Suffolk Coastal District Council

Statement of Accounts

2017-18

SUFFOLK COASTAL DISTRICT COUNCIL

CONTENT

FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present Suffolk Coastal District Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2018. The Accounts inform their users as to the financial performance of the Council during the year and as a result are an important element of demonstrating sound financial stewardship of the taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, commenced their audit of the Accounts on 14th May 2018. The audited Accounts together with Ernst and Young's Audit Result Report will be presented to the Audit and Governance Committee and Full Council in July 2018.

Prior to approval, the draft Accounts are subject to a single period of 30 working days for the exercise of public rights, where any objection, inspection and questioning of the local auditor must be undertaken. For the 2017/18 financial year, the inspection period must include the first ten working days of June and therefore the period commenced on 1st June 2018 and finish on 12th July 2018. From the 31st May 2018, the unaudited Accounts were available to the public on the Council's website.

The purpose of this Narrative Report is to provide an easily understandable guide to the most significant matters stated in the financial report. The change in reporting requirement was introduced in 2015/16 replacing and expanding upon on the Explanatory Foreword. It provides information about Suffolk Coastal as both a District and an organisation, including key issues affecting the Council and its Accounts.

Finally, the principles adopted in compiling the Accounts are those recommended by The Chartered Institute of Public Finance and Accountancy (CIPFA) namely:

- The Code of Practice on Local Authority Accounting in the United Kingdom (the Code); and
- International Financial Reporting Standards (IFRS).

Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer
S151 Officer

NARRATIVE REPORT

1. Introduction

This document presents the statutory financial statements (the "Statement of Accounts") for Suffolk Coastal District Council ("the Council") for the period 1st April 2017 to 31st March 2018 and provides a comprehensive summary of the overall financial position of the Council.

The Statement of Accounts is presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA), as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

This Narrative Report, which is not formally part of the Statement of Accounts, provides information on the Council, its main objectives and strategies and the principal risks that it faces, as well as providing a commentary on how the Council has used its resources to achieve its desired outcomes in line with its objectives and strategies. The 2017/18 Code introduces the reporting principles established by the International Integrated Reporting Council (IIRC) to the Narrative Report for the first time. This Narrative Report covers the following sections:

- Introducing Suffolk Coastal District Council – the Council and the district it serves is introduced, including the way in which it is governed and led, and its strategic objectives determined and delivered in partnership with Waveney District Council (WDC).

- Operating Model – the human and financial resources that the Council has at its disposal and how they are deployed is explained. The external context in which the Council operates is also considered, with particular emphasis on changes in the local government sector and society in general, which are having a major impact on the future supply and demand for resources.

- Council Performance 2017/18 – progress against the Business Plan is presented alongside financial performance for the year both in revenue and capital terms. The strength of the Council's Balance Sheet is also considered at the year-end through an assessment of the level of reserves and balances held.

- Risks and Opportunities – the principle risks and opportunities faced by the Council and the way in which they are being managed are explored. Significant financial, service delivery and environmental risks are countered by notable opportunities due to the location and nature of the district and progression of the shared services partnership with WDC to a 'full merger'; and

- Looking Ahead – the 2018/19 financial year is considered – the final year for Suffolk Coastal District Council – prior to the merger. In addition, a glimpse at 2019/20 and beyond is taken and what it might look like for East Suffolk Council, including some major developments in local government, scheduled for 2020.

2. Introducing Suffolk Coastal District Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and seven district councils, including Suffolk Coastal District Council. The County Council administers services such as education, waste disposal and social services across the whole of Suffolk, whereas locally, Suffolk Coastal District Council operates a range of services including building regulation, burials/cremations, community safety, the administration of council tax and business rates, environmental health, electoral administration, licensing, sports facilities, housing, street cleaning and refuse collection.

The district of Suffolk Coastal sits in the east of the County, has a population of 126,000 and covers an area of 88,938 hectares (891km2) and 53km of open coast. It is an attractive place to live and work, attracting tourism and visitors and combining a strong economy with a natural and built environment.

