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### 1. Introduction

This foreword has been written to provide a guide to the significant matters reported in these accounts. Ipswich Borough Council's ('the Council') accounts for the year ended 31 March 2012 are set out in this publication and they consist of the following: -

- Responsibilities for the Statement of Accounts
- Approval of the Statement of Accounts
- Movement in Reserves Statement (This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves).
- Comprehensive Income and Expenditure Statement (shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation).
- Balance Sheet (sets out the financial position of the Council on 31 March 2012)
- Cash Flow Statement (summarises the movements of cash arising from transactions with third parties for revenue and capital purposes)
- Notes to the Core Financial Statements
- Housing Revenue Account Income and Expenditure Account (covers income and expenditure on council housing)
- Movement on the HRA Statement
- Notes to the Housing Revenue Account
- Collection Fund (records transactions relating to the Council Tax and National Non-Domestic Rates)
- Notes to the Collection Fund
- Group Accounts (provide a summary of financial transactions of those companies over which the Council has a controlling interest or influence)
- Notes to the Group Balance Sheet
- Glossary of Financial Terms
- Independent Auditor's Report

## 2. Revenue Accounts – Financial Position

The main components of the Revenue budget for 2011/12, and how these compare with the out-turn for the year, are set out below: -

### 2.1. General Fund Income and Expenditure Account

The Council budgeted for net expenditure of £20.805m (million), which after transferring a net £2.981m to Reserves and Provisions and transferring £2.225m from the Working Balance, left £21.561m to be met from Government Grant and Local Taxpayers. This amount represented the Council's Budget Requirement for 2011/2012.

Actual net expenditure was £17.392m, which was £3.413m less than budgeted, which after transferring a net £2.981m to Reserves and Provisions, leaves the Working Balance at 31 March 2012 £3.413m 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:

2010/11	2011/12		
Out-Turn £000's	Budget £000's	Out-Turn £000's	Variance £000's
(935) Services (Net Expenditure)	20,639	17,242	(3,397)
2,362 Capital Financing	1,987	1,985	(2)
(281) Interest Received	(1,849)	(1,863)	(14)
2,421 Pension Interest & Return on Assets	28	28	-
<b>3,567 Net Expenditure</b>	<b>20,805</b>	<b>17,392</b>	<b>(3,413)</b>
19,264 Contribution to/(from) Provisions and Reserves	2,981	2,981	-
1,864 Contribution/(Use of) to Working Balance	(2,225)	1,188	3,413
<b>24,695 Budget Requirement</b>	<b>21,561</b>	<b>21,561</b>	<b>-</b>
<b>Financing:-</b>			
(1,510) Revenue Support Grant	(1,847)	(1,847)	-
(10,401) Non-Domestic Rates National Pool	(5,976)	(5,976)	-
- New Homes Bonus	(416)	(416)	-
- Council Tax Reduction Grant	(324)	(324)	-
(23) Collection Fund Surplus	(182)	(182)	-
(12,761) Council Tax	(12,816)	(12,816)	-
<b>(24,695) Total Funding</b>	<b>(21,561)</b>	<b>(21,561)</b>	<b>-</b>
<b>Working Balance:-</b>			
Balance 1 April 2011	(7,717)	(7,717)	-
Contribution to/(from) General Fund	2,225	(1,188)	(3,413)
<b>Balance 31 March 2012</b>	<b>(5,492)</b>	<b>(8,905)</b>	<b>(3,413)</b>

### 2.2. 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 2011/12 the Housing Revenue Account incurred a surplus of £0.506m compared with a budgeted surplus of £0.042m, a reduction of £0.464m in net expenditure compared with

the budget. The Working Balance at 31 March 2012 is therefore correspondingly greater than anticipated. After transferring a net £0.724m from Reserves and Provisions, the increase in Working Balance that is available to finance revenue expenditure in future years is £0.464m.

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

2010/11		2011/12		
Out-Turn £000's		Budget £000's	Out-Turn £000's	Variance £000's
11,511	Services (Net Expenditure)	11,873	11,720	(153)
11,873	Capital Financing	11,945	11,979	34
(14)	Interest Received	(6)	(20)	(14)
(29,294)	Rents (Net of Rebates)	(31,194)	(31,359)	(165)
6,519	Government Subsidy	7,897	7,898	1
-	Budgets Carried Forward (Net)	-	-	-
595	<b>Net Expenditure</b>	<b>515</b>	<b>218</b>	<b>(297)</b>
(316)	Contribution to/(from) Provisions and Reserves	(557)	(724)	(167)
279	<b>Deficit/(Surplus)</b>	<b>(42)</b>	<b>(506)</b>	<b>(464)</b>
(279)	(Use of)/Contribution to Working Balance	42	506	464
-		-	-	-
<b>Working Balance:-</b>				
	Balance 1 April 2011	(1,266)	(1,266)	-
	Contribution to/(from) Housing Revenue Account	(42)	(506)	(464)
	<b>Balance 31 March 2012</b>	<b>(1,308)</b>	<b>(1,772)</b>	<b>(464)</b>

## 2.3. 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 2011/12 the prescribed minimum levels were as follows: -

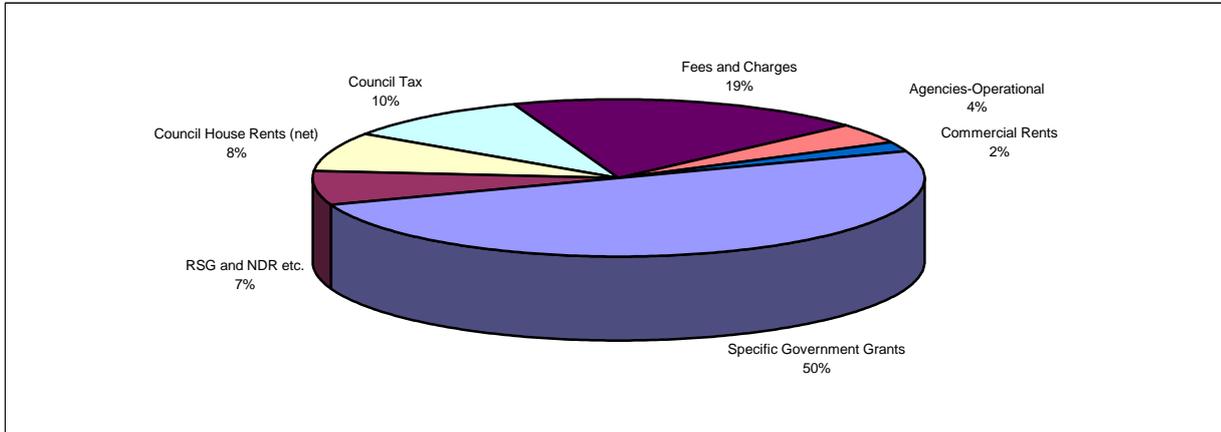
	£000's
General Fund Revenue Account	2,000
Housing Revenue Account	500
	<b>2,500</b>

The Council also has a number of provisions and reserves. The accounting treatment of these is described on *pages 40 to 41*. Details about the nature and purpose of these reserves and provisions, together with their movements in the year, are described on *pages 12 to 13, 46 to 49 and 80 to 84*.

### 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 £131m.

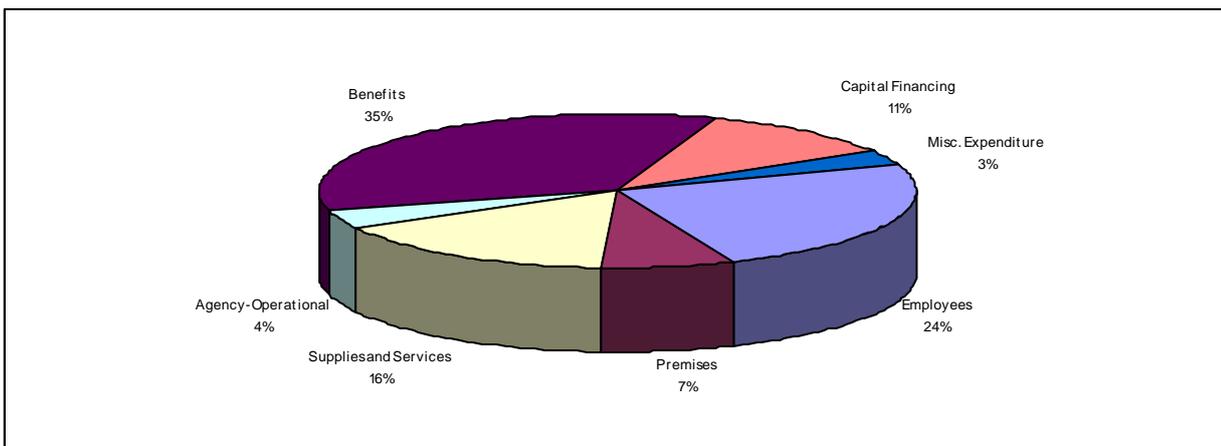
#### Where the money comes from



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 50% of the total income. 8% of income is provided through Council House Rents and 7% 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.

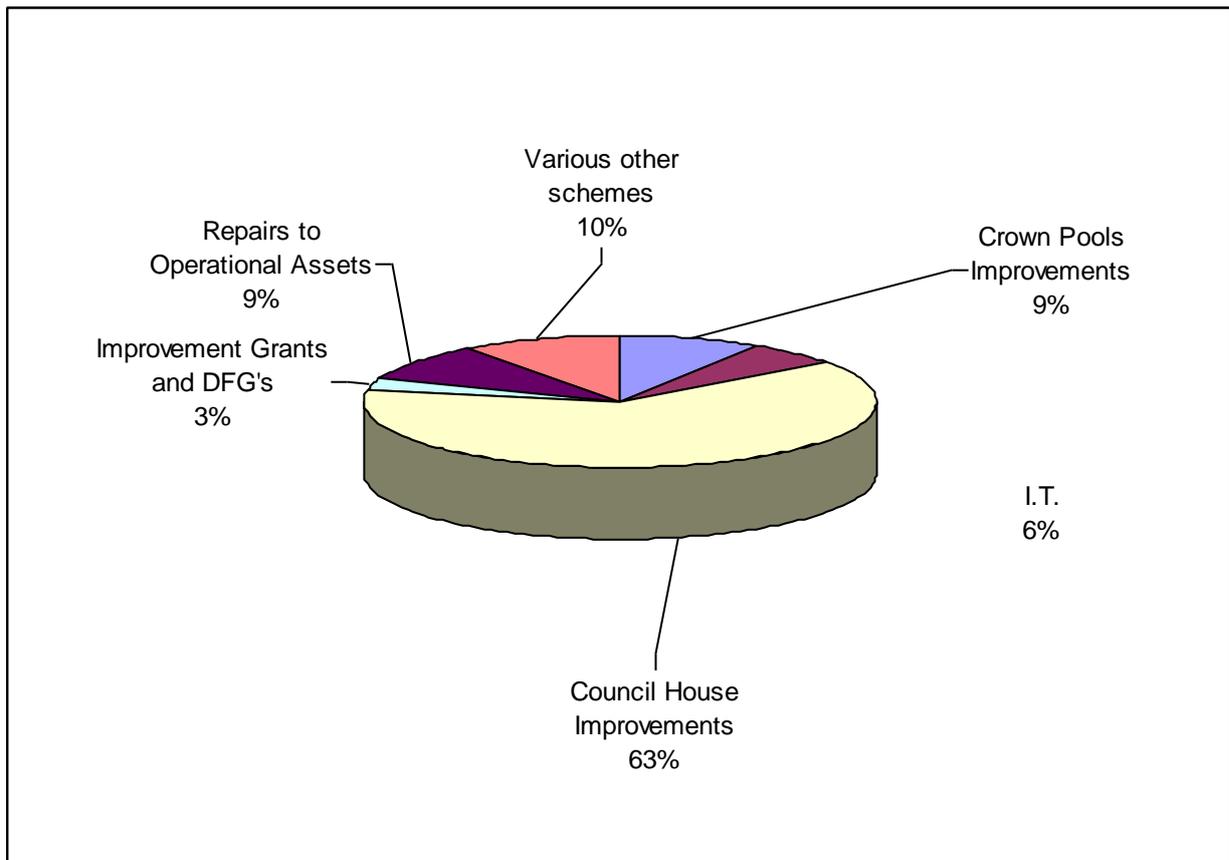
#### How the money was spent



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 2011/12 were as follows: -



In addition to the above there was a capital payment to the Government of £99.602m which was required for the introduction of a self-financing system from 1 April 2012. This was funded through borrowing.

Details of the Council's 2011/12 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.

2010/11 £000's		2011/12 £000's
	<b><u>SERVICES EXPENDITURE</u></b>	
5	Communications and Design	1
272	Community Services	150
81	Corporate Development	119
1,848	Culture and Leisure Services	2,327
118	Environmental Services	638
719	Finance	524
11,516	Housing Services	110,389
561	Legal and Democratic Services	275
1,670	Planning, Transport and Regeneration	702
-	Shared Revenue Partnership	532
16,790	<b>TOTAL</b>	115,657
	<b><u>FINANCING</u></b>	
4,045	Usable Capital Receipts	2,450
540	Borrowing	101,364
596	External Contributions	1,628
695	Government Grants	-
5,159	Major Repairs Allowance (HRA)	5,243
1,314	Use of Credit Approvals	-
4,440	Revenue Contributions to Capital Outlay	4,974
1	Miscellaneous Adjustments	(2)
16,790	<b>TOTAL</b>	115,657

## 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 Council has in the long run to pay retirement benefits. The total liability of £213.1m (see page 105) has a substantial impact on the net worth of the Council as recorded in the balance sheet (see page 15), resulting in a scheme deficit of £52.6m. However, statutory arrangements for funding the deficit lessen the overall impact on the financial position of the Council.

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

- The impact of the adoption of FRS 30 Heritage Assets including:
  - The 2011/12 Code's requirement that heritage assets are carried at valuation although there are exceptions.
  - The Code's comprehensive disclosure requirements in relation to a council's holdings of heritage assets whether or not they are able to be recognised in the financial statements.
  - Commentary on the relationship between heritage assets and community assets (the Code now permits the heritage assets treatment to be used for community assets).
  - The entries required to prepare an opening 1 April 2010 Balance Sheet and to re-state the 2010/11 accounts. The balance sheet is on *page 15* and *note D2* on *page 69* provides further details.
- The accounting for and disclosure of a Business Rate Supplement.
- Guidance on the Code's accounting requirements for a Community Infrastructure Levy.
- Amendments to related party disclosure information.
- Disclosure requirement in relation to exit packages.
- Reinstatement of a previous SORP requirement to disclose the nature and amount of trust funds.
- Financial instruments – additional disclosure requirements where the level of soft loans is material and minor changes to the disclosure of the nature and extent of risks arising from financial instruments.
- Other issues including:
  - Housing Revenue Account Self-Financing.

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

## **7. Exceptional Items HRA Self Financing**

The Localism Act 2011 introduced a self-financing system from 1 April 2012 which will require a one off debt allocation financed through borrowing, in return the Council no longer has to make an annual subsidy payment to the Government (£7,898,069 net paid in 11/12).

The Settlement Payments Determination 2012 set out the amount each local Council had to pay the Secretary of State in order to exit from the subsidy system. Ipswich Borough Council's settlement figure was £99,602,000, which was paid on 28 March 2012.

This payment was financed through a number of long-term loans.

## **8. 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.

## RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council 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 Council, 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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

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

The Chief Financial Officer has also:

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

This Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year ended on that date.



**CHIEF FINANCIAL OFFICER**

**DATE: 26 SEPTEMBER 2012**

## APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts for 2011/12 was considered and approved by Full Council at the meeting on 26 September 2012.



The worshipful, The Mayor of Ipswich, Councillor Mary Blake

## CORE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked Housing Revenue Account Reserves £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
<b>2010/11</b>										
<b>Restated Balance at 31 March 2010</b>	(5,853)	(7,913)	(1,545)	(2,489)	(9,975)	-	(2,930)	(30,705)	(341,585)	(372,290)
<b>Movement in Reserves during 2010/11</b>										
Surplus or deficit on provision of services	(16,725)	-	56,178	-	-	-	-	39,453	-	39,453
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	(51,123)	(51,123)
<b>Total Comprehensive Income and Expenditure</b>	(16,725)	-	56,178	-	-	-	-	39,453	(51,123)	(11,670)
Adjustments between accounting basis & funding basis under regulations (note B1)	16,944	-	(56,561)	-	3,555	-	59	(36,003)	36,003	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	219	-	(383)	-	3,555	-	59	3,450	(15,120)	(11,670)
Transfers to/from Earmarked Reserves (note B2)	(2,083)	2,083	662	(662)	-	-	-	-	-	-
<b>Increase/Decrease in 2010/11</b>	(1,864)	2,083	279	(662)	3,555	-	59	3,450	(15,120)	(11,670)
<b>Restated Balance at 31 March 2011 carried forward</b>	(7,717)	(5,830)	(1,266)	(3,151)	(6,420)	-	(2,871)	(27,255)	(356,705)	(383,960)

<u>2011/12</u>	Earmarked		Earmarked		Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Authority Reserves £000's
	General Fund Balance £000's	General Fund Reserves £000's	Housing Revenue Account £000's	Housing Revenue Account Reserves £000's						
<b>Balance at 31 March 2011</b>	(7,717)	(5,830)	(1,266)	(3,151)	(6,420)	-	(2,871)	(27,255)	(356,705)	(383,960)
<b><u>Movement in Reserves during 2011/12</u></b>										
Surplus or deficit on provision of services	(213)	-	95,991	-	-	-	-	95,778	-	95,778
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	19,441	19,441
<b>Total Comprehensive Income and Expenditure</b>	(213)	-	95,991	-	-	-	-	95,778	19,441	115,219
Adjustments between accounting basis & funding basis under regulations (note B1)	(786)	-	(96,333)	-	1,086	-	(295)	(96,328)	96,328	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(999)	-	(342)	-	1,086	-	(295)	(550)	115,769	115,219
Transfers to/from Earmarked Reserves (note B2)	(189)	189	(164)	164	-	-	-	-	-	-
<b>Increase/Decrease in 2011/12</b>	(1,188)	189	(506)	164	1,086	-	(295)	(550)	115,769	115,219
Miscellaneous Adjustment	-	-	-	-	1	-	-	1	(2)	(1)
<b>Balance at 31 March 2012 carried forward</b>	(8,905)	(5,641)	(1,772)	(2,987)	(5,333)	-	(3,166)	(27,804)	(240,938)	(268,742)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11			2011/12			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
18,384	(14,244)	4,140	Central services to the public	17,767	(14,686)	3,081
14,587	(6,102)	8,485	Cultural and related services	14,574	(6,193)	8,381
10,762	(5,881)	4,881	Environmental and regulatory services	10,396	(5,242)	5,154
5,399	(2,758)	2,641	Planning services	4,963	(2,764)	2,199
10,670	(8,109)	2,561	Highways and transport services	9,530	(8,979)	551
78,161	(22,956)	55,205	Local Authority Housing (HRA)	20,005	(23,646)	(3,641)
51,336	(48,728)	2,608	Other housing services	54,390	(52,143)	2,247
4,527	(957)	3,570	Corporate and democratic core	4,687	(1,349)	3,338
71	-	71	Non distributed costs	-	(87)	(87)
(21,888)	-	(21,888)	Exceptional Item: Pension Scheme - Past Service Gain	-	-	-
-	-	-	Exceptional Item: Housing Self Financing Costs (note C4)	99,602	-	99,602
<b>172,009</b>	<b>(109,735)</b>	<b>62,274</b>	<b>Cost of Services</b>	<b>235,914</b>	<b>(115,089)</b>	<b>120,825</b>
1,297	(1,117)	180	Other Operating Expenditure (note C1)	1,024	(1,850)	(826)
23,150	(20,071)	3,079	Financing and Investment Income & Expenditure (note C2)	19,925	(20,449)	(524)
-	-	-	(Surplus)/Deficit on Discontinued Operations	-	-	-
-	(26,080)	(26,080)	Taxation and Non-Specific Grant Income (note C3)	-	(23,697)	(23,697)
		<b>39,453</b>	<b>(Surplus)/Deficit on Provision of Services (note C13)</b>			<b>95,778</b>
		(3,107)	(Surplus)/Deficit on revaluation of non current assets			43
		(1,535)	(Surplus)/Deficit on revaluation of available for sale financial assets			1,509
		(46,481)	Actuarial (Gains)/Losses on pension fund assets/liabilities			17,889
		<b>(51,123)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>19,441</b>
		<b>(11,670)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>115,219</b>

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The reason for the restatements is set out in note D2.

