2008/09 £000's
Deficit in scheme at beginning of the year	1,370Cr	723Cr
Movement in the year:		
Current service cost	228Cr	294Cr
Contributions	535	470
Net return on assets	106	74Cr
Revaluation of deficit - prior year adjustment	0	76Cr
Actuarial gains	<u>234</u>	<u>2,498Cr</u>
Deficit in scheme at end of the year:	723Cr	3,195Cr
Deferred Tax Asset	159	703
Scheme deficit net of deferred tax asset	<u><u>564Cr</u></u>	<u><u>2,492Cr</u></u>

Reconciliation of defined benefit obligation	2007/08 £000's	2008/09 £000's
Opening Defined Benefit Obligation	17,576	15,997
Current Service Cost	228	294
Interest Cost	939	1,093
Contributions by Members	44	47
Actuarial Losses/(Gains)	2,141Cr	1,172Cr
Estimated Unfunded Benefits Paid	32Cr	34Cr
Estimated Benefits Paid	617Cr	628Cr
Closing Defined Benefit Obligation	15,997	15,597

Reconciliation of fair value of employer assets		
	2007/08	2008/09
Opening Fair Value of Employer Assets	16,206	15,274
Expected Return on Assets	1,045	1,019
Contributions by Members	44	47
Contributions by the Employer	503	436
Contributions in respect of Unfunded Contributions	32	34
Actuarial Gains/(Losses)	1,907Cr	3,746Cr
Unfunded Benefits Paid	32Cr	34Cr
Benefits Paid	617Cr	628Cr
Closing Fair Value of Employer Assets	<u>15,274</u>	<u>12,402</u>

History of experience gains and losses

	2004/05	2005/06	2006/07	2007/08	2008/09
	£000's	£000's	£000's	£000's	£000's
Difference between the expected and actual return on scheme assets	497	1,817	9Cr	1,508Cr	3,746Cr
	%	%	%	%	%
Percentage of scheme assets	3.9%	11.8%	-0.1%	-9.9%	-30.2%
	£000's	£000's	£000's	£000's	£000's
Experience gains and losses on scheme liabilities	1,071	2Cr	27Cr	269Cr	8
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	6.8%	0.0%	-0.2%	-1.7%	0.5%
	£000's	£000's	£000's	£000's	£000's
Total amount recognised in statement of total recognised gains and losses	1,343	52	846	234	2,574Cr
	%	%	%	%	%
Percentage of the present value of the scheme liabilities	8.6%	0.3%	4.8%	1.5%	-16.5%

6. Share Capital – Ipswich Buses

	29 March 2008 £000's	28 March 2009 £000's
Equity		
Authorised (Ordinary Shares of £1 each)	563	563
Non-equity		
Authorised (Cumulative Non Redeemable Preference Shares of £1 each)	0	0
Total Authorised	563	563
Equity		
Allotted, called up and fully paid Ordinary Shares	0	0
Non-equity		
Allotted, called up and fully paid Cumulative Non Redeemable Preference Shares	0	0
Total allotted, called up and fully paid	0	0
Shares classified as liabilities	0	0
Shares classified in shareholders funds	0	0

7. Related Party Transactions – Ipswich Buses

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

Richard Atkins, Inga Lockington, Paul West.

	2007/08 £000's	2008/09 £000's
Car Parks Servicing Income	25	30
Fuel Distribution	379	436
Rent Payable	62	79
Debenture Loan - Payable at the year end	252	252
- Interest payable in the year	15	16

At the end of the year the netted off balance owed by Ipswich Borough Council was £64,772 (2008 - £77,782)