The district also includes the Port of Felixstowe, which is a major gateway for Britain to Europe and (increasingly important post Brexit) the world. The district is also increasingly becoming a major energy supplier to the whole of Britain. The expansion of the long-established Sizewell Nuclear Power Station, which sits within the district boundary, continues and is being joined by major offshore developments (driving onshore infrastructure developments) in the fields of energy generation from wind, wave and gas..

Political Leadership

The Council is governed by 42 councillors, covering 26 electoral wards. All councillors serve a four year term of office and, following the May 2015 elections, the Conservatives have control of the Council with 37 councillors; there are two Liberal Democrat councillors, two Independent councillors and one Labour councillor.

The Council operates a 'Leader and Cabinet' model whereby the Leader is elected by members of the Council. Cabinet members are appointed by the Leader from members of the Council and they are designated specific areas of responsibility. The Cabinet ordinarily makes decisions collectively but individual Cabinet member also have decision-making powers.

Executive Leadership

Suffolk Coastal entered a "shared services" partnership with county neighbours Waveney District Council (WDC) in 2008, initially through the appointment of a joint Chief Executive. The partnership extended to a shared senior management team in 2010 and now the majority of services are jointly delivered with WDC. The senior management team work closely with councillors to ensure that each council delivers its corporate priorities and comprises a Chief Executive, two Strategic Directors and eleven Heads of Service, collectively known as the "Corporate Management Team" (CMT). Separately, the Chief Executive and Strategic Directors make up the Strategic Management Team (SMT). SMT is led by the Chief Executive and takes responsibility for the whole workforce, providing strategic direction and leadership. Heads of Service support SMT in the overall management of both councils and individually they provide direct management of their individual service areas.

Strategy: a shared vision for east Suffolk

The districts of Suffolk Coastal and Waveney have much in common, with both partners – as well as sharing services – having a shared interest and purpose in the future prosperity of east Suffolk as a whole. This led to the development of "East Suffolk Means Business" (2015 – 2023), a combined Business Plan, spelling out a shared vision "to maintain and sustainably improve the quality of life for everybody growing up in, living in, working in and visiting East Suffolk".

Strategic Deliverables

The Business Plan outlines three "Strategic Deliverables" as follows:

- Economic Growth – "we will encourage a strong local economy which is essential for vibrant communities"
- Enabling Communities – "together we can improve services, build resilient communities and make life better for everyone"
- Financial Self-Sufficiency – "driving down costs and becoming even more business-like and entrepreneurial in our approach".

Critical Success Factors

Underpinning the three Strategic Deliverables, are 10 "Critical Success Factors" that support the delivery of the shared vision for east Suffolk.

Critical Success Factors	
Description	**Discussion**
Economic Development and Tourism	A strong, sustainable, and dynamic local economy offering our communities more stable, high quality and high value jobs, with increased opportunities for all.
Leisure	Increased access to quality leisure, cultural facilities and activities that support and promote healthier lifestyles.
Planning	Well managed development of sustainable, thriving communities, with the quality facilities and services needed for a growing economy, whilst preserving the historic and natural environment.
Housing	Improved access to appropriate housing to meet existing and future needs, including more affordable homes for local people.
Benefits	Timely access to welfare benefits for those in need within our communities.
Customers	Putting customers first in the planning and design of services, and making improvements to services following customer feedback. Ensuring services and information are easily accessible through different communication channels, with customers receiving a consistent, accurate and holistic service at the first point of contact.
Communities	A diverse mix of resilient and supportive communities that value their rural and coastal heritage; which feel engaged, valued and empowered; and where people's needs are met and where they can make a difference to their community.
Community Health	Enabling people to take responsibility for their own mental and physical well-being, helping them to live active and healthy lives, while remaining safe within their homes and communities.
Green Environment	Protecting, enhancing and making sustainable use of our environment, including managing the effects of our changing coastline.
Resources	Delivering a more business-like approach, directing resources to support the delivery of key services, while providing the best possible quality and performance.