Restated 1 April 2010 £000's	Restated 31 March 2011 £000's		Note	31 March 2012 £000's
434,284	381,242	Property, Plant & Equipment	D1	383,172
47,357	47,357	Heritage Assets	D2	47,781
14,194	13,312	Investment Property	D3	13,241
123	71	Intangible Assets	D4	61
5,832	6,627	Long Term Investments	D5	4,523
9	8	Long Term Receivables	D5	6
<b>501,799</b>	<b>448,617</b>	<b>Long Term Assets</b>		<b>448,784</b>
4,452	5,144	Short Term Investments	D5	3,965
326	331	Inventories	D6	324
17,531	11,803	Short Term Receivables	D7	13,974
546	452	Cash and Cash Equivalents	D8	657
169	73	Assets held for sale	D9	136
<b>23,024</b>	<b>17,803</b>	<b>Current Assets</b>		<b>19,056</b>
(421)	(345)	Cash and Cash Equivalents	D8	-
(3,011)	(2,492)	Short Term Borrowing	D5	(3,455)
(16,220)	(14,454)	Short Term Payables	D10	(18,516)
(811)	(946)	Provisions	D11	(959)
<b>(20,463)</b>	<b>(18,237)</b>	<b>Current Liabilities</b>		<b>(22,930)</b>
(45)	(40)	Long Term Payables	D5	(53)
(334)	(281)	Provisions	D11	(252)
(27,101)	(26,307)	Long Term Borrowing	D5	(122,489)
(103,536)	(36,269)	Other Long Term Liabilities	D5 & D25	(52,780)
(1,054)	(1,326)	Capital Grants Receipts in Advance	D17	(594)
<b>(132,070)</b>	<b>(64,223)</b>	<b>Long Term Liabilities</b>		<b>(176,168)</b>
<b>372,290</b>	<b>383,960</b>	<b>Net Assets</b>		<b>268,742</b>
(30,705)	(27,255)	Usable Reserves	D12	(27,804)
(341,585)	(356,705)	Unusable Reserves	D13	(240,938)
<b>(372,290)</b>	<b>(383,960)</b>	<b>Total Reserves</b>		<b>(268,742)</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2010/11 £000's	2011/12 £000's
39,453 Net (surplus) or deficit on the provision of services	95,778
(47,256) Adjust net surplus or deficit on the provision of services for non cash movements	(3,429)
2,328 Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,224
(5,475) Net cash flows from Operating Activities (note E1)	93,573
5,837 Investing Activities (note E2)	4,064
(344) Financing Activities (note E3)	(98,187)
18 Net increase or decrease in cash and cash equivalents	(550)
(125) Cash and cash equivalents at the beginning of the reporting period	(107)
<b>(107) Cash and cash equivalents at the end of the reporting period (note D8)</b>	<b>(657)</b>

## SECTION A - NOTES TO THE CORE FINANCIAL STATEMENTS

### A1. Accounting Policies

#### A1.1. General Principles

The glossary of financial terms on *pages 137 to 141* provides definitions of the accounting terms used in the Statement of Accounts.

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The 2011 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards (IFRS) and the Service Reporting Code of Practice 2011/12, taking into account any subsequent accounting guidance such as Local Authority Accounting Panel (LAAP) bulletins and any statutory requirements.

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the 'common need of most users'.

It has the following underlying assumption:

- Going concern basis – the accounts are prepared on the assumption that the local Council will continue to operate for the foreseeable future.

There are the following qualitative characteristics:

- Understandability - Every effort has been made to make the accounts as easy to understand as possible. Nevertheless, an assumption has been made that the reader will have a reasonable knowledge of accounting and local government. Where the use of technical terms has been unavoidable, an explanation has been provided in the Glossary of Terms.
- Relevance - The accounts are prepared so as to provide readers with information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.
- Materiality - In using its professional judgement, the Council considers the size and nature of any transaction, or set of transaction. An item is considered material where its omission would reasonably change the substance.
- Reliability - The accounts are prepared on the basis that the financial information contained within them is reliable, i.e. they are free from material error, deliberate or systematic bias, complete within the bounds of materiality and represent faithfully what they intend to represent. Where there is uncertainty in measuring or recognising the existence of assets, liabilities, income and expenditure then caution or prudence has been used as a basis to inform the selection and application of accounting policies and estimation techniques.
- Comparability - A consistent approach to accounting policies is used in preparing the accounts to ensure that it may be compared to previous years. Where there is

a change in accounting policy that has material effect on information, this has been disclosed.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets (current assets in terms of assets held for sale) and financial instruments.

## **A1.2. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- The full cost of employees is charged to the accounts of the period within which the employee worked. Accruals are made for salaries and other employee benefits (e.g. annual leave – see separate accounting policy 'Employee Benefits') earned but unpaid at the year end, where material. No accrual is made for flexi leave, maternity leave or sickness, as the amounts are immaterial.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of receivables is written down (impaired) and a charge made to revenue for the income that might not be collected.

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

### **A1.3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash, without penalty, with insignificant risk of change in value.

All investments are held for the purpose of gain/return.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council’s cash management.

### **A1.4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council’s financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by

amending opening balances and comparative amounts for the prior period.

## **A1.5. Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue (known as the Minimum Revenue Provision, or MRP) to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by Capital Financing Costs in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The depreciation policy is detailed within the policy on Property, Plant and Equipment on *pages 33 to 38*.

## **A1.6. Employee Benefits**

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Council. Where material, an accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the current financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulated Absences Account in the Movement in Reserves

Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service(s) line within the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Suffolk County Council.

#### *The Local Government Pension Scheme*

The scheme is accounted for as a defined benefits scheme and provides to members retirement lump sums and pensions, earned as employees worked for the Council.

The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Contribution rates, which are included in the Accounts, are determined by triennial actuarial valuations. The rates payable in 2011/12 were determined by the valuation on 31 March 2010.

Liabilities are discounted to their value at current prices, using a discount rate equivalent to the gross redemption yield on the iBoxx Sterling Corporates AA Over 15 Years Index at the IAS19 valuation date, with one slight amendment – the removal of recently re-rated bonds from the index.

The assets of the pension fund attributable to the Council are included in the Balance

Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – taken to other comprehensive income.
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.
- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this

means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement, in exchange for a reduction in their future annual pension. On the advice of our actuaries, we have taken the view that an allowance should be included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

- Discretionary Benefits
- The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **A1.7. Events After the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of approval of the Statement of Accounts, being 26<sup>th</sup> September 2012, are not reflected.

### **A1.8. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement

or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **A1.9. Financial Instruments**

### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost.

For loans from the Public Works Loans Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. 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.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount

receivable when it was repaid, or in accordance with the item 8 determination with respect to the Housing Revenue Account debt. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### ***Financial Assets***

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost.

Loans receivable prevailing benchmark market rates have been used to provide the fair value. 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.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

- The carrying amount of receivables is adjusted for doubtful debts, which are provided for, and known uncollectible debts are written off. An annual contribution

to the impairment provision is made allowing for likely bad debt levels to ensure the provision is maintained at a satisfactory level.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- equity shares with no quoted market prices – only shares held are Ipswich Buses and accumulated profit on balance sheet is used

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to

the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **A1.10. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as payables. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure in the Movement in Reserves Statement.

### **A1.11. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website's is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. The only intangible assets held by the Council are software licences that are amortised over its useful life, which is determined on an individual basis, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **A1.12. Interests in Companies and Other Entities**

Summarised group financial statements have been produced to reflect the Council's material interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The Council's only related company is Ipswich Buses Limited, a company set up by the Council under the Transport Act 1985.

## **A1.13. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

## **A1.14. Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital

appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

### Recognition

Expenditure on the acquisition, creation or enhancement of Investment Property is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost or fair value of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Where part of an investment property is replaced, the cost of the replacement is recognised in the carrying value of the investment property and the carrying amount of those parts that are replaced is derecognised.

### Measurement

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length (i.e. market value). Properties are not depreciated but are revalued annually according to market conditions at the year-end.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

### Rental Income and Disposals

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **A1.15. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather

than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation. The Council is involved in one such operation, the joint arrangement with Colchester Borough Council for the running of a joint Museums Service and the Shared Revenues Partnership with Babergh and Mid-Suffolk District Councils

## **A1.16. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all of the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee

#### *Finance Leases*

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, for Property, Plant and Equipment subject

to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision (MRP) in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

### The Council as Lessor

#### *Finance Leases*

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to

be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### *Operating Leases*

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### Lease Type Arrangements

Where the Council enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset (e.g. an item of property, plant or equipment) in return for a payment or series of payments, the arrangement is accounted for as a lease as detailed above.

## **A1.17. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between Service Areas in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

The recharge of overheads and support services to Service Areas is on the following basis:

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

## **A1.18. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. Assets valued at £10,000 or more are included in the Accounts.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost

of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account on the Balance Sheet. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The assets were last revalued on 1 April 2009 by an independent valuation team. Subsequent revaluations will be carried out at intervals of no more than 5 years.

Council dwellings have been revalued as at 31 March 2012 in accordance with the requirements of Resource Accounting for the Housing Revenue Account.

The valuation of land and buildings is undertaken by professionally qualified valuers.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Gains are credited to the appropriate line(s) in the Surplus or Deficit on Provision of Services (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised) where they arise from the reversal of a revaluation loss previously charged to the same asset.

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services

When an asset is re-valued (revaluation gain and revaluation loss), any accumulated depreciation and impairment at the date of valuation is eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

Revaluation gains and revaluation losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Surplus or Deficit on Provision of Services.

In exceptional cases where an impairment loss is reversed subsequently on the same asset, the reversal is credited to the relevant service line(s) in the Surplus or Deficit on Provision of Services, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- dwellings and other buildings – straight-line allocation over the useful life of the

property as estimated by the valuer

- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Depreciation is recognised in the appropriate line(s) in the Surplus or Deficit on Provision of Services. Depreciation is not permitted to have an impact on the General Fund Balance. The depreciation is therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals and Assets Held for Sale

If the carrying amount of an asset will be recovered principally through a sale transaction, that is highly probable to complete within one year from the date of classification, rather than through its continuing use, it is reclassified as a current Asset Held for Sale. For council dwellings this is deemed to be the 1<sup>st</sup> day of the month following the receipt of an acceptance of offer note from the tenant.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses recognised in the Surplus or Deficit on Provision of Services on the same asset (up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised). Depreciation is not charged on Assets Held for Sale. Where assets are expected to be sold beyond 12 months of the end of the financial year, but the delay in the completion of the sale is beyond the Council's control and there is sufficient evidence that the Council remains committed to the plan to sell the asset, the assets are classified as Non-Current Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets (Property, Plant and Equipment or Investment Property) and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts (disposals of £10,000 or below are treated as revenue). A proportion of receipts relating to housing disposals (75% for dwellings, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Componentisation

Where an item of Property, Plant and Equipment is of significant value in relation to the overall asset portfolio and has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

The Council will apply a de minimis limit of £500K, below which assets will not be componentised because the asset is not considered significant in relation to the overall value of the Council's asset portfolio. For those above this de minimis limit, there will be a separate de minimis to only consider those components that are significant in relation to the total cost of the asset (20% or above of the total cost). These de minimus limits will be assessed on a regular basis to ensure that the levels are appropriate and do not materially affect the depreciation calculation.

Componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred, and revaluations carried out, from 1 April 2010.

Where part of a Property, Plant and Equipment asset is replaced, the cost of the replacement is recognised in the carrying value of the asset and the carrying amount of those parts that are replaced is derecognised. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately

The Council carried out a componentisation exercise in 2011/12 and looked at all expenditure on buildings where there are significant components and found no significant expenditure relating to those components. No significant revaluations were undertaken in 2011/12. For 2012/13 a comprehensive exercise involving valuers and building surveyors will be carried out to identify the useful economic lives of the significant components.

The depreciation charged in 2011/12 relates to the life of the building, but in future years the depreciation will be charged on the individual components, which are likely to have shorter lives than the building. As a result, the expected depreciation will increase.

#### Reclassifications to Investment Property

Where Property, Plant and Equipment meet the criteria for Investment Property, the asset is reclassified to Investment Property. The asset is revalued immediately before reclassification to Investment Property with any remaining balance on the Revaluation Reserve 'frozen' until such time it is reclassified.

### **A1.19. Heritage Assets**

The introduction of FRS30 Heritage Assets has resulted in the requirements under this standard to be included within the council's accounting policies for 2011/12.

The Code of Practice on local Council accounting in the United Kingdom 2011/12 defines heritage assets as those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, order and decorations (medals), museum and gallery collections and works of art.

The council holds a range of heritage assets. These include the museum collections which are categorised as follows:

- Fine Art
- Decorative Art
- Archaeology
- Geology/Biology/Zoology
- Ethnography
- Local/Social History
- Civic Regalia

- Costume
- Books and archives

Other heritage assets held include a number of public art works, statues, war memorials and other items. These are held with the primary objective of increasing the knowledge, understanding and appreciation of local and national history.

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Council includes various properties within its asset base (e.g. museum buildings, town hall, regent theatre. Although these are historical buildings, they are operational assets i.e. the council uses them to deliver its services. These are included within property, plant and equipment and valued/depreciated accordingly.

The Council's collections of heritage assets are accounted for as follows.

#### Museum collections

An internal valuation was undertaken by the Colchester and Ipswich Museums Service for insurance purposes in September 2008. The 'significant' objects were valued on an individual basis and these are reported at insurance valuation, based on market values. For the rest of the collection, the Council maintains an inventory however there is no readily available valuation held by the Council. The council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of this archive. As such the Council has not recognised these items on the balance sheet.

Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at insurance valuation.

#### Public Art/Statues/War Memorials

The Council has a number of public art works, statues and war memorials around the borough. There is no readily available valuation held by the Council for the majority of these assets and no definitive market value for these type of assets as they are not

normally traded. The Council believes that the benefits of obtaining a valuation for these items to the user of the accounts would not justify the cost given the specialised nature of these assets. As such the council has generally not recognised these assets on the balance sheet. The exception is where cost information is available, in these instances the assets are recognised on the balance sheet at cost.

### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see accounting policy for property, plant and equipment. The council may occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see accounting policy for property, plant and equipment).

For those assets held on the balance sheet they are deemed to have indeterminate lives and a high residual value. Therefore the Council does not consider it appropriate to charge depreciation.

## **A1.20. Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provisions are classified on the Balance Sheet as short term (due to be settled within 12 months of the financial year end) or long term (due to be settled over 12 months of the financial year end). For long term provisions where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The unwinding of the discount due to the passage of time is recognised as interest within Surplus or Deficit on the Provision of services.

### **A1.21. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. (*Note D23 on page 103*)

### **A1.22. Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential

### **A1.23. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be

financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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.

#### **A1.24. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### **A1.25. Value Added Tax**

VAT payable is included as an expense in the Comprehensive Income and Expenditure Statement only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income in the Comprehensive Income and Expenditure Statement.

## **A2. Accounting Standards that have been issued but not yet adopted**

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this policy until 1 April 2012.

Following a review of the Council's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

## **A3. Critical Judgements in applying Accounting Policies**

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Influences on going concern, such as future levels of funding for local government – The future funding for local authorities has a high degree of uncertainty. The Council has set aside amounts in working balances and reserves which it believes are appropriate based on local circumstances including the overall budget size, risks, robustness of budgets, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management. The Council's budget strategy for 2012/13 was approved in February 2012.

Possible impairment of investments - 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, based on the statements made by the administrator. The Council has recognised the impairment of these assets and a charge has been made to the Comprehensive Income and Expenditure Statement.

Whether other entities with which the Council has a relationship are subsidiaries, associates or jointly controlled entities - The list of corporate partnerships was reviewed and updated and each was then analysed to determine the nature of the relationship and therefore the proper accounting treatment. Of all the partnerships, there was only one, Ipswich Buses Limited, a subsidiary, that requires consolidation in the accounts and the impact is shown in the Group Accounts (*page 121*).

## A4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £18.684m; a 1 year increase in member life expectancy would result in an increase in the pension liability of £5.862m.
Arrears	At 31 March 2012, the Council had a balance of sundry receivables for £4.4m. A review of significant balances suggested that an impairment of doubtful debts of approx 10% (£459k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £459k to be set aside as an allowance.

Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for Council Dwellings would increase by £60,000 for every year that useful lives had to be reduced.
Provisions	The Council has made a provision of £840,000 for the possible settlement of outstanding insurance claims based on information provided by its insurers. It is not certain that all of the claims provided for will result in a payout or that the amount provided for will match the payments made.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £84,000 to the provision needed.