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

NOTES TO THE GROUP CASH FLOW STATEMENT

1. Reconciliation of Surplus to Net Cash Inflow

	IBC £000's	Ipswich Buses £000's	Total £000's
Surplus(Cr)/Deficit for year per Income & Expenditure Account	99,969	140Cr	99,829
Adjustment for Statutory and Non-Statutory Proper Practice	99,364Cr	0	99,364Cr
Surplus(Cr)/Deficit for year per Collection Fund	437Cr	0	437Cr
Net Surplus(Cr)/Deficit	168	140Cr	28
<u>Add back non-cash transactions</u>			
Net movements in reserves	2,015	176	2,191
Net movements in provisions	0	0	0
Depreciation	0	641Cr	641Cr
Minimum revenue provisions	838Cr	0	838Cr
Transfer to Major Repairs Reserve	4,985Cr	0	4,985Cr
Transfer to Usable Capital Receipts	846	0	846
Direct revenue financing	6,126Cr	0	6,126Cr
Charges to Capital	6,604	0	6,604
Interest accrual	0	0	0
Revenue Expenditure Funded from Capital under Statute	1,203	0	1,203
Other non-cash transactions (net)	427Cr	107Cr	534Cr
<u>Items on an accrual basis</u>			
Increase/Decrease(Cr) in Stocks & Work in Progress	100Cr	1Cr	101Cr
Increase/Decrease(Cr) in Debtors	1,511	111Cr	1,400
Increase(Cr)/Decrease in Creditors	1,596	180Cr	1,416
<u>Items in another classification in the Cash Flow Statement</u>			
Less investment income	2,289	45	2,334
Plus interest paid	2,276Cr	175Cr	2,451Cr
Sale of Tangible Fixed Assets	0	80Cr	80Cr
Net Cash Inflow from revenue activities	1,480	1,214Cr	266

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

	Balance 29 March 2008 £000's	Cash Flows £000's	Other Changes £000's	Balance 28 March 2009 £000's
<u>Changes in Net Debt</u>				
Cash in hand and at bank	1,303	334	0	1,637
Debenture due after one year	252Cr	0	0	252Cr
Finance leases	3,173Cr	752	0	2,421Cr
	2,122Cr	1,086	0	1,036Cr
<u>From Cashflow Statement</u>				
Increase/decrease(cr) in cash		334		
lease financing		752		
New finance leases		0		
Change in Net Debt		1,086		
Net Debt at 29th March 2008		2,122Cr		
Net Debt at 28th March 2009		1,036Cr		

Scope of responsibility

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

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

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

The purpose of the governance framework

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

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

The Council's governance framework is in accordance with the guidance issued by CIPFA/SOLACE in July 2007 and was brought into effect during the year ended 31 March 2008.

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

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

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

Reviewing our vision and its implications for our governance arrangements.

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

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

Communication and Consultation strategies are in place, together with an Equality and Diversity Strategy helping to ensure that all groups in our community have a voice, can be heard and are suitably consulted. (Petitions, Area Forums, CCfA, Equality Impact Assessments, Statement of Community Involvement etc)

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

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

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Councillors and staff

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

- Councillors' code of conduct
- Officers' code of conduct
- An effective performance management system
- Regular performance appraisals for staff linked to corporate and service objectives
- An anti-fraud and anti-corruption policy
- Councillor/officer protocols
- A Standards Committee
- HR employee appeals sub committee

Whistle-blowing and receiving and investigating complaints from the public

A 'whistle blowing' policy is in place. Informants are requested to be open in their disclosure, but it is recognised that on occasions informants will wish to remain anonymous.

The Council has an effective formal and informal complaints procedure. We have received 13 formal investigation complaints against Ipswich Borough Council from the Local Government Ombudsman during the period 1 April 2008 to 31 March 2009.

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

The Constitution has recently been reviewed. The Monitoring Officer will undertake reviews as necessary and shall recommend to the Authority any changes which she/he considers to be appropriate.

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

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

Other documentation includes corporate policies on a range of topics such as Equality and Diversity, Customer Care, Data Protection, Human Rights and Anti-fraud. All policies are subject to internal review to ensure these are adequately maintained. The Council keeps all staff aware of changes in key policies by means of alerting them in regular 'staff news' bulletins, and where appropriate, arranging training for all or key Councillors or staff.

The Council has adopted a Risk Management Strategy. This document shows the role both Councillors and Officers have in the identification and minimisation of risk. Risks are recorded in a Corporate Risk Register and are then subject to quarterly review. This strategy was last reviewed in September 2008.