Service Delivery: a tailored approach

Shared services has been very effective in driving out combined savings of over £20 million since 2010 and protecting public services in east Suffolk, with the delivery of better outcomes for residents and maximising value-for-money being the overriding consideration in determining service delivery arrangements. A tailored approach is adopted with directly delivered services operating alongside services delivered through third parties and joint arrangements. Examples include:

- *Direct Services* – Community Development, Customer and Support Services, Economic Development, Environmental Services, Housing, Licensing and Planning.
- *Third Party Services* – Car Parks, Facilities Management, Refuse Collection, Grounds Maintenance (all through *Suffolk Coastal Norse Limited*) and Leisure (through *Places for People*); and
- *Joint Arrangements* – Building Control and Internal Audit (both in partnership with *Ipswich Borough Council*), Coastal Management (through the *Coastal Partnership East*), and Revenues and Benefits (through the *Anglia Revenues Partnership*).

3. Operating Model

The way in which the Council operates, deploying and consuming available resources – both human and financial – ultimately determines the outcomes achieved for local residents through the services it provides. It is a dynamic model that changes over time, and adapting to changes in the supply of, and demand for, resources is a major challenge in an era of 'austerity' and a changing society.

Human resources

As at March 2018, there were 304 full-time equivalent staff employed by Suffolk Coastal; a wide range of professional teams, delivering a diverse range of services.

Corporate Values: 'how' the work is done

Each staff member is expected to demonstrate a set of core behaviours which define 'how' – as employees – they should approach their work. The behaviours sit alongside 'what' they do and are designed to encourage every member of staff to reach their potential, reflecting five corporate values – "Proud", "Dynamic", "Truthful", "Good Value" and "United".

Performance and Development: "My Conversation"

The Council recognises that developing the capability of its People, its Leaders and its Culture is vital to the achievement of organisational priorities. To this end, the East Suffolk People Strategy includes a new approach to managing performance and personal development called "My Conversation". My Conversation allows the Council to constantly gauge progress against Service and Business Plans, ensuring that staff can develop the skills and behaviours required to undertake their roles and successfully meet future challenges. The approach can be distinguished from the traditional annual appraisal system and is about continuous and ongoing performance management, providing regular feedback, recognition and personal development.

The system is supported by real investment in training and development whereby a number of options are offered ranging from on the job coaching (including an in-house apprenticeship scheme) through to external courses.

The breadth of Council services means that training and development has to be carefully tailored. For example, professionals from many different fields are employed, from Accountancy, Legal and HR, through to Environmental Services and Planning. The workforce also includes large teams of customer facing staff including Customer Service Advisors and, with our service delivery partners, Leisure Assistants and Refuse Workers. Professional staff are required to complete continuous professional development, which needs to be factored in alongside personal and organisational development.