### **A5. Material items of Income and Expense**

There are no material items of Income and Expense which are not disclosed elsewhere in the Statement of Accounts.

### **A6. Events after the Balance Sheet date**

There are no such events.

## SECTION B - NOTES TO MOVEMENT IN RESERVES STATEMENT

### B1. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves						Total 2010/11 £000's
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's	
<b>2010/11</b>							
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(3,462)	(4,560)	-	-	-	8,022	-
Revaluation losses on Property, Plant & Equipment	-	-	-	-	-	-	-
Impairment losses on Property, Plant & Equipment	(54)	(61,640)	-	-	-	61,694	-
Movements in the market value of Investment Properties	(882)	-	-	-	-	882	-
Amortisation of intangible assets	(70)	-	-	-	-	70	-
Capital grants and contributions that have been applied to capital financing	1,274	-	-	-	59	(1,333)	-
Revenue expenditure funded from capital under statute	(2,664)	(11)	-	-	-	2,675	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	106	236	(1,010)	-	-	668	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,686	138	-	-	-	(1,824)	-
Capital expenditure charged against the General Fund and HRA balances	35	4,406	-	-	-	(4,441)	-

Ipswich Borough Council

## B1. Adjustments between Accounting Basis and Funding Basis under Regulations (cont)

2010/11	Usable Reserves						Total 2010/11 £000's
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Movement in Unusable Reserves £000's	
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(521)	-	521	-	-	-	-
Capital Receipts applied to fund Capital Expenditure			4,045			(4,045)	-
Transfer from Capital Receipts Deferred to Capital Receipts Reserve	-	-	(1)	-	-	1	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	4,560	-	(4,560)	-	-	-
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	-	599	-	(599)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,159	-	(5,159)	-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,175	60	-	-	-	(1,235)	-
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to the post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement/Employer's pension contributions and direct payments to pensioners payable in year	20,496	(280)	-	-	-	(20,216)	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(223)	(69)	-	-	-	292	-
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	48	-	-	-	-	(48)	-
<b>Total Adjustments</b>	<b>16,944</b>	<b>(56,561)</b>	<b>3,555</b>	<b>-</b>	<b>59</b>	<b>36,003</b>	<b>-</b>

## B1. Adjustments between Accounting Basis and Funding Basis under Regulations (cont)

2011/12	Usable Reserves					Movement in Unusable Reserves £000's	Total 2011/12 £000's
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Charges for depreciation and impairment of non current assets	(3,108)	(3,998)	-	-	-	7,106	-
Revaluation losses on Property, Plant & Equipment	-	-	-	-	-	-	-
Impairment losses on Property, Plant & Equipment	(527)	(3,819)	-	-	-	4,346	-
Movements in the market value of Investment Properties	(70)	-	-	-	-	70	-
Amortisation of intangible assets	(84)	-	-	-	-	84	-
Capital grants and contributions that have been applied to capital financing	1,923	-	-	-	(295)	(1,628)	-
Revenue expenditure funded from capital under statute	(1,341)	(99,794)	-	-	-	101,135	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	107	1,207	(1,850)	-	-	536	-
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement</u>							
Statutory provision for the financing of capital investment	1,601	152	-	-	-	(1,753)	-
Capital expenditure charged against the General Fund and HRA balances	246	4,728	-	-	-	(4,974)	-

## B1. Adjustments between Accounting Basis and Funding Basis under Regulations (cont)

2011/12	Usable Reserves					Movement in Unusable Reserves £000's	Total 2011/12 £000's
	General Fund Balance £000's	Housing Revenue Account £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's		
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(487)	-	487	-	-	-	-
Capital Receipts applied to fund Capital Expenditure	-	-	2,450	-	-	(2,450)	-
Transfer from Capital Receipts Deferred to Capital Receipts Reserve	-	-	(1)	-	-	1	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>							
Reversal of Major Repairs Allowance credited to the HRA	-	5,242	-	(3,998)	-	(1,244)	-
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	-	-	-	(1,244)	-	1,244	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	5,242	-	(5,242)	-
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(11)	60	-	-	-	(49)	-
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to the post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement/Employer's pension contributions and direct payments to pensioners payable in year'	1,118	(100)	-	-	-	(1,018)	-
<b>Adjustment primarily involving the Accumulated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	(71)	(8)	-	-	-	79	-
<b>Adjustments involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(82)	-	-	-	-	82	-
Miscellaneous Adjustment	-	(3)	-	-	-	3	-
<b>Total Adjustments</b>	<b>(786)</b>	<b>(96,333)</b>	<b>1,086</b>	<b>-</b>	<b>(295)</b>	<b>96,328</b>	<b>-</b>

## B2. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2010 £000's	Transfers Out 2010/11 £000's	Transfers In 2010/11 £000's	Balance at 31 March 2011 £000's	Transfers Out 2011/12 £000's	Transfers In 2011/12 £000's	Balance at 31 March 2012 £000's
<b>General Fund:</b>							
Transport Realisation Account	(252)	-	-	(252)	-	-	(252)
Insurance	(1,173)	-	-	(1,173)	340	-	(833)
Repairs & Renewals	(1,691)	1,317	(121)	(495)	78	(195)	(612)
Investment Impairment Reserve	(2,443)	955	(195)	(1,683)	-	(512)	(2,195)
Legacies	(127)	-	-	(127)	10	-	(117)
Capital Financing	-	-	(200)	(200)	246	(46)	-
Revenue Grants Reserve	(2,227)	612	(285)	(1,900)	334	(66)	(1,632)
<b>Total</b>	<b>(7,913)</b>	<b>2,884</b>	<b>(801)</b>	<b>(5,830)</b>	<b>1,008</b>	<b>(819)</b>	<b>(5,641)</b>
<b>Housing Revenue Account:</b>							
Capital Financing	(311)	4,440	(5,257)	(1,128)	4,728	(5,243)	(1,643)
Repairs & Renewals	(1,000)	-	-	(1,000)	500	-	(500)
Miscellaneous	(1,178)	194	(39)	(1,023)	179	-	(844)
<b>Total</b>	<b>(2,489)</b>	<b>4,634</b>	<b>(5,296)</b>	<b>(3,151)</b>	<b>5,407</b>	<b>(5,243)</b>	<b>(2,987)</b>

### General Fund Reserves:

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 a hurricane. It also covers tendering losses if incurred and other claims which might arise for which external insurance cover is not provided.

The Repairs and Renewals Reserve provides for future maintenance costs.

The Investment Impairment Reserve is a sum set aside to cover possible future impairment of the Council's Icelandic Bank investments.

The Revenue Grants Reserve represents the grant funding received, but not yet spent.

The Capital Financing Reserve represents money set aside to fund future capital spending.

## Housing Revenue Account Reserves:

Note F6 to the Housing Revenue Account (page 114) provides a detailed breakdown of the Repairs & Renewals and Miscellaneous Reserves.

## SECTION C - NOTES TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### C1. Other Operating Expenditure

Gross Expenditure £000's	2010/11 Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	2011/12 Gross Income £000's	Net Expenditure £000's
522	-	522	Payments to the Government Housing Capital Receipts Pool	488	-	488
775	(1,011)	(236)	Loss/(Gain)on the disposal of non current assets	536	(1,743)	(1,207)
-	(106)	(106)	Capital Receipts not from disposal of non current assets	-	(107)	(107)
<u>1,297</u>	<u>(1,117)</u>	<u>180</u>		<u>1,024</u>	<u>(1,850)</u>	<u>(826)</u>

## C2. Finance and Investment Income and Expenditure

Gross Expenditure £000's	2010/11 Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	2011/12 Gross Income £000's	Net Expenditure £000's
7,419	(7,889)	(470)	Losses/(Gains) on trading operations (note C5.1)	7,488	(7,893)	(405)
1,725	-	1,725	Interest payable and similar charges	1,666	-	1,666
127	-	127	Investment Impairment	-	(246)	(246)
12,997	(10,576)	2,421	Pensions interest cost and expected return on pension assets	10,701	(10,673)	28
-	(563)	(563)	Interest receivable and similar income	-	(584)	(584)
882	-	882	Changes in the fair value of investment properties	70	-	70
-	(1,043)	(1,043)	Investment properties income	-	(1,054)	(1,054)
-	-	-	Miscellaneous Adjustments	-	1	1
<u>23,150</u>	<u>(20,071)</u>	<u>3,079</u>		<u>19,925</u>	<u>(20,449)</u>	<u>(524)</u>

### C3. Taxation and Non-Specific Grant Income

<b>Gross Expenditure £000's</b>	<b>2010/11 Gross Income £000's</b>	<b>Net Expenditure £000's</b>		<b>Gross Expenditure £000's</b>	<b>2011/12 Gross Income £000's</b>	<b>Net Expenditure £000's</b>
-	(12,832)	(12,832)	Council tax income	-	(12,915)	(12,915)
-	(10,401)	(10,401)	Non domestic rates	-	(5,976)	(5,976)
-	(1,573)	(1,573)	Non-ringfenced government grants	-	(2,587)	(2,587)
-	(1,274)	(1,274)	Capital grants and contributions	-	(2,219)	(2,219)
-	<u>(26,080)</u>	<u>(26,080)</u>		-	<u>(23,697)</u>	<u>(23,697)</u>

## C4. Exceptional Item – HRA Self Financing

The Localism Act 2011 introduced a self-financing system from 1 April 2012 which will require a one off debt allocation financed through borrowing, in return the Council no longer has to make an annual subsidy payment to the Government (£7,898,069 net paid in 11/12)

The Settlement Payments Determination 2012 set out the amount each local Council had to pay the Secretary of State in order to exit from the subsidy system. Ipswich Borough Councils settlement figure was £99,602,000, which was paid on 28 March 2012.

This payment was financed through a number of long-term loans.

## C5. Trading Undertakings

C5.1 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 Contractor Units 2011/12

	Income £000's	Expenditure £000's	(Surplus) / Deficit £000's
<b>2010/11</b>			
Building Maintenance (Maintenance of Council Dwellings)	(4,174)	3,948	(226)
Highways and Sewerage (Highways Agency work)	(3,715)	3,471	(244)
<b>Totals</b>	<b>(7,889)</b>	<b>7,419</b>	<b>(470)</b>
<b>2011/12</b>			
Building Maintenance (Maintenance of Council Dwellings)	(4,358)	4,084	(274)
Highways and Sewerage (Highways Agency work)	(3,535)	3,404	(131)
<b>Totals</b>	<b>(7,893)</b>	<b>7,488</b>	<b>(405)</b>
<b>Accumulated Profits</b>			
		2010/11 £000's	2011/12 £000's
Balance 1 April		-	-
(Surplus)/Deficit for year		(470)	(405)
(Surplus)/Deficit reported in CI&ES		(470)	(405)

C5.2 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

	2010/11			2011/12	
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Net Expenditure £000's
808	(1,212)	(404)	Corporate Properties	1,042	(181)
3,149	(2,388)	761	Council Halls/Theatres	3,591	1,028
1,657	(2,322)	(665)	Car Parks	2,056	(345)
604	(1,256)	(652)	Crematorium	498	(181)
1,123	(1,312)	(189)	Trade Refuse	1,085	(191)
<u>7,341</u>	<u>(8,490)</u>	<u>(1,149)</u>		<u>8,272</u>	<u>130</u>

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

	2010/11			2011/12	
Gross Expenditure excluding Capital Charges £000's	Gross Income £000's	Net Expenditure excluding Capital Charges £000's		Gross Expenditure excluding Capital Charges £000's	Net Expenditure excluding Capital Charges £000's
479	(1,212)	(733)	Corporate Properties	635	(588)
2,993	(2,388)	605	Council Halls/Theatres	3,440	877
1,590	(2,322)	(732)	Car Parks	1,526	(875)
580	(1,256)	(676)	Crematorium	472	(207)
1,096	(1,312)	(216)	Trade Refuse	1,058	(218)
<u>6,738</u>	<u>(8,490)</u>	<u>(1,752)</u>		<u>7,131</u>	<u>(1,011)</u>

## C6. Agency Services

The Council carries out work as highways agent for Suffolk County Council. The cost of this in 2011/12 was £5,205,107 (£3,680,523 in 2010/11) for which it is reimbursed. The Head of Planning, Transport & Regeneration supervises work related to highways in the Borough, including road surface and street lighting maintenance, footway repairs, verge maintenance and winter gritting. Suffolk County Council pays a management fee which is variable depending on the works undertaken.

2010/11 £000's		2011/12 £000's
1,289	Expenditure incurred in providing agency service	1,232
(1,276)	Management fee and other income received	(1,165)
<b>13</b>	<b>Net cost arising on the agency arrangement</b>	<b>67</b>

## C7. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2011/12 as follows:

2010/11 £000's		2011/12 £000's
	<b>Credited to Taxation and Non Specific Grant Income</b>	
	<b>Area Based Grants:</b>	
(23)	Climate Change	-
(6)	Economic Assessment Duty	-
(4)	NI 160 Status Survey	-
(1)	Statutory Guidance - Social Housing Allocations	-
(6)	Petitions	-
(23)	Youth Taskforce	-
(63)		-
	<b>Other General Grants:</b>	
(1,510)	Revenue Support Grant	(1,847)
-	New Homes Bonus Grant	(416)
-	Council Tax Reduction Grant	(324)
<b>(1,573)</b>	<b>Non-ringfenced Government Grants</b>	<b>(2,587)</b>
	<b>Capital Grants and Contributions:</b>	
(111)	S106 Income	(965)
(1,163)	Capital Contributions Income	(1,254)
<b>(1,274)</b>		<b>(2,219)</b>
	<b>Credited to Services</b>	
(60,777)	DWP Grants	(64,963)
6,519	Housing Subsidy	7,898
(91)	Homelessness Grant	(127)
(134)	Housing & Planning Delivery Grant	-
(625)	Concessionary Fares Grant	-
<b>(55,108)</b>		<b>(57,192)</b>

## C8. Councillor Allowances

The total value of Councillor allowances paid in the year was £269,103 (£277,934 in 2010/11). A detailed analysis of these payments was published on the Ipswich Borough Council website, [www.ipswich.gov.uk](http://www.ipswich.gov.uk)

## C9. Officer Emoluments

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

2010/11 Number of employees	Remuneration band	2011/12 Number of employees
4	£50,000 - £54,999	3
3	£55,000 - £59,999	1
4	£60,000 - £64,999	6
3	£65,000 - £69,999	2
0	£70,000 - £74,999	0
1	£75,000 - £79,999	2
1	£80,000 - £84,999	0
0	£85,000 - £89,999	0
1	£90,000 - £94,999	1

The following table sets out the remuneration disclosures for Senior Officers for 2011/12, whose salary is less than £150,000, but equal to or more than £50,000 per year.

Postholder Information (Post Title)	Salary (Including Fees & Allowances)		Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£	£		2011/12 £	£	2011/12 £
Chief Executive	93,516	0	0	93,516	15,991	109,507
Corporate Director	79,887	107	0	79,994	13,661	93,655
Corporate Director	78,244	0	0	78,244	13,380	91,624
Head of Legal & Democratic Services	63,740	0	0	63,740	10,899	74,639
Head of Finance	65,900	0	0	65,900	11,269	77,169
Head of Planning, Transport & Regeneration	60,531	0	0	60,531	10,351	70,882
Head of Community Services	66,321	141	0	66,462	11,341	77,803
Head of Culture & Leisure Services	62,491	0	0	62,491	10,686	73,177
Head of Housing Services	62,491	118	0	62,609	10,686	73,295
Head of Corporate Development	63,740	0	0	63,740	10,899	74,639
Head of Environmental Services	58,894	545	0	59,439	10,071	69,510
	<b>755,755</b>	<b>911</b>	<b>0</b>	<b>756,666</b>	<b>129,234</b>	<b>885,900</b>

All the above Officers are members of the Local Government Pension Scheme. The rules of the scheme are set at national level and the employer pension contributions, for current service cost, are 17.1% of annual pay. In addition, each officer contributes

between 7.2% and 7.5% of their salary to the fund, in line with national rules. The Expenses Allowances above does not include expenses that the officers concerned were eligible to claim, but did not wish to do so.

The following table sets out the remuneration disclosures for Senior Officers for 2010/11, whose salary is less than £150,000, but equal to or more than £50,000 per year.

Postholder Information (Post Title)	Salary (Including Fees & Allowances)	Expenses Allowances	Benefits in Kind (e.g. Car Allowance)	Total Remuneration excluding Pension Contributions 2010/11	Pension Contributions	Total Remuneration including Pension Contributions 2010/11
	£	£	£	£	£	£
Chief Executive	91,678	0	0	91,678	11,936	103,614
Corporate Director	79,887	134	0	80,021	10,401	90,422
Corporate Director	78,118	0	0	78,118	10,187	88,305
Head of Legal & Democratic Services	65,723	0	0	65,723	8,557	74,280
Head of Finance	62,491	8	0	62,499	8,136	70,635
Head of Planning, Transport & Regeneration	59,345	0	0	59,345	7,723	67,068
Head of Community Services	67,628	6	0	67,634	8,805	76,439
Head of Culture & Leisure Services	61,272	350	0	61,622	7,978	69,600
Head of Housing Services	61,020	164	0	61,184	7,978	69,162
Head of Corporate Development	62,491	88	0	62,579	8,137	70,716
Head of Environmental Services	57,738	402	0	58,140	7,518	65,658
	<b>747,391</b>	<b>1,152</b>	<b>0</b>	<b>748,543</b>	<b>97,356</b>	<b>845,899</b>

## Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the table below:

a) Exit package cost band (including special payments)	b) Number of compulsory redundancies		c) Number of other departures agreed		d) Total number of exit packages by cost band		e) Total cost of exit packages in each band	
	2010/11	2011/12	2010/11	2011/12	[(b) + (c)]		2010/11	2011/12
£0 - £20,000	32	18	2	5	34	23	£353,234	£231,055
£20,001 - £40,000	11	6	0	1	11	7	£267,718	£178,858
£40,001 - £60,000	1	0	0	0	1	0	£47,552	£0
£60,001 - £80,000	0	0	0	0	0	0	£0	£0
£80,001 - £100,000	0	0	0	0	0	0	£0	£0
£100,001 - £150,000	0	0	0	0	0	0	£0	£0

## C10. 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.

Ipswich Buses Limited is a wholly owned subsidiary of Ipswich Borough Council and details of related party transactions are contained within the Group Accounts. The following Directors of Ipswich Buses Limited are members of Ipswich Borough Council: - Harvey Crane, Inga Lockington, Peter Gardiner.