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

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

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

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

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

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

Financial Management

Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Section 151 Officer. The systems of internal financial control provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial

regulations and administrative procedures, which include the segregation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council.

In particular, the process in 2008/09 included:

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

Effectiveness of Internal Audit

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

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

As part of the wider annual review of the governance arrangements, the Council is required to undertake an annual review of the effectiveness of the system of internal audit. This review was undertaken and concluded that an effective system of internal audit is provided through the Ipswich/Suffolk Coastal Internal Audit Partnership. The Internal Audit work assists the Audit Partnership Manager to arrive at an Annual Audit Opinion on the robustness and effectiveness of the internal controls operating within the Council.

Audit Scrutiny Sub-Committee (Audit Committee)

It is a responsibility of the Audit Scrutiny Sub-Committee (as detailed in the Constitution) to monitor the work of Internal Audit and to ensure that any actions agreed are implemented. Its terms of reference are outlined in the Council's Constitution.

Performance and Risk Management

Ipswich Borough Council produces regular "Performance Reports" which reports on all the National Indicators, relevant Best Value Performance Indicators and all local performance indicators set against Transforming Ipswich. Additionally, a Corporate Risk

& Performance Improvement Plan provides key information and analysis on key objectives, major projects, joint partnership working and corporate risks for consideration by Directors Team and by Councillors.

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

A fully resourced training and development plan is in place for officers and Councillors of the Council, clearly linked to the Corporate and Service Plans and statutory responsibilities.

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

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

The ethical conduct of Councillors and Officers of the Council

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

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work Heads of Service within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Opinion Statement and also reports made by the external auditors and other review agencies and inspectorates.

Ipswich Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review is informed by:

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

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

Council

The Council's performance framework has recently been reviewed and a number of amendments are currently being made. The Corporate Plan and key activities, HofS plans and Operational Plans have all been subject to review. The Constitution has recently been reviewed and updated. (see Policy Framework). The Council's Annual Report and Performance Plan reports on our performance against our key priorities and outlines our priorities and targets for the forthcoming year.

Overview and Scrutiny Committee

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

Audit Scrutiny Sub-Committee

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

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

Standards Committee

The Standards Committee receives reports on the progress of formal complaints against the Council. During 2008/2009, it has also reviewed the Councillor code of conduct and recommended the revised model code to the Council. It has considered 3 allegations of breaches of the code of conduct by Councillors of Ipswich Borough Council.

Internal Audit

Based on an overview of the work undertaken by internal audit throughout the year, in conjunction with previous years' work, current risk assessments, and the Heads of Service Assurance Statements, the Audit Partnership Manager is able to place adequate assurance on the systems of internal control in place.

External Agencies

Within the year, the Council has been inspected as part of the Comprehensive Performance Assessment programme and the new CAA programme. The results of the review demonstrate a further positive direction of travel for the Council.

Improvements during the year 2008/09

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

Weaknesses/Improvements Identified

Services are easy to access by the whole community

Improvement Plan

Undertaking of Equality impact assessments for all key decisions

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

Adoption of an Equality standard

Review of Equal opportunity strategy

Progress being made against race equality standard

Progress to date

The race equality standard has changed and now is included in the local govt equalities framework. IBC will be self-assessing against the new standard during 2009/2010.

Equalities and Diversity has been mainstreamed throughout the organisation through the training of managers in key issues and processes. All managers have been trained in equalities and new EIA software package being rolled out in May 2009.

Weaknesses/Improvements Identified

To achieve level 3 performance for financial reporting under the Audit Commission Use of Resources Assessment.

Improvement Plan

Performance monitoring framework being developed

Improve feedback from Stakeholders over publication of summary account

Medium term Financial plan approved by Executive

Training programme for Councillors and officers in place.

Portfolio Holder allocated responsibility for asset management

Progress to date

Unit cost framework has been established using the audit commission vfm tool. This is included in the development of the 2010 business plan.