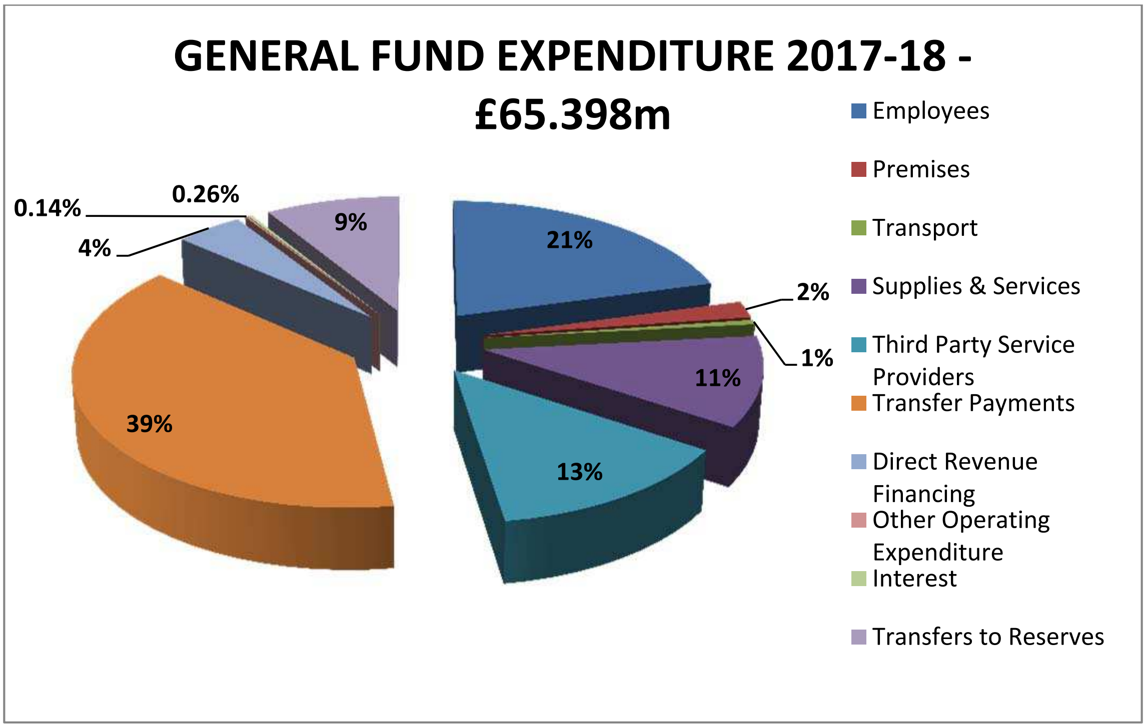
Financial Resources

The diversity of council services is reflected in a wide array of income and expenditure sources and applications.

Total Net Revenue Expenditure in 2017/18 was £13.83 million, comprising:

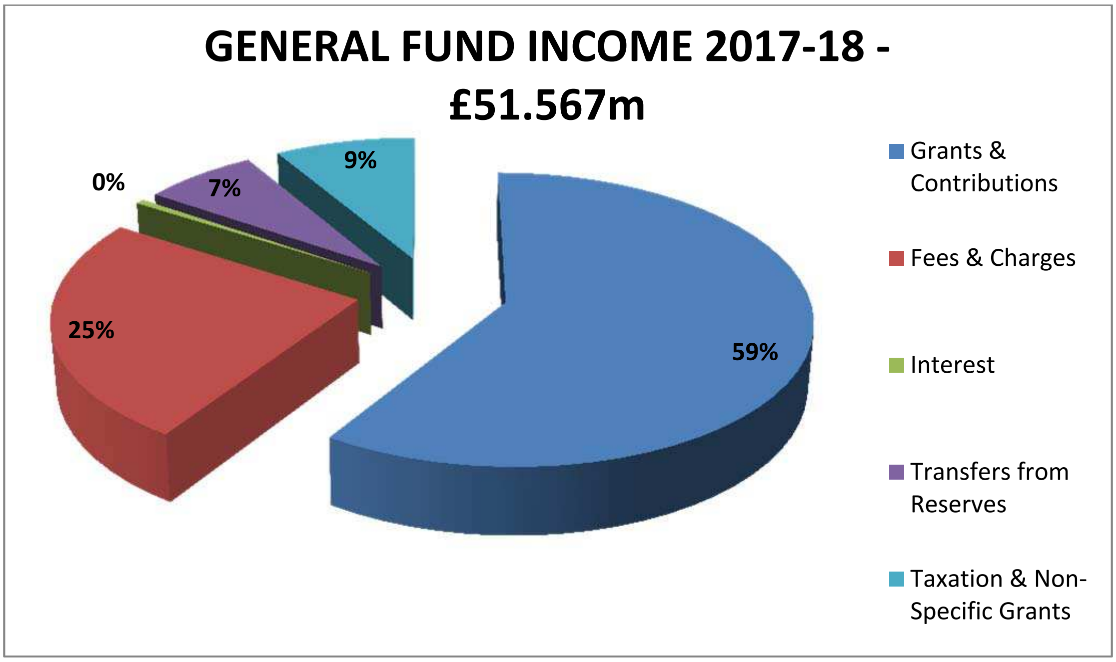
- Expenditure – £65.4 million

  Conversely the largest source of expenditure was the payment of Housing Benefit Payments made to eligible residents (£24.7 million), which comprises the majority of Transfer Payments. The cost of Employees remains the dominant internal cost (£13.6 million).

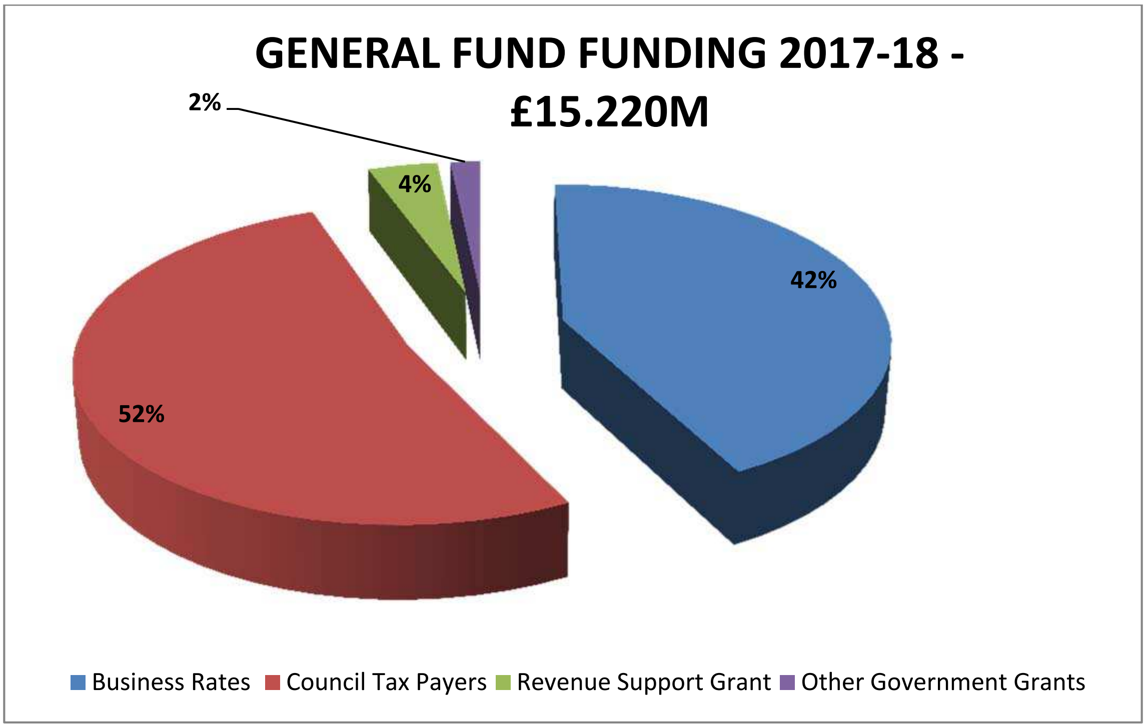


- *Income – £51.59 million*

  The largest source of income was the reimbursement of Housing Benefit Payments received from the Government (£24.3 million), which are included within Grants and Contributions. Fees and charges received from customers for a diverse range of Council services remains a major income source (£12.8 million).



Total Revenue Funding (to meet the net expenditure of £13.83 million) in 2017/18 was £15.2 million, which resulted in an in-year surplus of £1.389 million against the revised budget. The chart below shows that Council Tax remained the single largest funding source (£7.9 million), with Business Rates not far behind (£6.5 million). Income from Business Rates will increase substantially in 2018/19 as the Council is part of the Suffolk Business Rates Pool 100% Business Rates Retention (BRR) pilot.