UK Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefit). Grants received from government departments are set out in the subjective analysis in *note C13* on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in *note C7*.

Members of the Council have direct control over the Council's financial and operating policies. The total of councillor allowances paid in 2011/12 is shown in *note C8*. A Register of Councillors' Interests is kept as required by the Local Government Act 2000.

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

## C11. Audit and Inspection

In 2011/12, the Council incurred the following fees relating to external audit inspection:

2010/11 £000's		2011/12 £000's
163	Fees paid to PricewaterhouseCoopers LLP (the appointed auditor) with regard to external audit services carried out by the appointed auditor	165
5	Fees paid in respect of other services provided by the appointed auditor	3
8	Fees paid to the Audit Commission in respect of statutory inspection	-
50	Fees paid to the appointed auditor for the certification of grant claims and returns	50
<b>226</b>	<b>TOTAL FEES</b>	<b>218</b>

## C12. Financial Instruments Gains and Losses

	2010/11					2011/12				
	Financial Liabilities		Financial Assets			Financial Liabilities		Financial Assets		
	Liabilities measured at amortised cost £000's	Loans and Receivables £000's	Available-for-sale assets £000's	Assets & Liabilities at Fair Value through Profit & Loss £000's	Total £000's	Liabilities measured at amortised cost £000's	Loans and Receivables £000's	Available-for-sale assets £000's	Assets & Liabilities at Fair Value through Profit & Loss £000's	Total £000's
Interest expense	(1,725)	-	-	-	(1,725)	(1,666)	-	-	-	(1,666)
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in Fair Value	-	-	-	-	-	-	-	-	-	-
Impairment (losses)/gains	-	(127)	-	-	(127)	-	246	-	-	246
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(1,725)</b>	<b>(127)</b>	<b>-</b>	<b>-</b>	<b>(1,852)</b>	<b>(1,666)</b>	<b>246</b>	<b>-</b>	<b>-</b>	<b>(1,420)</b>
Interest income	-	563	-	-	563	-	584	-	-	584
Interest income accrued on impaired financial	-	-	-	-	-	-	-	-	-	-
Increases in Fair Value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>584</b>	<b>-</b>	<b>-</b>	<b>584</b>
Gains on revaluation	-	-	1,535	-	1,535	-	-	-	-	-
Losses on revaluation	-	-	-	-	-	-	-	(1,509)	-	(1,509)
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
<b>Surplus/Deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>1,535</b>	<b>-</b>	<b>1,535</b>	<b>-</b>	<b>-</b>	<b>(1,509)</b>	<b>-</b>	<b>(1,509)</b>
<b>Net (Loss)/Gain for the year</b>	<b>(1,725)</b>	<b>436</b>	<b>1,535</b>	<b>-</b>	<b>246</b>	<b>(1,666)</b>	<b>830</b>	<b>(1,509)</b>	<b>-</b>	<b>(2,345)</b>

### **C13. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Committee on the basis of budget reports analysed across Heads of Service. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure, whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement;
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to Heads of Service.

The income and expenditure of the Council's Heads of Service recorded in the budget reports for the year is as follows:

## Heads of Service Income & Expenditure 2011/12

	Finance £000's	Legal & Democratic £000's	Corporate Development £000's	Planning, Transport & Regeneration £000's	Environmental Services £000's	Local Authority Housing (HRA) £000's	Other Housing £000's	Community Services £000's	Leisure & Culture £000's	Design & Communication £000's	Corporate Management Team £000's	Total £000's
Government grants	(64,948)	-	-	-	-	-	(127)	-	-	-	-	(65,075)
Other Grants, Reimbursements & Contributions	(659)	(118)	(112)	(6,353)	(1,454)	7,301	(562)	(310)	(214)	(3)	-	(2,484)
Sales	(11)	(20)	-	(5)	(5)	(1)	-	-	(400)	(55)	-	(497)
Fees & Charges	(799)	(1,451)	(11)	(3,714)	(2,213)	(1,639)	(19)	(307)	(5,337)	(630)	(48)	(16,168)
Rents	-	-	-	(1,749)	(84)	(30,549)	(43)	-	(136)	-	-	(32,561)
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Recharges to Other Accounts	(463)	(18)	(317)	(58)	(523)	(21)	-	-	-	(1)	-	(1,401)
<b>Total Income</b>	<b>(66,880)</b>	<b>(1,607)</b>	<b>(440)</b>	<b>(11,879)</b>	<b>(4,279)</b>	<b>(24,909)</b>	<b>(751)</b>	<b>(617)</b>	<b>(6,087)</b>	<b>(689)</b>	<b>(48)</b>	<b>(118,186)</b>
Employee expenses	2,244	1,425	1,821	3,303	4,518	5,146	1,164	2,287	5,385	649	662	28,604
Premises	-	251	-	1,094	1,866	3,334	6	14	2,340	21	5	8,931
Transport	15	11	2	43	1,003	242	6	21	232	1	8	1,584
Supplies & Services	4,125	681	501	1,706	2,012	2,849	473	1,217	3,168	370	82	17,184
Third Party Payments	-	-	-	5,219	(1)	-	-	-	873	-	-	6,091
Transfer Payments	63,906	-	-	-	-	-	-	-	-	-	-	63,906
Recharges from Other Accounts	-	-	-	-	-	-	-	-	-	-	-	-
Capital Financing	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>70,290</b>	<b>2,368</b>	<b>2,324</b>	<b>11,365</b>	<b>9,398</b>	<b>11,571</b>	<b>1,649</b>	<b>3,539</b>	<b>11,998</b>	<b>1,041</b>	<b>757</b>	<b>126,300</b>
<b>Net Cost of Services</b>	<b>3,410</b>	<b>761</b>	<b>1,884</b>	<b>(514)</b>	<b>5,119</b>	<b>(13,338)</b>	<b>898</b>	<b>2,922</b>	<b>5,911</b>	<b>352</b>	<b>709</b>	<b>8,114</b>

**Heads of Service Income & Expenditure  
2010/11 Comparative Figures**

	Finance £000's	Legal & Democratic £000's	Corporate Development £000's	Planning, Transport & Regeneration £000's	Environmental Services £000's	Local Authority Housing (HRA) £000's	Other Housing £000's	Community Services £000's	Leisure & Culture £000's	Design & Communication £000's	Corporate Management Team £000's	Total £000's
Government grants	(60,777)	-	-	(759)	-	-	(91)	-	-	-	-	(61,627)
Other Grants, Reimbursements & Contributions	(693)	(109)	-	(5,048)	(1,273)	5,679	(952)	(581)	(155)	(14)	-	(3,146)
Sales	(6)	(25)	-	(5)	(45)	-	-	-	(427)	(58)	-	(566)
Fees & Charges	(667)	(1,936)	(26)	(3,610)	(2,040)	(1,765)	(26)	(326)	(5,289)	(449)	(12)	(16,146)
Rents	-	-	-	(1,639)	-	(28,535)	(88)	-	(127)	-	-	(30,389)
Interest	-	(2)	-	-	-	-	-	-	-	-	-	(2)
Recharges to Other Accounts	(25)	-	(63)	(82)	(215)	(22)	-	-	-	-	-	(407)
<b>Total Income</b>	<b>(62,168)</b>	<b>(2,072)</b>	<b>(89)</b>	<b>(11,143)</b>	<b>(3,573)</b>	<b>(24,643)</b>	<b>(1,157)</b>	<b>(907)</b>	<b>(5,998)</b>	<b>(521)</b>	<b>(12)</b>	<b>(112,283)</b>
Employee expenses	(17,408)	1,511	1,757	3,589	4,617	6,022	944	2,034	5,756	539	816	10,177
Premises	2	294	-	990	1,850	3,441	2	19	2,060	22	14	8,694
Transport	10	11	3	47	981	252	6	21	215	1	8	1,555
Supplies & Services	1,210	756	396	1,333	1,958	3,278	493	1,325	2,851	313	60	13,973
Third Party Payments	-	-	-	6,771	1	-	-	-	919	-	-	7,691
Transfer Payments	59,986	-	-	-	-	1	-	-	-	-	-	59,987
Recharges from Other Accounts	-	-	-	-	-	-	-	-	-	-	-	0
Capital Financing	-	-	-	-	-	-	-	-	-	-	-	0
<b>Total operating expenses</b>	<b>43,800</b>	<b>2,572</b>	<b>2,156</b>	<b>12,730</b>	<b>9,407</b>	<b>12,994</b>	<b>1,445</b>	<b>3,399</b>	<b>11,801</b>	<b>875</b>	<b>898</b>	<b>102,077</b>
<b>Net Cost of Services</b>	<b>(18,368)</b>	<b>500</b>	<b>2,067</b>	<b>1,587</b>	<b>5,834</b>	<b>(11,649)</b>	<b>288</b>	<b>2,492</b>	<b>5,803</b>	<b>354</b>	<b>886</b>	<b>(10,206)</b>

## Reconciliation of Heads of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement.

This reconciliation shows how the figures in the analysis of Heads of Service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<b>2010/11</b>		<b>2011/12</b>
<b>£000's</b>		<b>£000's</b>
(10,206)	Cost of Services in Service Analysis	8,114
	- Add services not included in main analysis	-
72,480	Add amounts not reported to management	112,711
	- Remove amounts reported to management not included in CIES	-
<b>62,274</b>	<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>120,825</b>

## Reconciliation to Subjective Analysis

<b>2011/12</b>	<b>Service Analysis</b>	<b>Services not in Analysis</b>	<b>Not reported to management</b>	<b>Not included in I&amp;E</b>	<b>Allocation of Recharges</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Fees, charges & other service income	(53,111)	-	-	-	-	(53,111)	-	(53,111)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(1,373)	(1,373)
Surplus or deficit on trading undertakings	-	-	-	-	-	-	(405)	(405)
Income from council tax	-	-	-	-	-	-	(12,915)	(12,915)
Government grants and contributions	(65,075)	-	-	-	-	(65,075)	(10,782)	(75,857)
<b>Total Income</b>	<b>(118,186)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(118,186)</b>	<b>(25,475)</b>	<b>(143,661)</b>
Employee expenses	28,604	-	-	-	-	28,604	-	28,604
Other service expenses	97,696	-	-	-	-	97,696	-	97,696
Support Service recharges	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	112,711	-	-	112,711	-	112,711
Interest Payments	-	-	-	-	-	-	1,666	1,666
Pension interest cost and expected return on pensions assets	-	-	-	-	-	-	28	28
Investment Impairment charge	-	-	-	-	-	-	(440)	(440)
Precepts & Levies	-	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	487	487
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(1,313)	(1,313)
<b>Total operating expenses</b>	<b>126,300</b>	<b>-</b>	<b>112,711</b>	<b>-</b>	<b>-</b>	<b>239,011</b>	<b>428</b>	<b>239,439</b>
<b>Surplus or deficit on the provision of services</b>	<b>8,114</b>	<b>-</b>	<b>112,711</b>	<b>-</b>	<b>-</b>	<b>120,825</b>	<b>(25,047)</b>	<b>95,778</b>

## Reconciliation to Subjective Analysis

	Service Analysis	Services not in Analysis	Not reported to management	Not included in I&E	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
2010/11 Comparatives	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(50,656)	-	-	-	-	(50,656)	-	(50,656)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	(1,606)	(1,606)
Surplus or deficit on trading undertakings	-	-	-	-	-	-	(470)	(470)
Income from council tax	-	-	-	-	-	-	(12,832)	(12,832)
Government grants and contributions	(61,627)	-	-	-	-	(61,627)	(13,248)	(74,875)
<b>Total Income</b>	<b>(112,283)</b>	-	-	-	-	<b>(112,283)</b>	<b>(28,156)</b>	<b>(140,439)</b>
Employee expenses	10,177	-	-	-	-	10,177	-	10,177
Other service expenses	91,900	-	-	-	-	91,900	-	91,900
Recharges from Other Accounts	-	-	-	-	-	-	-	-
Depreciation, amortisation and impairment	-	-	72,480	-	-	72,480	-	72,480
Interest Payments	-	-	-	-	-	-	1,725	1,725
Pension interest cost and expected return on pensions assets	-	-	-	-	-	-	2,421	2,421
Exceptional item: Investment Impairment charge	-	-	-	-	-	-	1,009	1,009
Precepts & Levies	-	-	-	-	-	-	-	-
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	522	522
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(342)	(342)
<b>Total operating expenses</b>	<b>102,077</b>	-	<b>72,480</b>	-	-	<b>174,557</b>	<b>5,335</b>	<b>179,892</b>
<b>Surplus or deficit on the provision of services</b>	<b>(10,206)</b>	-	<b>72,480</b>	-	-	<b>62,274</b>	<b>(22,821)</b>	<b>39,453</b>

## SECTION D - NOTES TO BALANCE SHEET

### D1. Property, Plant and Equipment – Movement on Balances

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total Property, Plant & Equipment
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Comparative Movements in 2011/12</b>							
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>							
<b>At 1 April 2011</b>	363,428	132,809	13,130	1,866	6,222	1,374	518,829
Additions/Donations	9,782	2,796	1,682	4	100	-	14,364
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(3,668)	(1,005)	-	-	-	(20)	(4,693)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(496)	-	-	-	-	(100)	(596)
Assets reclassified (to)/from Heritage	-	-	-	-	(39)	-	(39)
Assets reclassified (to)/from Other Land & Buildings	-	578	-	-	-	(578)	-
<b>At 31 March 2012</b>	<b>369,046</b>	<b>135,178</b>	<b>14,812</b>	<b>1,870</b>	<b>6,283</b>	<b>676</b>	<b>527,865</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2011</b>	69,049	58,668	9,249	618	-	3	137,587
Depreciation charge	3,539	2,119	1,341	94	-	13	7,106
<b>At 31 March 2012</b>	<b>72,588</b>	<b>60,787</b>	<b>10,590</b>	<b>712</b>	<b>-</b>	<b>16</b>	<b>144,693</b>
<b>Net Book Value</b>							
<b>At 31 March 2012</b>	<b>296,458</b>	<b>74,391</b>	<b>4,222</b>	<b>1,158</b>	<b>6,283</b>	<b>660</b>	<b>383,172</b>
<b>Comparative Movements in 2010/11</b>							
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>							
<b>At 1 April 2010</b>	413,349	129,619	12,526	1,864	5,862	629	563,849
Additions/Donations	10,906	2,427	604	2	191	9	14,139
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(15,356)	2,846	-	-	-	(70)	(12,580)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(46,049)	62	-	-	-	-	(45,987)
Assets reclassified (to)/from Held for Sale	(560)	(32)	-	-	-	-	(592)
Assets reclassified (to)/from Investment Property	-	-	-	-	-	-	-
Assets reclassified (to)/from Other Land & Buildings	1,138	(2,113)	-	-	169	806	-
<b>At 31 March 2011</b>	<b>363,428</b>	<b>132,809</b>	<b>13,130</b>	<b>1,866</b>	<b>6,222</b>	<b>1,374</b>	<b>518,829</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
<b>At 1 April 2010</b>	64,880	56,357	7,804	524	-	-	129,565
Depreciation charge	4,169	2,311	1,445	94	-	3	8,022
<b>At 31 March 2011</b>	<b>69,049</b>	<b>58,668</b>	<b>9,249</b>	<b>618</b>	<b>-</b>	<b>3</b>	<b>137,587</b>
<b>Net Book Value</b>							
<b>At 31 March 2011</b>	<b>294,379</b>	<b>74,141</b>	<b>3,881</b>	<b>1,248</b>	<b>6,222</b>	<b>1,371</b>	<b>381,242</b>

## Depreciation

The following useful lives have been used in the calculation of depreciation:

- Council Dwellings – 60 years
- Other Buildings – 5 – 75 years
- Vehicles, Plant, Furniture & Equipment – 1 – 10 years
- Infrastructure – 25 years
- Community Assets – N/A
- Surplus Assets – 5 – 75 years

## Commitments Under Capital Contracts

### Capital Commitments greater than £250,000 as at 31 March 2012

Scheme	Amount £000's	Period of Investment	Purpose of Investment
SRP New IT Platform	344	1 Year	Streamlining processes
HRA Capital Programme	1,586	1 Year	Investment to help meet the Decent Homes Standard
Affordable Housing Ravenswood	267	1 Year	To help fund Affordable Housing
Cremator Replacement	967	1 Year	Replacing Cremators
Mechanical & Electrical installations	320	1 Year	Maintenance and Improvements
Outstanding	<u>3,484</u>		

## Effects of Changes in Estimates

The Council did not make any material changes to its accounting estimates for property, plant and equipment.

## Revaluations

The Council ensures that all property, plant and equipment required to be measured at fair value is revalued every five years. The last such valuation was carried out by Savills who carried out an independent valuation of the Council's property assets as at 1 April 2009. Subsequent valuations have been carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's Operations Manager, Asset and Property, who carried out the asset valuation in 2011/12, has confirmed that all valuations reflect impairment and depreciation where appropriate.

## D2. Heritage Assets

<b>Comparative Movements in 2011/12</b>	<b>Heritage Assets £000's</b>
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>	
<b>At 1 April 2011</b>	47,357
Additions	85
Revaluation increases/(decreases) recognised in the Revaluation Reserve	300
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-
Assets reclassified (to)/from Held for Sale	-
Assets reclassified (to)/from Investment Property	-
Assets reclassified (to)/from Other Land & Buildings	39
<b>At 31 March 2012</b>	<u>47,781</u>
<b>Accumulated Depreciation &amp; Impairment</b>	
<b>At 1 April 2011</b>	-
Depreciation charge	-
<b>At 31 March 2012</b>	<u>-</u>
<b>Net Book Value</b>	
<b>At 31 March 2012</b>	47,781

<b>Restated Movements in 2010/11</b>	<b>Heritage Assets £000's</b>
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>	
<b>At 1 April 2010</b>	47,357
Additions	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-
Assets reclassified (to)/from Held for Sale	-
Assets reclassified (to)/from Investment Property	-
Assets reclassified (to)/from Other Land & Buildings	-
<b>At 31 March 2011</b>	<u>47,357</u>
<b>Accumulated Depreciation &amp; Impairment</b>	
<b>At 1 April 2010</b>	-
Depreciation charge	-
<b>At 31 March 2011</b>	<u>-</u>
<b>Net Book Value</b>	
<b>At 31 March 2011</b>	47,357

The total museum collection is insured for £100m. The significant objects that have had specific valuations are included in the Balance Sheet at £47.781m including statue additions at £85k. It is not considered appropriate to include the remaining items as they do not have

specific valuations nor is it appropriate to do so. The insurance valuation is a broad assessment and not considered appropriate for accounting purposes.