Feedback invited in Angle via form or email

Comprehensive Medium Term Financial Plan approved

Approx 20 financial training courses on the inhouse programme

Asset management plan updated and approved. Core of new system implemented

Weaknesses/Improvements Identified

The Local Area Agreement process is ineffective

Improvement Plan

Development of Community Strategy and Area Forums

Engagement with Senior Councillors and officers

Improved performance monitoring of LSP

Progress to date

The new community strategy 'Everybody matters' was launched during 2008/09 and included input from senior councillors and council officers. It now forms part of the Suffolk Strategic Partnership's plan and is informed by the community profile information commissioned by the LSP.

Weaknesses/Improvements Identified

Data quality management arrangements

Improvement Plan

Data quality included in Operational Planning workshops

Operational guidelines published

Training weaknesses identified through the appraisal process are addressed.

Specific Job descriptions amended where data quality is a key responsibility.

Progress to date

Data Quality Strategy and Action Plan updated and includes all appropriate areas raised during the PwC review of DQ arrangements.

Weaknesses/Improvements Identified

To achieve level 3 performance for Value for Money under the Audit Commission use of Resources Assessment.

Improvement Plan

Efficiency programme being developed through the Medium term Financial Plan

Projects use PRINCE 2 methodologies and encouraged to consider Value for money.

Project best practice being refreshed and embedded across the authority.

Business Efficiency Programme to be developed

Progress to date

Corporate efficiency programme agreed in detail as part of budget approval allowing lead in time and robust monitoring and delivery

Corporate business case framework using amended Prince 2 used for all corporate projects

Mandatory training for all project managers. Project training courses run regularly

Weaknesses/Improvements Identified

To implement International Financial Reporting Standards (IFRS) from 1st April 2011.

Improvement Plan

Corporate project team established.

Gap analysis.

Resource requirements.

Progress to date

External training completed.

Significant governance issues

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

Areas of Non Compliance or those requiring improvement:

Weaknesses/Improvements identified

Continue to improve partnership working

Improvement Plan

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

Weaknesses/Improvements identified

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

Improvement Plan

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

Weaknesses/Improvements identified

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

Improvement Plan

Interim activity is coordinated by Directors and the Heads of Service Teams. This

significant uncertainty impairs the extent that forward planning is possible but the issue will continue to be managed until the Boundary Committee announcement, which is expected on 15 July 2009.

Weaknesses/Improvements identified

Financial and performance information are not integrated fully.

Improvement Plan

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

Weaknesses/Improvements identified

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

Improvement Plan

The recommendations put forward by Internal Audit have been met in full.
The likely recovery rate is 82%

Tightened investment strategy to only deal with UK financial institutions

Awaiting detailed CIPFA best practice guidance

We plan to address identified weaknesses and ensure continuous improvement of the system is in place.

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

Signed:... *Elizabeth Haisant* **Date:** 24th June 2009.....

Council Leader on behalf of Ipswich Borough Council

Signed: *James Abbi* **Date:** 24th June 2009.....

Chief Executive on behalf of Ipswich Borough Council

GLOSSARY OF FINANCIAL TERMS

Accounting Period

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

Accruals

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

Agency

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

Bad or Doubtful Debts

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

Budget

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

Budget Requirements

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

Capital Charges

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

Capital Expenditure

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

Capital Financing

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

Capital Financing Costs

Principal and interest repayments relating to loans.

Capital Grants

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

Capital Receipts

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

Collection Fund

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

Contingent Liability

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

Credit Approval

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

Creditors

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

Current Assets

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

Current Liabilities

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

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 Expenditure Funded from Capital Under Statute

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

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

Revenue Support Grant (RSG)

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

Revised Budget

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

Stock

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

Tangible Fixed Assets

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

Work in Progress

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

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

Opinion on the financial statements

We have audited the financial statements of Ipswich Borough Council and its Group for the year ended 31 March 2009 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 Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

This report, including the opinion, has been prepared for and only for Ipswich Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its Group and its income and expenditure and cashflows for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority'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, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements and related notes, and of whether the accounting policies are appropriate to the Authority's and its Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cambridge

25th September 2009

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

Authority's Responsibilities

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

Auditor's Responsibilities

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

Conclusion

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

Certificate

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Cambridge

25th September 2009

Notes:

- (a) The maintenance and integrity of the Ipswich Borough Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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