External Environment

The Council is committed to ensuring that its services evolve and adapt to meet the needs of a constantly changing world. The pace of change in local government has quickened in the last decade, in an age of austerity and ongoing major demographic changes.

Local Government: the funding shift

The Council signed up to a four-year financial settlement from the Government for the period 2016/17 – 2019/20. Whilst this brought a welcome degree of certainty compared to the previous annual settlements, the 'deal' also entailed progressive reductions in Revenue Support Grant (RSG), which has traditionally been a major source of funding. Thus RSG received from Government was £2.164 million in 2015/16 but – as the table below illustrates – is reducing sharply and will be completely eliminated by 2019/20 (when 'negative RSG' of £313k will actually have to be paid to the Government). This is part of a seismic shift in funding, away from central Government support towards locally generated resources with Council Tax, Business Rates and Fees and Charges dominating as can be seen in the charts above.

Revenue Support Grant (RSG)	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Suffolk Coastal RSG	(2,164)	(1,304)	(598)	(168)*	313

**In 2018/19 RSG will need to be met from 100% Retained Business Rates under the Pilot. It will then return in 2019/20 after the one year pilot (see below)*

In October 2015 the Government announced its intention to enable local government as a sector to retain all locally raised Business Rates. The Government also committed itself to a full review of the needs and redistribution mechanism for local authority funding. Although the initial proposals were subsequently delayed, the Government has recently re-confirmed its commitment to the 'localisation of Business Rates' in the future, which represents both a risk and an opportunity to councils generally.

The Government established the "New Homes Bonus" (NHB) in 2011, which is incentivised funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the NHB is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place.

In recent years, NHB has become an extremely important source of funding and has grown rapidly from zero in 2010/11 to over £2million in 2017/18. However, the Government modified the scheme with effect from 2017/18, partly to divert funding towards adult social care but also to 'sharpen the incentive' (to create new homes). NHB allocations for 2017/18 and beyond will see 'legacy payments' reducing from 6 to 4 years and the introduction of a threshold (currently 0.4% of properties), below which NHB will not be paid. Local forecasts show a 'levelling off' of this source of funding over the next four years.

Changing Demographics: the impact on services

The National Audit Office's report *"Financial Sustainability of Local Authorities 2018"* revealed that Government funding for local authorities has fallen by an estimated 49.1% in real terms from 2010-11 to 2017-18, with the pressure felt most acutely and directly by authorities responsible for providing adult social care services.

Adult social care services in Suffolk are provided by Suffolk County Council. It is a service experiencing an ever-increasing demand from a rising elderly population. The Office for National Statistics (ONS) predicts that – by 2039 – 1 in 3 of the Suffolk population will be aged 65+ (compared to 1 in 4 for England as a whole).

A rising number of older residents has many implication across most of the Council's services, ranging from Housing (e.g. ensuring future housing supply adequately supports independent living) and Benefits (as people live longer, often on very low incomes) through to Leisure Services (aimed at maintaining healthy and active lives in later life) and Waste Collection (e.g. assisted bin collections).

4. Council Performance 2017/18

It was a good year for the Council both in terms of delivering the Business Plan and financially.

Delivering the Business Plan (strategic, corporate and operational performance)

The Council's non-financial performance is monitored and reported to the Cabinet on a quarterly basis. There are 21 "Key Performance Indicators" (KPIs) relevant to Suffolk Coastal that measure targeted performance against the joint Business Plan for East Suffolk against three "Strategic Deliverables". In addition, three Indicators (although monitored closely) do not have formal targets – Customer Complaints, Local Government Ombudsman Complaints and Financial Balances.

In 2017/18, good overall performance was achieved compared to targets with 13 (62%) indicators classified as "Green" (i.e. met or exceeded); compared to 12 (71% - based on 17 KPIs) in 2016/17.