### **Additions of Heritage Assets**

Additions in 2011/12 comprise:

	£000's
Erection of the Thomas Wolsey Statue	85

### **Heritage Assets – 5 year summary of transactions**

	2010/11 £000's	2011/12 £000's
Cost of acquisition of heritage assets		
Statues	0	85

It is not practical to provide this information for the periods prior to 1 April 2010.

### **Heritage Assets: further information on the Museum Collections**

#### **Art Collection**

The art collections at Ipswich are some of the finest in the country. They include 1,370 oil paintings, 7,025 watercolours and drawings as well as 7,000 prints and 60 sculptures representing over 2000 artists dating from the fifteenth century to the present day. The collection's rich and varied artworks include paintings by Thomas Gainsborough and John Constable.

Thomas Gainsborough made a living by painting portraits of local professional people, political figures and sometimes landed gentry. Examples of these can be seen in the Ipswich collections, for example, Samuel Kilderbee and William Wollaston. The painting of 'Holywells Park, Ipswich', painted between 1748 to 1750, is Gainsborough's only known landscape of Ipswich and it depicts the man-made reservoirs in the park. In total, there are now 15 oil paintings by Gainsborough in the collection.

John Constable who, although he lived in London for many years, preferred to paint the scenes around his home at East Bergholt and the surrounding area. Two of the paintings in the Ipswich collections were probably painted by Constable from an upstairs window or roof of his family home in around 1815. These are 'Golding Constable's Flower Garden' and 'Golding Constable's Kitchen Garden'.

The Museum Service has the largest collection of Constable oil paintings outside London. There are also 11 drawings and various editions of "English Landscape" mezzotints from 1830 – 1833 that were engraved by David Lucas under Constable's supervision.

There are numerous works of many modern and contemporary artists of both regional and national significance. Amongst these are paintings by Cedric Morris and Arthur Lett Haines

who founded and ran the East Anglian School of Painting and Drawing at Dedham, then Benton End, near Hadleigh, Suffolk, from 1937 to the late 1970s. There are also several paintings by members of their circle, including Lucy Harwood, Joan Warburton and Glyn Morgan.

The collection includes work by Amy K Browning, Cecil Lay, Mary Potter, Russell Sidney Reeve, Peter Campbell, Roderick Barrett, Cor Visser, Valerie Thornton, Adrian Ryan, Bernard Reynolds, Lawrence Self, John Addyman, Colin Moss, Maggi Hambling, Constance Stubbs, Peter Coker, Margaret Mellis, Eduardo Paolozzi, Jeffery Camp, Robin Warnes, John Wonnacott, amongst many others.

## **Archaeology**

There are amazing treasures within the Anglo-Saxon gallery, including the Hadleigh Road Cemetery and the Boss Hall brooch.

Ipswich Museums Service holds a collection of several hundred ancient Egyptian artefacts. The collection contains many objects excavated by Petrie or the British School of Archaeology in Egypt, including material from Lahun, Harageh, Riqqeh, Gurob, Sedment, Hawara, Abydos, Badari and the Fayum. Also within the collection are a small number of objects excavated at Beni Hasan by the University of Liverpool. A substantial part of the collection is made up of donations from private individuals.

## **Heritage Assets: Change in Accounting Policy**

The Code of Practice on Local Council Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. Previously heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

In applying the new policy, the Council has identified assets that had not previously been identified in the balance sheet that should now be recognised as heritage assets and measured at £47.357m with a corresponding increase in the Revaluation Reserve. These assets relate to the Museum Collections. The 1 April 2010 and 31 March 2011 figures have therefore been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £47.357m. The revaluation reserve has increased by £47.357m.
- At 31 March 2011 2010 the carrying amount of the Heritage Assets is presented at its valuation at £47.357m. The revaluation reserve has increased by £47.357m.

The fully restated 1 April 2010 and 31 March 2011 Balance Sheet is provided on *page 15*. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

<b>Opening 1 April 2010 Balance Sheet</b>			
	<b>Previously Stated £000's</b>	<b>Adjustment Made £000's</b>	<b>Restated £000's</b>
Heritage Assets	-	47,357	47,357
<b>Long Term Assets</b>	<u>454,442</u>	<u>47,357</u>	<u>501,799</u>
<b>Net Assets</b>	<u>324,933</u>	<u>47,357</u>	<u>372,290</u>
<b>Unusable Reserves</b>	(294,228)	(47,357)	(341,585)
<b>Total Reserves</b>	<u>(324,933)</u>	<u>(47,357)</u>	<u>(372,290)</u>

<b>31 March 2011 Balance Sheet</b>			
	<b>Previously Stated £000's</b>	<b>Adjustment Made £000's</b>	<b>Restated £000's</b>
Heritage Assets	-	47,357	47,357
<b>Long Term Assets</b>	<u>401,260</u>	<u>47,357</u>	<u>448,617</u>
<b>Net Assets</b>	<u>336,603</u>	<u>47,357</u>	<u>383,960</u>
<b>Unusable Reserves</b>	(309,348)	(47,357)	(356,705)
<b>Total Reserves</b>	<u>(336,603)</u>	<u>(47,357)</u>	<u>(383,960)</u>

### D3. Investment Properties

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2010/11 £000's		2011/12 £000's
14,194	Balance at start of the year	13,312
	Additions:	
-	- Purchases	-
-	- Construction	-
-	- Subsequent expenditure	-
-	Disposals	-
	Net gains/losses from fair value adjustments:	
(840)	2009/10	-
(42)	2010/11	-
-	2011/12	(70)
	Transfers:	
-	- to/from Inventories	-
-	- to/from Property, Plant & Equipment	-
-	Other Changes	(1)
<u>13,312</u>	Balance at end of the year	<u>13,241</u>

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2010/11 £000's		2011/12 £000's
1,043	Rental income from Investment Property	1,054
-	Direct operating expenses arising from Investment Property	-
<u>1,043</u>	<b>Net gain</b>	<u>1,054</u>

## D4. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are software licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The amounts outstanding with the amortisation periods as at 31 March 2012 are:

	<b>£000's</b>
Less than 1 year	15
Between 1 and 3 years	8
Greater than 3 years	38

The carrying amount of intangible assets is amortised on a straight-line basis and amortisation of £84k was charged to the Cost of Services in the Consolidated Income & Expenditure Statement in 2011/12.

The movement on Intangible Asset balances during the year is as follows:

	2010/11 £000's	2011/12 £000's
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>		
<b>At 1 April</b>	484	502
Additions/Donations	18	74
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-
Assets reclassified (to)/from Held for Sale	-	-
Assets reclassified (to)/from Investment Property	-	-
Assets reclassified (to)/from Other Land & Buildings	-	-
<b>At 31 March</b>	<b>502</b>	<b>576</b>
<b>Accumulated Amortisation &amp; Impairment</b>		
<b>At 1 April</b>	361	431
Amortisation charge	70	84
<b>At 31 March</b>	<b>431</b>	<b>515</b>
<b>Net Book Value At 31 March</b>	<b>71</b>	<b>61</b>

## D5. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2011 £000's	31 March 2012 £000's	31 March 2011 £000's	31 March 2012 £000's
<b>Investments:</b>				
Loans and Receivables	4,779	4,183	5,144	3,965
Available-for-sale financial assets	1,848	340	-	-
<b>Total investments</b>	<b>6,627</b>	<b>4,523</b>	<b>5,144</b>	<b>3,965</b>
<b>Cash and Cash Equivalents:</b>				
Cash held by officers	-	-	452	263
Bank current accounts	-	-	(345)	394
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>657</b>
<b>Receivables:</b>				
Financial assets carried at contract amounts	8	6	7,629	6,983
<b>Total receivables</b>	<b>8</b>	<b>6</b>	<b>7,629</b>	<b>6,983</b>
<b>Borrowings:</b>				
Financial liabilities at amortised cost	26,307	122,489	2,492	3,455
<b>Total borrowings</b>	<b>26,307</b>	<b>122,489</b>	<b>2,492</b>	<b>3,455</b>
<b>Other Long Term Payables:</b>				
Finance lease liabilities	514	154	589	361
<b>Total other long term Payables</b>	<b>514</b>	<b>154</b>	<b>589</b>	<b>361</b>
<b>Payables:</b>				
Financial liabilities carried at contract amounts	40	53	9,754	12,125
<b>Total payables</b>	<b>40</b>	<b>53</b>	<b>9,754</b>	<b>12,125</b>

Under accounting requirements the carrying value of the financial instruments shown in the balance sheet includes the principal amount plus any accrued interest as at 31 March.

The Council had £5m deposited in two Icelandic banks when they collapsed in October 2008. The Council has recognised the impairment of these assets and a charge was made to the Comprehensive income and expenditure statement in 2010/11. The table below shows how the carrying amounts of impaired investments have been calculated:

Bank	Heritable	Landsbanki	Landsbanki	Landsbanki
Date Invested	12/12/2007	05/11/2007	29/08/2008	02/09/2008
Maturity Date	10/12/2008	03/11/2008	28/08/2009	02/06/2009
Interest Rate	6.21%	6.18%	6.18%	6.09%
Amount Invested	£1,000,000	£1,000,000	£1,000,000	£2,000,000
Amount Repaid	£679,000	£309,270	£303,006	£605,283
Interest Credited in 2007/08	£18,885	£25,059	£0	£0
Interest Credited in 2008/09	£62,100	£61,800	£36,403	£70,410
Interest Credited in 2009/10	£62,100	£61,800	£61,800	£121,800
Interest Credited in 2010/11	£62,100	£61,800	£61,800	£121,800
Interest Credited in 2011/12	£23,919	£59,955	£60,002	£120,009
Total Investment	£550,104	£961,144	£916,999	£1,828,736
Impairment	(£346,921)	(£359,025)	(£327,076)	(£646,924)
<b>Carrying Amount</b>	<b>£203,183</b>	<b>£602,119</b>	<b>£589,923</b>	<b>£1,181,812</b>

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 cash repayments have been estimated as follows, based on the statements made by the administrator:

Date	Heritable £	Landsbanki £
April 2012	39,834	-
May 2012	-	509,900
July 2012	36,786	-
October 2012	36,786	-
December 2012	-	292,566
January 2013	36,786	-
April 2013	61,065	-
December 2013	-	292,566
December 2014	-	292,566
December 2015	-	292,566
December 2016	-	292,566
December 2017	-	292,566
December 2018	-	292,566
December 2019	-	367,797

## Financial Instruments

### Fair Values of Assets and Liabilities

Financial assets (represented by loans and receivables) and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other payables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2011			31 March 2012	
Carrying amounts	Fair Value		Carrying amounts	Fair Value
£000's	£000's		£000's	£000's
28,799	34,645	Financial Liabilities	125,944	137,125
9,794	9,794	Payables	12,178	12,178
<u>38,593</u>	<u>44,439</u>		<u>138,122</u>	<u>149,303</u>

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

31 March 2011			31 March 2012	
Carrying amounts	Fair Value		Carrying amounts	Fair Value
£000's	£000's		£000's	£000's
9,923	10,137	Loans and receivables	8,148	8,272
7,637	7,637	Receivables	6,989	6,989
<u>17,560</u>	<u>17,774</u>		<u>15,137</u>	<u>15,261</u>

The fair value of the assets is greater than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date.

Available for sale assets are carried in the Balance Sheet at their fair value. These fair

values are based on public price quotations where there is an active market for the instrument. The Council owns all the shares in Ipswich Buses. There is no established market for trading shares in this sector and the fair value of Ipswich Buses shares shown in the balance sheet is the accumulated profit and loss as at 31 March 2012. The Council has no current intention to dispose of its shareholding.

## D6. Inventories

The basis for valuation of inventories are described in note A1.13 to the Statement of Accounting Policies on page 28

	Ipswich Borough Contracts		Other Services		Total	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£000's	£000's	£000's	£000's	£000's	£000's
Balance outstanding at start of year	201	197	125	134	326	331
Purchases	584	649	442	377	1,026	1,026
Recognised as an expense in the year	(588)	(650)	(433)	(383)	(1,021)	(1,033)
Balance outstanding at year-end	197	196	134	128	331	324

## D7. Receivables

31 March 2011 £000's		31 March 2012 £000's
2,918	Central government bodies	4,730
2,994	Other local authorities	3,084
28	NHS bodies	(6)
-	Public corporations and trading funds	-
	Other entities and individuals:	
2,188	Housing Rents	1,991
3,975	Sundry Receivables	4,354
870	Council Tax	945
<u>12,973</u>		<u>15,098</u>
	Less Provision for Bad Debts:	
(386)	Housing Rents	(275)
(389)	Sundry Receivables	(459)
(395)	Council Tax	(390)
<u>11,803</u>		<u>13,974</u>

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

The Sundry Receivables Bad Debt provision was established to cover bad debts arising from, in particular, commercial rents and housing benefit overpayments.

## D8. Cash and Cash Equivalents

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

31 March 2011 £000's		31 March 2012 £000's
452	Cash held by officers	263
(345)	Bank current accounts	394
<u>107</u>	<b>Total cash and cash equivalents</b>	<u>657</u>

## D9. Assets Held for Sale

	Current		Non Current	
	2010/11 £000's	2011/12 £000's	2010/11 £000's	2011/12 £000's
<b>Balance outstanding at start of year</b>	169	73	-	-
Assets newly classified as held for sale:				
- Property, Plant & Equipment	592	596	-	-
- Intangible Assets	-	-	-	-
Revaluation losses	(19)	-	-	-
Revaluation gains	-	1,209	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:				
- Property, Plant & Equipment	-	-	-	-
- Intangible Assets	-	-	-	-
- Investment Properties	-	-	-	-
Assets sold	(903)	(1,742)	-	-
Transfers from non current to current	-	-	-	-
Gain/(Loss) on sale of assets	234	-	-	-
<b>Balance outstanding at year end</b>	<u>73</u>	<u>136</u>	<u>-</u>	<u>-</u>

All of the current assets held for sale are classified as current assets as they are expected to be sold in the next 12 months from the balance sheet date.

## D10. Payables

31 March 2011 £000's		31 March 2012 £000's
(2,256)	Central government bodies	(1,638)
(3,352)	Other local authorities	(2,975)
(44)	NHS bodies	(1)
-	Public corporations and trading funds	-
(8,802)	Other entities and individuals	(13,902)
<u>(14,454)</u>		<u>(18,516)</u>

## D11. Provisions

Provisions are defined in *note A1.20* to the Statement of Accounting Policies on *pages 40-41*

Movements during the year were as follows:

	Insurance £000's	Accumulated Absences £000's	Total £000's
<b>Balance at 1 April 2011</b>	936	291	1,227
Used	(126)	(291)	(417)
Reversed	(448)	-	(448)
New	478	371	849
<b>Balance at 31 March 2012</b>	<u>840</u>	<u>371</u>	<u>1,211</u>

The Insurance Provision at 31 March 2012 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.

The Accumulated Absences Provision represents the value of untaken annual leave at 31 March 2012.

	Current £000's	Non- Current £000's	Total £000's
<b>Balance at 1 April 2011</b>	945	282	1,227
<b>Balance at 31 March 2012</b>	959	252	1,211

The current provision is for items that are expected to be settled within the next 12 months.

For the non-current provision, it is not possible to determine the timing of any potential settlements.

## D12. Usable Reserves

31 March 2011 £000's		31 March 2012 £000's
(7,717)	General Fund Balance	(8,905)
(5,830)	Earmarked General Fund Reserves	(5,641)
(1,266)	Housing Revenue Account	(1,772)
(3,151)	Earmarked Housing Revenue Account Reserves	(2,987)
(6,420)	Capital Receipts Reserve	(5,333)
-	Major Repairs Reserve	-
(2,871)	Capital Grants Unapplied Account	(3,166)
<u>(27,255)</u>	<b>Total Usable Reserves</b>	<u>(27,804)</u>

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and *notes B1 and B2*.

## D13. Unusable Reserves

Restated 31 March 2011 £000's		31 March 2012 £000's
(85,546)	Revaluation Reserve	(84,921)
(1,530)	Available-for-Sale Financial Instruments Reserve	(21)
(305,567)	Capital Adjustment Account	(208,919)
2	Financial Instruments Adjustment Account	(46)
35,755	Pensions Reserve	52,626
(104)	Collection Fund Adjustment Account	(22)
(6)	Deferred Capital Receipts Reserve	(5)
291	Accumulated Absences Account	370
<u>(356,705)</u>	<b>Total Unusable Reserves</b>	<u>(240,938)</u>

### D13.1 Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

<b>Restated 2010/11 £000's</b>	<b>2011/12 £000's</b>
(98,906) <b>Balance at 1 April</b>	(85,546)
(2,953) Upward revaluation of assets	(541)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of 15,539 Services	599
660 Difference between fair value depreciation and historical cost depreciation	508
114 Accumulated gains on assets sold or scrapped	59
- Amount written off to the Capital Adjustment Account	-
<b>(85,546) Balance at 31 March</b>	<b>(84,921)</b>

### D13.2 Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- disposed of and the gains are realised.

<b>2010/11 £000's</b>	<b>2011/12 £000's</b>
4 <b>Balance at 1 April</b>	(1,530)
(1,534) Upward revaluation of investments	(12)
- Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1,521
- Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>(1,530) Balance at 31 March</b>	<b>(21)</b>

### D13.3 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income

and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

*Note B1* provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000's	<b>Capital Adjustment Account</b>	2011/12 £000's
(346,308)	<b>Balance at 1 April</b>	(305,567)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
8,022	Charges for depreciation and impairment of non current assets	7,106
46,155	Revaluation losses on Property, Plant and Equipment	11,373
70	Amortisation of intangible assets	84
2,675	Revenue expenditure funded from capital under statute	101,135
668	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<u>536</u> 120,234
57,590		
(929)	Adjusting amounts written out of the Revaluation Reserve	<u>(7,609)</u>
56,661	Net written out amount of the cost of non current assets consumed in the year	112,625
	Capital financing applied in the year:	
(4,045)	Use of the Capital Receipts Reserve to finance new capital expenditure	(2,450)
(5,159)	Use of the Major Repairs Reserve to finance new capital expenditure	(5,242)
(1,274)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,628)
(59)	Application of grants to capital financing from the Capital Grants Unapplied Account	-
(1,824)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,753)
(4,441)	Capital expenditure charged against the General Fund and HRA balances	<u>(4,974)</u> (16,047)
(16,802)		
882	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	70
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<u>(305,567)</u>	<b>Balance at 31 March</b>	<u>(208,919)</u>

## D13.4 Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2010/11 £000's		2011/12 £000's
1,237	<b>Balance at 1 April</b>	2
-	Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	
(113)	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(113)
64	Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	64
-	Impairment of Investments - Principal (Allowed under regulations)	-
-	Impairment of Investments - Interest (Allowed under regulations)	-
(1,768)	Impairment of Investments - Principal (Charged to Comprehensive Income & Expenditure Statement)	-
582	Impairment of Investments - Interest (Charged to Comprehensive Income & Expenditure Statement)	-
(1,235)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(49)
-	Miscellaneous adjustment	1
<u>2</u>	<b>Balance at 31 March</b>	<u>(46)</u>

Regulations issued in March 2009 allow the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account.

### D13.5 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pensions funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000's	2011/12 £000's
102,452 <b>Balance at 1 April</b>	35,755
(46,481) Actuarial gains or losses on pensions assets and liabilities	17,889
(14,854) Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,533
(5,362) Employer's pensions contributions and direct payments to pensioners payable in the year	(5,551)
<u>35,755</u> <b>Balance at 31 March</b>	<u>52,626</u>

### D13.6 Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2010/11 £000's	2011/12 £000's
(56) <b>Balance at 1 April</b>	(104)
(48) Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	82
<u>(104)</u> <b>Balance at 31 March</b>	<u>(22)</u>

### D13.7 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £000's	2011/12 £000's
(7) <b>Balance at 1 April</b>	(6)
Transfer of deferred sale proceeds credited as part of the	
- gain/loss on disposal to the Comprehensive Income and	-
Expenditure Statement	
1 Transfer to the Capital Receipts Reserve upon receipt of cash	1
<b>(6) Balance at 31 March</b>	<b>(5)</b>

### D13.8 Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000's	2011/12 £000's	2011/12 £000's
- <b>Balance at 1 April</b>		291
- Settlement or cancellation of accrual made at the end of the preceding year	(291)	
- Amounts accrued at the end of the current year	370	
291 Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		79
<b>291 Balance at 31 March</b>		<b>370</b>

## D14. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note. 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 non-current 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.

2010/11 £000's		2011/12 £000's
50,479	<b>Opening Capital Financing Requirement</b>	50,510
	<b>Capital investment</b>	
14,139	Property, Plant and Equipment	14,364
-	Heritage Assets	85
18	Intangible Assets	74
2,675	Revenue Expenditure Funded from Capital under Statute	101,135
	<b>Sources of finance</b>	
(4,045)	Capital receipts	(2,450)
(6,492)	Government grants and other contributions	(6,870)
	Sums set aside from revenue:	
(4,440)	Direct revenue contributions	(4,974)
(1,824)	Minimum Revenue Provision	(1,753)
<u>50,510</u>	<b>Closing Capital Financing Requirement</b>	<u>150,121</u>
	<b>Explanation of movements in year</b>	
1,314	Increase in underlying need to borrowing (supported by government financial assistance)	-
512	Increase in underlying need to borrowing (unsupported by government financial assistance)	101,364
29	Assets acquired under finance leases	-
(1,824)	Minimum Revenue Provision	(1,753)
<u>31</u>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>99,611</u>

## D15. Leases

### Council as Lessee

#### Finance Leases

The Council has reviewed all assets leased in as operating leases and reclassified all vehicles, plant and equipment in their primary lease period as finance leases with effect from 1 April 2009. This was undertaken after detailed checks were carried out on the substance of the transactions, where it was established that most of the risks and rewards of ownership were transferred to the Council.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2011 £000's		31 March 2012 £000's
-	Other Land and Buildings	-
1,075	Vehicles, Plant, Furniture and equipment	492
<u>1,075</u>	<b>Total</b>	<u>492</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2011 £000's		31 March 2012 £000's
	Finance Lease liabilities (net present value of minimum lease payments):	
589	current	361
514	non-current	154
	Finance costs payable in future years	
73	current	34
47	non-current	13
<u>1,223</u>	<b>Minimum lease payments</b>	<u>562</u>

The minimum lease payments will be payable over the following periods:

	Finance Lease Liabilities		Finance Costs Payable	
	31 March 2011 £000's	31 March 2012 £000's	31 March 2011 £000's	31 March 2012 £000's
Not later than one year	589	361	73	34
Later than one year and not later than five years	514	154	47	13
Later than five years	-	-	-	-
<b>Total</b>	<u>1,103</u>	<u>515</u>	<u>120</u>	<u>47</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into.

### Operating Leases

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

31 March 2011 £000's		31 March 2012 £000's
-	Not later than one year	-
-	Later than one year and not later than five years	-
857	Later than five years	857
<u>857</u>	<b>Total</b>	<u>857</u>

### Council as Lessor

#### Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

<b>31 March 2011</b> <b>£000's</b>		<b>31 March 2012</b> <b>£000's</b>
238	Not later than one year	451
1,049	Later than one year and not later than five years	1,006
1,766	Later than five years	1,974
<u>3,053</u>	<b>Total</b>	<u>3,431</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## D16. Impairment Losses

The Council did not recognise any impairment losses during 2011/12.

## D17. Grant Income in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2011 £000's		31 March 2012 £000's
	<b>Capital Grants Receipts in Advance</b>	
(1,321)	Section 106 Contributions	(413)
(5)	External Contributions to Capital Schemes	(181)
<u>(1,326)</u>	<b>Total</b>	<u>(594)</u>

## D18. Disclosure of Nature and Extent of Risk Arising from Financial Instruments

All monies within these institutions are currently subject to the respective administration and

### 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.
- Interest rate risk – the possibility that the Council could pay higher costs on variable rate debt.
- Price risk – the possibility that the Council could loss money on its investments.
- Foreign exchange risk – the possibility that the Council could suffer losses on dealings with foreign enterprises.

## Overall Procedures for Managing Risk

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

- The requirements of the Code of Practice were formally adopted by the Council in 2002, and subsequent changes to the code have been adopted by the Council;
- The Council includes a section on Treasury Management in its financial standing orders;
- The Council approves annually in advance prudential indicators for the following three years:
- The Council's overall borrowing, which was initially limited to £55m in 2011/12. This was increased to £155m in December 2011, due to the Government's changes to the housing subsidy system and the Council's requirement to make a one-off payment of £99.602m to the Government to leave the housing subsidy system;
- Its maximum exposures to fixed and variable rates which were 100% for fixed rates and 50% for variable rates in 2011/12;
- Its maximum and minimum exposures for the maturity structure of its debt which for 2011/12 is shown below;

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

- Its maximum annual exposures to investments maturing beyond a year which was set at £15m for 2011/12
- An annual investment strategy was approved for 2011/12 which set out the criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These were reported as part of the Council's medium term financial plan and approved at

Full Council on 23 February 2011 for 2011/12 and this information is available on the Council's website. These items are reported with the annual treasury management strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly as part of the Council's quarterly budget monitoring to Councillors. During 2011/12 the Council stayed within all the above limits approved by Council. Actual performance is also reported after each year, as is a mid year update

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 annually.

### **Credit risk**

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

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

The Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2012 £000s</b>	<b>Historical experience of default %</b>	<b>Adjustment for market conditions at 31 March 2012 %</b>	<b>Estimated maximum exposure to default £000s</b>
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions				
AAA rated counterparties	0	0.00%	0.00%	0
AA rated counterparties	6,100	0.03%	0.03%	1.8
A rated counterparties	0	0.08%	0.08%	0
Other counterparties	3,131	0.24%	16.81%	526.3
Trade Receivables	15,098	3.20%	3.20%	<u>483.1</u>
<b>Total</b>	<b>24,329</b>			<b>1,011.2</b>

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

Section D5 gives details of the carrying values of the investments that have been impaired because of the financial difficulties experienced by Icelandic Banks.

The Council originally invested £1,000,000 with Heritable on 12 December 2007, but £679,000 has since been repaid.

The Council also invested £1,000,000 on 5 November 2007, £1,000,000 on 29 August 2008 & £2,000,000 on 2 September 2008 with Landsbanki Islands, and £1,217,558.63 has since been repaid.

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

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council 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 Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

### **Heritable Bank**

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008, and total repayments of £178,000 (17.8%) were received in 2011/12 (£151,200 in 2010/11 & £349,800 in 2009/10) and the revised impairment is based on the assumption that a further 20.10% will be received by the end of 2013/14, taking the total dividends expected to be paid to 88%

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

<b>Date</b>	<b>Repayment</b>	<b>Date</b>	<b>Repayment</b>
April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%
October 2012	3.50%		

Recoveries are expressed as a percentage of the Council'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. The Icelandic Supreme Court decision to grant UK local authorities priority status resulted in the winding up board making a distribution to payables in a basket of currencies in February 2012 and a payment of £1,217,558.63 was received in 2011/12.

An element of the distribution is in Icelandic Kroner which has been placed in an escrow account in Iceland and earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The current position on estimated future payouts is as shown in the table below and the Council has used these estimates to calculate the impairment based on recovering 100% of its investment back.

<b>Date</b>	<b>Repayment</b>	<b>Date</b>	<b>Repayment</b>
May 2012	12.78%	December 2016	7.00%
December 2012	7.00%	December 2017	7.00%
December 2013	7.00%	December 2018	7.00%
December 2014	7.00%	December 2019	8.80%
December 2015	7.00%		

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include interest accrued up to the earlier of the original maturity date or 22 April 2009.

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

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

## **Liquidity risk**

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

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

## **Refinancing and Maturity Risk**

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

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

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

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

	<b>31 March 2011 £000's</b>	<b>31 March 2012 £000's</b>
Less than one year	2,492	3,456
Between one and two years	882	3,587
Between two and five years	2,078	9,100
Between five and ten years	0	14,039
Between ten and twenty years	5,000	35,866
More than twenty years	18,347	59,897
<b>Total</b>	<b>28,799</b>	<b>125,945</b>

The Council does not generally allow credit for its trade receivables, such that £12,838k of the £15.098m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2011 £000s</b>	<b>31 March 2012 £000s</b>
Less than three months	7,408	8,768
Three to six months	660	824
Six months to one year	3,096	1,957
More than one year	552	1,289
<b>Total</b>	<b>11,716</b>	<b>12,838</b>

To offset the receivables outstanding the Council does have £1.124m of provisions.

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

	<b>31 March 2011 £000s</b>	<b>31 March 2012 £000s</b>
Less than one year	5,144	5,100
Between one and two years	468	2,856
Between two and three years	2,712	247
More than three years	1,599	1,080
<b>Total</b>	<b>9,923</b>	<b>9,283</b>

**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.

All investments undertaken during 2011/12 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 2012 the Council held investments, based on the carrying value in the balance sheet, with institutions domiciled in the following countries.

	<b>31 March 2012 £000's</b>	<b>31 March 2012 %</b>
UK	6,677	71.93
Iceland	2,606	28.07
<b>Total</b>	<b>9,283</b>	<b>100.00</b>

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

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

All of the Council's borrowing and investments held during 2011/12 were at fixed interest rates, including all of the £99.602m to come out of the housing subsidy system.

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

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

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

**Foreign exchange risk** - The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic kroner in an escrow account due to the imposition of currency controls.

## **D19. 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 118 to 120*.

## **D20. Legacies – Felix Cobbold and Jennings Bequest**

These are held to provide a yearly income for the purchase of museum items. The balances for 2011/12 are included in the Council's reserves in the sum of £117,264 (£127,264 in 2010/11).

## **D21. 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.

**Mayor of Ipswich Relief Fund** – set up to provide assistance in the event of an emergency.

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

There are no liabilities.

The funds are not subject to audit by the Council's auditors, PricewaterhouseCoopers LLP.

## **D22. Financial Relationships with Companies**

The Council's only related company is Ipswich Buses Limited. At 31 March 2012, 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.

## **D23. Contingent Liabilities**

A Senior Management Restructuring will be implemented during the next year; this will reduce the number of employees on senior grades and result in substantial savings in future years. A Management Restructuring Fund of £565,000 will be established in 2012/13 by appropriating part of the increased level of working balance.

Local councils nationally have been subject to a legal challenge by personal search companies in respect of an element of land charges fee income paid to councils going back

to 2001. The personal search companies' claim is based on the position that they could access for free certain information for which to date they have been charged, by means of the Environmental Information Regulations. Local councils are awaiting clarification on this point. The Council has carried out no formal calculations in respect of this liability to date.

## **D24. Contingent Assets**

At 31 March 2012, the Council had no material Contingent Assets.

## **D25. 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 2011/12. The contribution rate equates to approximately 24.8% of pay to address the Pension Fund deficit over 15 years.

The actuarial value of the fund's liabilities as at 31 March 2012, in accordance with International Accounting Standard (IAS) 19, was completed in May 2012 by Hymans Robertson, who are an independent firm of actuaries.

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

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

2010/11 £000's	<b>Local Government Pension Scheme</b>	2011/12 £000's
	<b>Comprehensive Income and Expenditure Statement</b>	
	<i>Net Cost of Services:</i>	
4,284	- Current Service Cost	4,279
(21,888)	- Past Service Cost	-
329	- Settlements & Curtailments	226
	<i>Net Operating Expenditure:</i>	
12,997	- Interest Cost	10,701
(10,576)	- Expected Return on Scheme Assets	(10,673)
(14,854)	<i>Net Charge to the Comprehensive Income and Expenditure Statement</i>	4,533
	<i>Movement in Reserves Statement:</i>	
	- Reversal of Net Charges made for retirement benefits in accordance with IAS19	(4,533)
14,854	<i>Actual amount charged against the General Fund</i>	
	<i>Balance for pensions in the year:</i>	
5,362	- Employers' Contributions payable to scheme	5,551

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £17,889,000 (gains of £46,481,000 in 2010/11) were included under Other Comprehensive Income and Expenditure. The cumulative amount of actuarial losses recognised in the Movement in Reserves Statement is £60,532,000 as shown below:

2010/11 £000's	<b>Movement in Reserves Statement</b>	2011/12 £000's
(1,804)	Actuarial Gains/(Losses) on Plan Assets	(9,223)
48,285	Actuarial Gains/(Losses) on Obligation	(8,666)
46,481	<b>Actuarial Gain/(Loss) Recognised in MIRS</b>	(17,889)
(42,643)	<b>Cumulative Actuarial Gain/(Loss) Recognised in MIRS</b>	(60,532)

## Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2010/11 £000's	<b>Funded Liabilities: Local Government Pension Scheme</b>	2011/12 £000's
253,985	1 April	195,400
4,284	Current service cost	4,279
12,997	Interest cost	10,701
1,429	Contributions by scheme participants	1,434
(48,285)	Actuarial (gains)/losses	8,666
(21,888)	Past service (gains)/losses	-
(7,451)	Benefits paid	(7,645)
329	Impact of settlements & curtailments	226
195,400	31 March	213,061

Reconciliation of fair value of the scheme assets:

2010/11 £000's	Local Government Pension Scheme	2011/12 £000's
151,533	1 April	159,645
10,576	Expected rate of return	10,673
(1,804)	Actuarial gains/(losses)	(9,223)
5,362	Employer contributions	5,551
1,429	Contributions by scheme participants	1,434
(7,451)	Benefits paid	(7,645)
159,645	31 March	160,435

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 plan assets in the year was £1,482,000, (2010/11: £10,897,000)

**Scheme history**

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2012
Local Government Pension Scheme	£000's	£000's	£000's	£000's	£000's
Total Present Value of Liabilities	(160,359)	(156,275)	(253,985)	(195,400)	(213,061)
Fair Value of Assets	147,539	113,446	151,533	159,645	160,435
Surplus/(deficit) in the scheme:	(12,820)	(42,829)	(102,452)	(35,755)	(52,626)

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £5,493,000.

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: -

<b>Local Government Pension Scheme</b>	<b>2010/11</b>	<b>2011/12</b>
Long-term expected rate of return on assets in the scheme:		
Equity Investments	7.5%	6.3%
Bonds	4.9%	3.3%
Property	5.5%	4.4%
Cash	4.6%	3.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.4 years	21.4 years
Women	23.3 years	23.3 years
Longevity at 65 for future pensioners:		
Men	23.7 years	23.7 years
Women	25.7 years	25.7 years
Rate of inflation	2.8%	2.5%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	2.8%	2.5%
Rate for discounting scheme liabilities	5.5%	4.8%
Expected return on assets	6.7%	5.6%
Take up option to convert annual pension into retirement lump sum - pre April 2008	25%	25%
- post April 2008	63%	63%

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

<b>31 March 2011</b>	<b>Assets</b>	<b>31 March 2012</b>
<b>% of assets</b>	<b>Whole Fund</b>	<b>% of assets</b>
69	Equities	72
18	Bonds	15
9	Property	10
4	Cash	3
<hr/>	<b>Estimated Assets</b>	<hr/>
100		100
<hr/>		<hr/>

## History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	Year to 31 March 2008	Year to 31 March 2009	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2012
	%	%	%	%	%
Differences between the expected and actual return on assets	-11.2	-39.2	20.0	0.2	-5.7
Experience gains and (losses) on liabilities	4.0	0.0	0.0	13.0	-1.3

The Actuary estimates that this liability comprises of approximately £92,507,000, £27,922,000 and £92,632,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2012. (£83,309,000, £23,742,000 and £88,349,000 respectively as at 31 March 2011) 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.

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

The liabilities as at 31 March 2012 are based on the current benefit structure of the LGPS.

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

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

## SECTION E - NOTES TO CASH FLOW STATEMENT

### E1. Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000's	2011/12 £000's
(269) Interest received	(299)
1,693 Interest paid	1,231
- Dividends received	-

### E2. Investing Activities

The cash flows for investing activities include the following items:

2010/11 £000's	2011/12 £000's
8,617 Purchase of property, plant and equipment, investment property and intangible assets	9,225
101,739 Purchase of short-term and long-term investments	98,546
366 Other payments for investing activities	450
Proceeds from the sale of property, plant and equipment, investment property, (1,019) intangible assets and non-current assets held for sale	(1,853)
(101,966) Proceeds from short-term and long-term investments	(100,831)
(1,900) Other receipts from investing activities	(1,473)
<b>5,837 Net cash flows from investing activities</b>	<b>4,064</b>

### E3. Financing Activities

The cash flows for financing activities include the following items:

2010/11 £000's	2011/12 £000's
(1,698) Cash receipts of short- and long-term borrowing	(99,637)
(2,328) Other receipts from financing activities	(1,224)
672 Cash payments for the reduction of the outstanding liabilities relating to finance leases	589
3,010 Repayments of short- and long-term borrowing	2,085
- Other payments for financing activities	-
<b>(344) Net cash flows from financing activities</b>	<b>(98,187)</b>

The 2011/12 cash receipts of short and long-term borrowing figure of £99.637m is as a result of the £99.602m borrowing to exit the housing subsidy system. This has also impacted on the net (surplus)/deficit on the provision of services on the Cash Flow Statement (page 16).

## HRA INCOME AND EXPENDITURE STATEMENT

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

2010/11 £000's		Note	2011/12 £000's
	<b><u>INCOME</u></b>		
(27,642)	Gross Rent Income - Domestic	F1 & F2	(29,634)
(893)	- Commercial		(915)
(759)	Charges for Services and Facilities		(810)
(181)	Contributions from General Fund		(185)
(29,475)	<b>Total Income</b>		<b>(31,544)</b>
	<b><u>EXPENDITURE</u></b>		
5,296	Repairs and Maintenance		5,440
6,195	Supervision and Management		6,106
103	Rents, Rates and Taxes		114
6,519	Housing Revenue Account Subsidy	F3	7,898
66,210	Depreciation and Impairment of Non-current Assets		7,937
-	Housing Self-Financing Costs		99,602
71	Debt Management Costs		98
188	Provision for Bad Debts		63
-	Subsidy Limitation Transfer to General Fund		130
84,582	<b>Total Expenditure</b>		<b>127,388</b>
	<b>Net Cost of HRA Services per Comprehensive Income and Expenditure Statement</b>		<b>95,844</b>
55,107			95,844
115	HRA services share of Corporate and Democratic Core		112
-	HRA services share of Unallocated Overheads		16
55,222	<b>Net Cost of HRA Services</b>		<b>95,972</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(236)	(Gain)/Loss on sale of HRA Non-current Assets		(1,207)
1,206	Interest Payable and Similar Charges		1,246
(14)	HRA Investment Income		(20)
56,178	<b>(Surplus)/Deficit for Year on HRA Services</b>		<b>95,991</b>

## MOVEMENT ON THE HRA STATEMENT

2010/11 £000's		2011/12 £000's
(1,545)	<b>Balance on the HRA at the end of the previous year</b>	(1,266)
56,178	(Surplus)/Deficit for the year on the HRA Income and Expenditure Statement	95,991
(56,561)	Adjustments between accounting basis and funding basis under statute	<b>(96,333)</b>
(383)	<b>Net (Increase)/Decrease before transfers to or from reserves</b>	<b>(342)</b>
662	Transfers to/(from) Reserves	<b>(164)</b>
279	<b>(Increase)/Decrease in year on the HRA</b>	<b>(506)</b>
(1,266)	<b>Balance on the HRA at the end of the current year</b>	<b>(1,772)</b>

HRA adjustments between accounting basis and funding basis under regulations are detailed in *note B1* to the Movement in Reserves Statement (full accounts).

HRA transfers to or from (earmarked) reserves are detailed in *note B2* to the Movement in Reserves Statement (full accounts).

## SECTION F - NOTES TO THE HOUSING REVENUE ACCOUNT

### F1. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, 0.47% of lettable properties were vacant (0.48% in 2010/11). Typical rents were £69.74 per week in 2011/12 representing an increase of £4.75 or 7.31% over the previous year.

### F2. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 61% of the rents collected are made up of benefits paid to tenants (60% in 2010/11).

### F3. 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: -

2010/11 £000's		2011/12 £000's
(13,188)	Management & Maintenance	(13,512)
(5,159)	Major Repairs Allowance	(5,242)
(1,748)	Charges on Capital	(1,706)
-	Interest on Receipts	-
26,631	Guideline Rent Income	28,353
<u>6,536</u>	<b>HRA Subsidy Claimed</b>	<u>7,893</u>
(17)	<i>Adjustment for final payment</i> Revised charges for capital	5
<u>6,519</u>	<b>HRA Subsidy Payable</b>	<u>7,898</u>

### F4. Housing Stock

The Council was responsible for managing an average of 8151 dwellings, excluding temporary accommodation, during 2011/12 (8,162 dwellings in 2010/11).

The average stock was made up as follows: -

2010/11		2011/12
4,947	Houses/Bungalows	4,939
3,215	Flats	3,212
<u>8,162</u>		<u>8,151</u>

The change in stock can be summarised as follows: -

2010/11		2011/12
8,168	Stock at 1 April	8,156
(12)	Less: Sales/Demolitions etc.	(11)
-	Add: New Buildings/Acquisitions	-
8,156	Stock at 31 March	8,145

## F5. Rent Arrears

F5.1 During the year, 2011/12 rent arrears as a proportion of gross rent income have reduced from 2.12% of the amount due to 2.08%

2010/11 £000's		2011/12 £000's
604	Arrears at 31 March	636

Amounts written off during the year amounted to £47,553

F5.2 The Housing Revenue Account made a contribution to the provision for bad debts account of £63,040 in 2011/12, and the aggregate provision for uncollectible debts, as at 31 March 2012 amounted to £275,381 (see *note D7* on *page 78*).

## F6. Reserves

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

F6.1 A contribution of £500,000 was made to the Housing Revenue Account from the Repairs Reserve. The balance on the Repairs Reserve as at 31 March 2012 was £500,000. This forms part of the Repairs and Renewals Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.2 The balance on the Sheltered Scheme Energy Reserve at 31 March 2012 was £102,612 and forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.3 The balance on the IT Reserves as at 31 March 2012 was £244,566. This forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.4 A contribution of £57,271 was made to the Housing Revenue Account from the Supporting People (Hostels) Reserve. The balance on the Supporting People (Hostels) Reserve as at 31 March 2012 was £274,095. This forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.5 A contribution of £139,702 was made to the Housing Revenue Account from the

Supporting People Sheltered Reserve in 2011/12. The balance on the Supporting People Sheltered Reserve as at 31 March 2012 was £181,561. This forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.6 The balance on the Community Caretakers Reserve as at 31 March 2012 was £41,543. This forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

F6.7 The pension's 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 A1.6* to the Statement of Accounting Policies on *pages 20-23*.

F6.8 A contribution of £18,000 was made from the Housing Revenue Account to Insurance. This forms part of the Miscellaneous Reserve included in *note B2* to the Movement in Reserves Statement on *page 50*.

## F7. HRA Assets

	Balance at 31/03/11 £000's	Revaluations during year £000's	Restatements/ Appropriations during year £000's	Additions during year £000's	Disposals during year £000's	Gains/Losses on Disposal £000's	Depreciation during year £000's	Balance at 31/03/12 £000's
Assets Held for Sale	73	3	496	-	707	272	-	137
Community Assets	-	-	-	-	-	-	-	-
Council Dwellings	294,379	(3,668)	(496)	9,782	-	-	3,539	296,458
Intangible Assets	-	-	-	66	-	-	54	12
Investment Properties	75	-	-	-	-	-	-	75
Other land & buildings	11,255	7	-	0	-	-	252	11,010
Surplus Assets	200	-	-	-	-	-	4	196
Vehicles, Plant, Equipment Etc	455	-	7	98	-	-	150	410
<b>Total</b>	<b>306,437</b>	<b>(3,658)</b>	<b>7</b>	<b>9,946</b>	<b>707</b>	<b>272</b>	<b>3,999</b>	<b>308,298</b>

The total capital receipts generated during the year was:

2010/11 £000's		2011/12 £000's
40	Land	-
715	Council Houses	708
-	Other Property	-
<u>755</u>		<u>708</u>
21	Excluded Discounts Repaid and Housing Advances	1
<u>776</u>	<b>Total</b>	<u>709</u>

The council dwellings included in the Balance Sheet on *page 15* are shown at Existing Use Social Housing Value, which represents 39% of their market value. Their vacant possession value as at 31 March 2012 is £758,614,955. This represents the economic cost to government of providing council housing at less than open market rents.

31 March 2011		31 March 2012
	Analysis of Dwellings in the HRA: -	
4,943	Houses/Bungalows	4,935
2,658	Flats	2,655
555	Sheltered Housing Units	555
8,156	<b>Total</b>	<b>8,145</b>

## F8. Housing Revenue Account Capital Expenditure and Financing

2010/11 £000's		2011/12 £000's
	<b><u>EXPENDITURE</u></b>	
10,906	Houses	9,781
-	Land	-
-	Housing Self financing	99,602
40	Other	356
10,946	<b>TOTAL</b>	109,739
	<b><u>FINANCING</u></b>	
23	Usable Capital Receipts	-
44	External Contributions	69
5,159	Major Repairs Reserve	5,242
1,314	Credit Approvals	-
-	Borrowing	99,700
4,406	Revenue Contributions to Capital Outlay	4,728
10,946	<b>TOTAL</b>	109,739

## F9. HRA Revenue Expenditure Funded from Capital under Statute

2011/12	Balance at 1 April 2011	Additions during year	Adjustments during year	Written Off during year	Balance at 31 March 2012
DESCRIPTION	£000's	£000's	£000's	£000's	£000's
Pension Fund Deficit	-	-	-	-	-
Other Capital Expenditure not creating a Fixed Asset	-	99,794	-	(99,794)	-
<b>Total</b>	-	99,794	-	(99,794)	-

2010/11	Balance at 1 April 2010	Additions during year	Adjustments during year	Written Off during year	Balance at 31 March 2011
DESCRIPTION	£000's	£000's	£000's	£000's	£000's
Pension Fund Deficit	-	-	-	-	-
Other Capital Expenditure not creating a Fixed Asset	-	11	-	(11)	-
<b>Total</b>	-	11	-	(11)	-

Note A1.24 to the Statement of Accounting Policies (see page 42) 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 Movement on the HRA Statement, thereby having a neutral impact on the revenue surplus or deficit.

## F10. 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.

2010/11 £000's		2011/12 £000's
	<b><u>INCOME</u></b>	
-	Balance B/fwd	-
(4,169)	Depreciation on Fixed Assets - On Dwellings	(3,539)
(391)	- On Other Assets	(459)
(599)	Amount transferred from HRA to Reserve	(1,244)
<u>(5,159)</u>		<u>(5,242)</u>
	<b><u>EXPENDITURE</u></b>	
-	Amount transferred from Reserve to HRA	-
5,159	Capital Expenditure funded by MRA	5,242
<u>5,159</u>		<u>5,242</u>
<u>-</u>	Balance C/fwd	<u>-</u>

## F11. Capital Asset Charges Accounting Adjustment

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

# THE COLLECTION FUND

## Income and Expenditure Account

2010/11 £000's		Note	2011/12 £000's
	<b>INCOME</b>		
	Local Taxes: -		
(54,520)	Council Tax		(54,587)
(48,402)	Business Rates		(50,394)
	Transfers from General Fund		
(12,080)	Council Tax Benefits		(12,315)
(84)	Proportion of Discretionary Relief not met by National Pool (adjustment)		(85)
	Share of Estimated (Deficits) / Surpluses (Council Tax)		
84	Suffolk County Council		654
23	Ipswich Borough Council		182
12	Suffolk Police Authority		93
(114,967)			(116,452)
	<b>EXPENDITURE</b>		
	Precepts & Demands: -		
45,951	Suffolk County Council	G2	46,616
12,761	Ipswich Borough Council	G2	12,816
6,557	Suffolk Police Authority	G2	6,651
	Business Rates: -		
48,229	Payment to National Pool		49,950
195	Cost of Collection Allowance		194
62	Interest on Repayments		28
	Provision of Uncollectable Amounts: -		
573	Council Tax		305
397	Business Rates		307
114,725			116,867
(242)	<b>(SURPLUS)/DEFICIT ON FUND MOVEMENTS IN YEAR</b>		415
	<b>Statement of Accumulated Balances</b>		
(286)	Opening Balance on Fund		(528)
(242)	Movement during the year		415
(528)	<b>Closing Balance on Fund</b>		(113)
	<b>Collection Fund Balance Share</b>		
(104)	Ipswich Borough Council		(22)
(371)	Suffolk County Council		(78)
(53)	Suffolk Police Authority		(13)
(528)	<b>Collection Fund Balance Deficit/(Surplus)</b>		(113)

## SECTION G - NOTES TO THE COLLECTION FUND

### G1. General

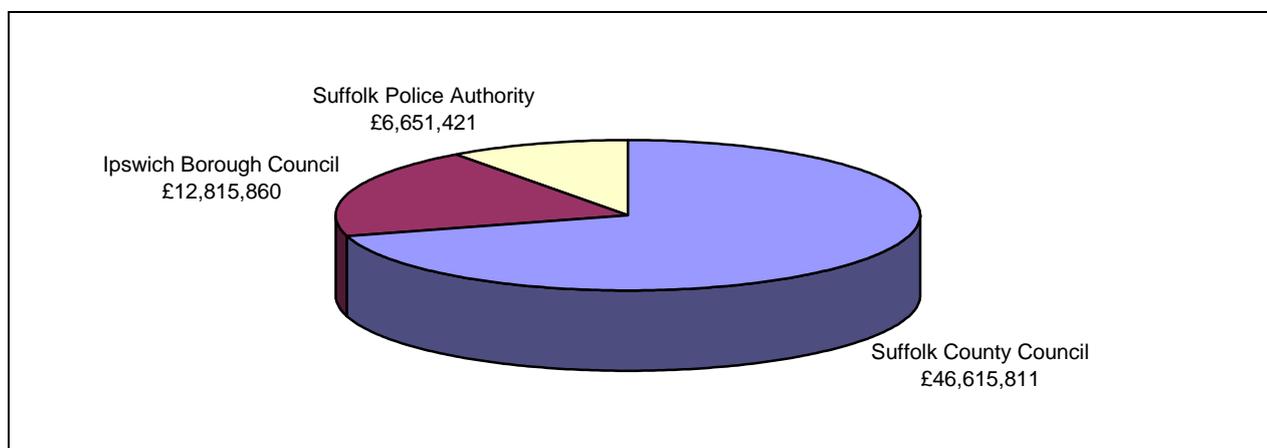
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to preceptors and the General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

### G2. Income from Council Tax

The Council set a charge of £309.69 per band D property. Its tax base, i.e. the number of chargeable dwellings in each valuation band, is as follows: -

	Number of Chargeable Dwellings as at September 2010	Band D Equivalent Number of Dwellings
Band A	18,267	10,007
Band B	22,123	15,286
Band C	10,849	8,733
Band D	4,107	3,755
Band E	2,071	2,346
Band F	873	1,195
Band G	332	503
Band H	14	10
	<hr/>	<hr/>
	58,636	41,835
Contributions in Lieu (in respect of class "O" exempt dwellings)		-
		<hr/>
		41,835
Adjustments for changes:		
New Dwellings		280
Additional discounts, exemptions, appeals etc.		(214)
		<hr/>
		41,901
		<hr/>
Discounted by assumed collection rate of 98.75%		<hr/> <b>41,380</b> <hr/>

Part of the Council Tax collected pays for services provided by Suffolk County Council and the Suffolk Police Council. They precept on the Collection Fund for their share of the Council Tax. In 2011/12 the precepts, shown in comparison with Ipswich Borough Council's share of Council Tax were: -



### **G3. Income from Non-domestic Rates**

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

The non-domestic rateable value as at 31 March 2012 was £133.48m. The NDR Multiplier was 43.3p and the Small Business Multiplier was 42.6p.

### **G4. Bad and Doubtful Debts**

The value of write-offs in 2011/12 were: Business Rates £110,929 (2010/11 - £351,652) and Council Tax £322,533 (2010/11 - £337,891).

### 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 paragraph 9.1.1.6 of the Code. A Local Council group comprises the Local Council and its interest in companies which would be regarded as its subsidiaries or associates if the Local Council was subject to the Companies Act.

### Accounting Policies

The Accounting Policies, adopted for Group Accounts, are consistent with the main Accounting Policies, as detailed on *pages 17 to 42*.

### Ipswich Buses Limited

The Company was set up in accordance with the provisions of the Transport Act 1985, to run the bus operation in Ipswich, previously managed by the Council. The Company started operations in October 1986. At 31 March 2012, all the allotted called up ordinary share capital of the Company was owned by the Council. The Council therefore has a controlling influence.

The Company reports a 52 week period ending 31 March 2012.

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

Copies of the published accounts of Ipswich Buses Limited for the period ended 31 March 2012 can be obtained from Ipswich Buses Limited, Constantine Road, Ipswich, IP1 2DL

The summarised group financial consolidated statements presented below show how the financial position of the Council is affected by its interest in Ipswich Buses Limited. The main effect of this consolidation has been to increase the Council's revenue reserves by £3.174m, representing the Council's share of the Bus Company's shareholders' funds.

## GROUP MOVEMENT IN RESERVES STATEMENT

2010/11	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked Housing Revenue Account Reserves £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Reserves £000's
<b>Restated Balance at 31 March 2010</b>	(8,062)	(7,913)	(1,545)	(2,489)	(9,975)	-	(2,930)	(32,914)	(335,421)	(368,335)
<b><u>Movement in Reserves during 2010/11</u></b>										
Deficit or Surplus on provision of services	(17,469)	-	56,178	-	-	-	-	38,709	-	38,709
Other Comprehensive Income and Expenditure	(164)	-	-	-	-	-	-	(164)	(55,703)	(55,867)
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,633)</b>	<b>-</b>	<b>56,178</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,545</b>	<b>(55,703)</b>	<b>(17,158)</b>
Adjustments between accounting basis & funding basis under regulations	16,944	-	(56,561)	-	3,555	-	59	(36,003)	36,003	-
<b>Net Decrease/Increase before Transfers to Earmarked Reserves</b>	<b>(689)</b>	<b>-</b>	<b>(383)</b>	<b>-</b>	<b>3,555</b>	<b>-</b>	<b>59</b>	<b>2,542</b>	<b>(19,700)</b>	<b>(17,158)</b>
Transfers to/from Earmarked Reserves	(2,083)	2,083	662	(662)	-	-	-	-	-	-
<b>Decrease/Increase in 2010/11</b>	<b>(2,772)</b>	<b>2,083</b>	<b>279</b>	<b>(662)</b>	<b>3,555</b>	<b>-</b>	<b>59</b>	<b>2,542</b>	<b>(19,700)</b>	<b>(17,158)</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(10,834)</b>	<b>(5,830)</b>	<b>(1,266)</b>	<b>(3,151)</b>	<b>(6,420)</b>	<b>-</b>	<b>(2,871)</b>	<b>(30,372)</b>	<b>(355,121)</b>	<b>(385,493)</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

2011/12	General Fund Balance £000's	Earmarked General Fund Reserves £000's	Housing Revenue Account £000's	Earmarked Housing Revenue Account Reserves £000's	Capital Receipts Reserve £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Account £000's	Total Usable Reserves £000's	Unusable Reserves £000's	Total Reserves £000's
<b>Balance at 31 March 2011</b>	(10,834)	(5,830)	(1,266)	(3,151)	(6,420)	-	(2,871)	(30,372)	(355,121)	(385,493)
<b><u>Movement in Reserves during 2011/12</u></b>										
Deficit or Surplus on provision of services	(474)	-	95,991	-	-	-	-	95,517	-	95,517
Other Comprehensive Income and Expenditure	204	-	-	-	-	-	-	204	21,019	21,223
<b>Total Comprehensive Income and Expenditure</b>	(270)	-	95,991	-	-	-	-	95,721	21,019	116,740
Adjustments between accounting basis & funding basis under regulations	(786)	-	(96,333)	-	1,086	-	(295)	(96,328)	96,328	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	(1,056)	-	(342)	-	1,086	-	(295)	(607)	117,347	116,740
Transfers to/from Earmarked Reserves	(189)	189	(164)	164	-	-	-	-	-	-
<b>Increase/Decrease in 2011/12</b>	(1,245)	189	(506)	164	1,086	-	(295)	(607)	117,347	116,740
Miscellaneous adjustments	-	-	-	-	1	-	-	1	(2)	(1)
<b>Balance at 31 March 2012 carried forward</b>	(12,079)	(5,641)	(1,772)	(2,987)	(5,333)	-	(3,166)	(30,978)	(237,776)	(268,754)



# GROUP BALANCE SHEET

The reason for the restatements is set out in note D2.

Restated 1 April 2010 Total £000s	Restated 31 March 2011 Total £000's		Note	31 March 2012 Total £000's
437,408	384,510	Property, Plant & Equipment	H1	386,189
47,357	47,357	Heritage Assets		47,781
1,739	396	Deferred Tax Assets		791
14,194	13,312	Investment Property		13,241
123	71	Intangible Assets		61
5,580	6,375	Long Term Investments		4,271
9	8	Long Term Receivables		6
<b>506,410</b>	<b>452,029</b>	<b>Long Term Assets</b>		<b>452,340</b>
4,452	5,144	Short Term Investments		3,965
419	440	Inventories		425
18,110	12,252	Short Term Receivables	H2	14,335
2,275	2,540	Cash and Cash Equivalents		2,783
-	33	Other Financial Assets		-
169	73	Assets held for sale		136
<b>25,425</b>	<b>20,482</b>	<b>Current Assets</b>		<b>21,644</b>
(421)	(345)	Cash and Cash Equivalents		-
(3,601)	(2,981)	Short Term Borrowing		(3,874)
(17,309)	(15,591)	Short Term Payables	H3	(19,616)
(890)	(1,070)	Provisions	H4	(1,039)
<b>(22,221)</b>	<b>(19,987)</b>	<b>Current Liabilities</b>		<b>(24,529)</b>
(45)	(40)	Long Term Payables		(53)
(334)	(281)	Provisions	H4	(252)
(28,167)	(27,135)	Long Term Borrowing		(123,069)
(110,355)	(37,735)	Defined Benefits		(56,579)
(1,324)	(514)	Other Long Term Liabilities		(154)
(1,054)	(1,326)	Capital Grants Receipts in Advance		(594)
<b>(141,279)</b>	<b>(67,031)</b>	<b>Long Term Liabilities</b>		<b>(180,701)</b>
<b>368,335</b>	<b>385,493</b>	<b>Net Assets</b>		<b>268,754</b>
(32,914)	(30,372)	Usable Reserves		(30,978)
(335,421)	(355,121)	Unusable Reserves		(237,776)
<b>(368,335)</b>	<b>(385,493)</b>	<b>Total Reserves</b>		<b>(268,754)</b>

## GROUP CASH FLOW STATEMENT

2010/11 Total £000's		2011/12 Total £000's
38,709	Net (surplus) or deficit on the provision of services	95,517
(47,888)	Adjust net surplus or deficit on the provision of services for non cash movements	(3,871)
2,406	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,282
(6,773)	Net cash flows from Operating Activities	92,928
6,100	Investing Activities	4,152
332	Financing Activities	(97,668)
(341)	Net increase or decrease in cash and cash equivalents	(588)
-		-
(1,854)	Cash and cash equivalents at the beginning of the reporting period	(2,195)
<u>(2,195)</u>	<b>Cash and cash equivalents at the end of the reporting period</b>	<u>(2,783)</u>

## SECTION H – NOTES TO THE GROUP BALANCE SHEET

### H1. Group Non-Current Assets

Movements in net Property, Plant and Equipment during the year were as follows:

	<b>Total Property, Plant &amp; Equipment £000's</b>
<b>Comparative Movements in 2011/12</b>	
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>	
<b>At 1 April 2011</b>	527,535
Additions	14,703
Disposals	(335)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(4,693)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-
Assets reclassified (to)/from Held for Sale	-
Assets reclassified (to)/from Investment Property	-
Assets reclassified (to)/from Other Land & Buildings	(635)
<b>At 31 March 2012</b>	536,575
<b>Accumulated Depreciation &amp; Impairment</b>	
<b>At 1 April 2011</b>	143,025
Depreciation charge	7,361
<b>At 31 March 2012</b>	150,386
<b>Net Book Value at 31 March 2012</b>	386,189

	<b>Total Property, Plant &amp; Equipment £000's</b>
<b>Comparative Movements in 2010/11</b>	
<b>Cost or Valuation - Gross Carrying Amount (GCA)</b>	
<b>At 1 April 2010</b>	572,112
Additions	14,838
Disposals	(256)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(12,580)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(45,987)
Assets reclassified (to)/from Held for Sale	(592)
Assets reclassified (to)/from Investment Property	-
Assets reclassified (to)/from Other Land & Buildings	-
<b>At 31 March 2011</b>	527,535
<b>Accumulated Depreciation &amp; Impairment</b>	
<b>At 1 April 2010</b>	134,704
Depreciation charge	8,321
<b>At 31 March 2011</b>	143,025
<b>Net Book Value at 31 March 2011</b>	384,510

## H2. Group Receivables

Total 31 March 2011 £000's		Total 31 March 2012 £000's	
2,918	Central government bodies	4,730	
3,000	Other local authorities	3,090	
28	NHS bodies	(6)	
-	Public corporations and trading funds	-	
	Other entities and individuals:		
2,188	Housing Rents	1,991	
4,418	Sundry Debtors	4,709	
870	Council Tax	945	
<b>13,422</b>		<b>15,459</b>	
	Less Provision for Bad Debts:		
(386)	Housing Rents	(275)	
(389)	Sundry Debtors	(459)	
(395)	Council Tax	(390)	
<b>12,252</b>		<b>14,335</b>	

## H3. Group Payables

Total 31 March 2011 £000's		Total 31 March 2012 £000's	
(2,256)	Central government bodies	(1,638)	
(3,248)	Other local authorities	(2,919)	
(44)	NHS bodies	(1)	
-	Public corporations and trading funds	-	
(10,043)	Other entities and individuals	(15,058)	
<b>(15,591)</b>		<b>(19,616)</b>	

## H4. Group Provisions

	Insurance £000's	Accumulated Absences £000's	Ipswich Buses £000's	Total £000's
<b>Balance at 1 April 2011</b>	936	291	124	1,351
Used	(126)	(291)	(3)	(420)
Reversed	(448)	-	(99)	(547)
New	478	371	58	907
<b>Balance at 31 March 2012</b>	<b>840</b>	<b>371</b>	<b>80</b>	<b>1,291</b>

	Current £000's	Non- Current £000's	Total £000's
Balance at 1 April 2011	1,070	281	1,351
Balance at 31 March 2012	1,039	252	1,291

## H5. Group Finance Leases

	Finance Lease Liabilities		Finance Costs Payable	
	31 March 2011 £000's	31 March 2012 £000's	31 March 2011 £000's	31 March 2012 £000's
Not later than one year	1,078	780	127	74
Later than one year and not later than five years	1,258	706	108	61
Later than five years	84	28	3	1
Total	2,420	1,514	238	136

## H6. Group Operating Leases

Total 31 March 2011 £000's		Total 31 March 2012 £000's
66	Not later than one year	124
99	Later than one year and not later than five years	231
857	Later than five years	857
1,022	<b>Total</b>	1,212

## **H7. Pension Costs – Ipswich Buses Limited**

The pension costs for Ipswich Borough Council are shown in *note D25 on pages 104 – 108*.

Ipswich Buses Limited has operated two company pension schemes, one providing benefits based on final pensionable pay, the other being a defined contribution scheme. Ipswich Borough Council are guarantors to the defined benefit 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. The total charge for the year was £57,651 (2010/11: £50,908).

### **Defined Benefit Scheme**

During the year the company made the decision to close the Defined Benefit Local Government Pension Scheme to active membership. For those in the scheme at 31 December 1993 benefits are based on final pensionable pay. The assets of the scheme are held separately from those of the company. All scheme members are now pensioners or deferred. There is no active membership.

Pension scheme assets are measured using market values. Liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The surplus (to the extent it is considered recoverable) or deficit is recognised in full and presented on the face of the balance sheet.

The assets of the scheme are held separately from those of the company, being invested with the Suffolk County Council Superannuation Fund in accordance with the Local Government Superannuation Regulations. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent completed valuation was at 31 March 2010. In addition to the triennial valuation, the company has annual IAS19 reviews carried out and the results of these are used in preparing the accounts of the company.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

2010/11 £000's		2011/12 £000's
(515)	Present value of unfunded defined benefit obligations	(460)
(17,398)	Present value of funded defined benefit obligations	(18,838)
15,933	Fair value of plan assets	15,345
<b>(1,980)</b>	<b>Total Employee Benefits</b>	<b>(3,953)</b>

<b>Movements in present value of defined benefit obligation</b>		
2010/11 £000's		2011/12 £000's
22,549	Opening Defined Benefit Obligation	17,913
-	Current Service Cost	-
1,130	Interest Cost	961
-	Contributions by Members	-
(4,928)	Actuarial (Gains)/Gains	1,329
-	Losses on Curtailment	-
(838)	Benefits Paid	(905)
17,913	Closing Defined Benefit Obligation	19,298

<b>Movements in fair value of plan assets</b>		
2010/11 £000's		2011/12 £000's
14,646	Opening Fair Value of Employer Assets	15,933
945	Expected Return on Assets	1,043
-	Contributions by Members	-
178	Contributions by the Employer	173
1,002	Actuarial Gains/(Losses)	(899)
(838)	Benefits Paid	(905)
15,933	Closing Fair Value of Employer Assets	15,345

Actuarial gains and losses recognised directly in equity in the Movement in Reserves Statement since 28 March 2009, the transition date to Adopted IFRSs:

2010/11 £000's		2011/12 £000's
(4,651)	Cumulative amount b/f	1,279
5,930	Recognised in the year	(2,228)
1,279	<b>Total</b>	<b>(949)</b>

The fair value of the plan assets and the return on those assets were as follows:

2010/11 Fair Value £000's		2011/12 Fair Value £000's
10,994	Equities	11,048
-	Government Debt	-
2,868	Corporate Bonds	2,302
1,434	Property	1,535
637	Other	460
<u>15,933</u>	<b>Total</b>	<u>15,345</u>
<u>1,032</u>	Actual Return on Plan Assets	<u>145</u>

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	At 29/03/08	At 28/03/09	At 27/03/10	At 26/03/11	At 31/03/12
Price increases	3.60%	3.10%	3.80%	2.80%	2.50%
Rate of increase in salaries	5.10%	4.60%	5.30%	5.10%	4.80%
Rate of increase in pensions	3.60%	3.10%	3.80%	2.80%	2.50%
Discount rate	6.90%	6.90%	5.50%	5.50%	4.80%
Expected return on assets	6.70%	6.20%	6.60%	6.70%	5.60%

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

Current male pensioners 21.0 years, current female pensioners 23.7 years, future male pensioners 22.9 years, future female pensioners 25.6 years.

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

<b>Year Ended</b>	<b>Prospective Pensioners</b>	<b>Pensioners</b>
31 March 2011	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort
27 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	Year of birth, medium cohort
28 March 2009	calendar year 2033	calendar year 2017
29 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2004

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

## History of plans

The history of the plans for the current and prior periods is as follows:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Balance Sheet					
Present value of defined benefit obligation	(15,997)	(15,597)	(22,549)	(17,913)	(19,298)
Fair value of plan assets	15,198	12,402	14,646	15,933	15,345
Deficit/surplus	<u>(799)</u>	<u>(3,195)</u>	<u>(7,903)</u>	<u>(1,980)</u>	<u>(3,953)</u>
Experience adjustments	2007/08	2008/09	2009/10	2010/11	2011/12
	£000/%	£000/%	£000/%	£000/%	£000/%
Experience adjustments on plan liabilities (as a percentage of plan liabilities)	0.81%	-0.05%	-0.10%	8.65%	-1.91%
Experience adjustments on plan assets (as a percentage of plan assets)	-12.51%	-29.59%	13.58%	0.55%	-12.66%

## H8. Financial Instruments – Ipswich Buses Limited

Financial Instruments for Ipswich Borough Council are shown in *note D5* on *pages 75 – 78*.

### Fair values of financial instruments

#### *Trade and other receivables*

The fair value of trade and other receivables, excluding construction contract receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

#### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

#### *Interest-bearing borrowings*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

#### *Derivative financial instruments*

Following the adoption of IFRS7, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the Company; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

The company's income is mostly cash driven and most trade receivables are with Local Authorities, representing payment for contracted services. The carrying amounts and fair value amounts are considered to be the same.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

26 March 2011		IAS 39 categories of financial instruments	31 March 2012	
Carrying amounts £000's	Fair Value £000's		Carrying amounts £000's	Fair Value £000's
2,088	2,088	Cash and cash equivalents	2,126	2,126
558	558	Other loans and receivables	423	423
<u>2,646</u>	<u>2,646</u>	Total financial assets	<u>2,549</u>	<u>2,549</u>
<b>Financial assets measured at amortised cost</b>				
33	33	Other financial assets measured at amortised cost	-	-
<u>33</u>	<u>33</u>		<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortised cost</b>				
1,569	1,569	Other interest-bearing loans and borrowings	1,251	1,251
1,247	1,247	Trade and other payables	1,139	1,139
-	-	Other financial liabilities measured at amortised cost	-	-
<u>2,816</u>	<u>2,816</u>	Total financial liabilities measured at amortised cost	<u>2,390</u>	<u>2,390</u>
<u>(137)</u>	<u>(137)</u>	<b>Total financial instruments</b>	<u>159</u>	<u>159</u>

## Credit risk

### *Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

### *Exposure to credit risk*

As the company's income is mostly cash driven and most trade receivables are with Local Authorities, the carrying amounts and fair value amounts are considered to be the same.

The maximum exposure to credit risk for trade receivables at the balance sheet date by type of counterparty was as follows:

26 March 2011			31 March 2012	
£000's			£000's	
253		Local District and County Authorities	178	
24		Other miscellaneous trade receivables	22	
<u>277</u>			<u>200</u>	

### Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

26 March 2011			31 March 2012	
Gross	Impairment		Gross	Impairment
£000's	£000's		£000's	£000's
167	-	Not past due	187	-
102	-	Past due 0-30 days	9	-
8	-	Past due 31-120 days	3	-
-	-	More than 120 days	1	-
<u>277</u>		Total financial assets	<u>200</u>	

### Liquidity risk

#### Financial risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The company carries out a cash flow projection four years forward to ensure that it is able to meet its financial obligations.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	Carrying amount £000	2012					Carrying amount £000	2011				
		Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000		Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
<b>Non-derivative financial liabilities</b>												
Finance lease liabilities	999	999	419	272	280	28	1,317	1,317	489	382	362	84
Trade and other payables*	1,162	1,162	1,162				1,247	1,247	1,247			

## H9. Related Party Transactions – Ipswich Buses Limited

Ipswich Buses Limited is a wholly owned subsidiary of Ipswich Borough Council, who are the parent undertaking and the ultimate controlling party and own 100% of the shares of the company. The following Directors of Ipswich Buses Limited are members of Ipswich Borough Council:- Harvey Crane, Inga Lockington, Peter Gardiner.

## **GLOSSARY OF FINANCIAL TERMS**

### **Accounting Period**

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

### **Accruals**

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

### **Agency**

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

### **Bad or Doubtful Debts**

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

### **Budget**

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

### **Budget Requirements**

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

### **Capital Charges**

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

### **Capital Expenditure**

Expenditure on capital assets which have a long term value to the Council e.g. land, buildings and equipment (known as non-current 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, and business ratepayers. From this fund the Borough, County Council's and Police Council 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 Council 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.

### **Payables**

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 non-current asset, through wear and tear, deterioration or obsolescence.

### **Receivables**

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 non-current asset to the lessee.

### **Financial Year**

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

### **General Fund (GF)**

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

### **Government Grants**

Payments by Central Government towards Local Council 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 non-current asset, for example street lighting and sewers.

### **Intangible Assets**

Non-financial non-current 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.

### **Inventories**

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

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

The minimum amount that must be charged to an Council'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 non-current 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 Council (i.e. a County Council) requires from a Charging Council (Borough/District Council) to meet its expenditure requirements (from the Council Tax collected on behalf of the Precepting Council).

### **Provision**

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

### **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.

### **Revised Budget**

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

### **Tangible Non-Current Assets**

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

### **Work in Progress**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IPSWICH BOROUGH COUNCIL**

We have audited the statement of accounts of Ipswich Borough Council and its Group for the year ended 31 March 2012 which comprises the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Movement in Reserves Statement, the Authority and Group Balance Sheet as at the end of the period, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, the accounting policies and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

### ***Respective responsibilities of the Chief Financial Officer and auditors***

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the Chief Financial Officer is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, 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.

### ***Scope of the audit of the statement of accounts***

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword and the Statement of Accounts to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### ***Opinion on statement of accounts***

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority and Group's affairs as at 31 March 2012 and of the Authority's and Group's income and expenditure and cash flows for the year then ended; and
- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the CIPFA Service Reporting Code of Practice 2011/12.

### ***Opinion on other matters***

In our opinion, the information given in the explanatory foreword for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

### ***Matters on which we are required to report by exception***

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.



Julian Rickett  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed Auditors  
Norwich  
27 September 2012

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

### ***Authority's responsibilities***

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

### ***Auditors' responsibilities***

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Scope of the review of the arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### ***Conclusion***

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, *Ipswich Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

## Certificate

We certify that we have completed the audit of the Authority and Group accounts of Ipswich Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Julian Rickett  
For and on behalf of PricewaterhouseCoopers LLP  
Appointed Auditors  
Norwich  
27 September 2012

### **Notes:**

- (a) The maintenance and integrity of the Ipswich Borough Council website is the responsibility of the authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was 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.