KPI Performance against Strategic Deliverables

The table illustrates how performance against the three Strategic Deliverables in the Business Plan compares. It can be seen that performance against the "Financial Self-Sufficiency" priority was the strongest with six out of seven (86%) of KPIs meeting or exceeding target.

Strategic Deliverable	2016/17 KPI Outturn			2017/18 KPI Outturn		
	Green	Amber	Red	Green	Amber	Red
Financial Self-Sufficiency Driving down costs and becoming even more business-like and entrepreneurial in our approach.	5	1	1	6	0	1
Enabling Communities Together we can improve services, build resilient communities and make life better for everyone.	4	1	1	4	2	3
Economic Growth We will encourage a strong local economy which is essential for vibrant communities in East Suffolk.	3	1	0	3	0	2

Financial Self-Sufficiency: a year of success

The table above shows that KPI performance against the Financial Self-Sufficiency strategic deliverable remains very strong and has further improved in 2017/18. The key difference compared to last year proved to be:

- The level of Business Rates payable to the Collection Fund: this year the amount payable (£68.7 million) exceeded target by £0.6 million.
- However, the volume of abandoned telephone calls received was off target this year. The launch of the new Garden Waste Scheme in March 2018 triggered unusually high call volumes and there had also been an increase in calls relating to annual council tax billing due to unclear communication from previous year balances. Both factors contributed to an abandoned call rate of 16% in the year (compared to 13% in 2016/17). Reducing abandoned call rates below the 10% target is a high priority for the Council and extra call handling capacity was introduced in mid February 2018 to help alleviate the problem; performance is now improving and optimism is high that the target will be met in 2018/19.

There are also a number of success stories to report this year on KPI performance against the remaining strategic deliverables, as well as some challenges which present future improvement priorities:

Enabling Communities

- A significant highlight was the delivery of Affordable Homes within the District which exceeded target again this year with 110 net completions achieved compared to a target of 100 (139 compared to target of 112 in 2016/17).
- The percentage of applicants housed from the Housing Register was also a success story, with performance rising from 32% in 2016/17 to 45% in 2017/18 against the 40% target.
- Performance against the Disabled Facilities and Renovation Grants indicators – new for 2017/18 – also exceeded target.

However, there were also some challenges, most notably in Homelessness and Waste Collection.

- The proportion of successful Homelessness interventions declined in 2017/18 to 66% from 88% in 2016/17 due to difficulty in sourcing accommodation, especially for larger families which represent an increasing share of the Council's caseload.
- The percentage of Household Waste sent for Reuse, Recycling and Composting was 53.98% compared to a target of 57.06%, compared to 57.37% in 2016/17. Consequently the Residual Waste KPI also missed its target with 385.50kg per household being recorded compared to a target of 367.05kg (367.64kg recorded in 2016/17).

Economic Growth

Two new KPIs for 2017/18 recorded particularly positive performance.

- The Council supported the creation of 39 jobs in the district, exceeding a target of 35 and it was a particularly busy year for the Economic Development team with a long list of Business Engagement initiatives and events resulting in the target of 350 being comfortably exceeded with 764 businesses engaged with in the year.
- Food hygiene ratings also improved during the year with the target met with 99.37% of inspections receiving a satisfactory rating compared to 99.10% in 2016/17.
- However, in contrast to strong performance against the Affordable Homes target, the number of New Homes completed in year was below target, with 548 completions, against a target of 706. Nevertheless performance was up compared to 2016/17 (when 541 homes were completed) and 724 dwellings were under construction in the final quarter of the year, suggesting stronger performance lies ahead in 2018/19.

Partnership Performance

The Council also monitors and manages the performance of its third party service providers to ensure that the value achieved from external contracts is maximised and corporate objectives are met. In particular:

- Suffolk Coastal Norse – as noted above, Waste Collection performance fell short of target. The reclassification of Street Sweepings from Recycling to Residual Waste in the year was a significant factor in the relative decline in performance on both KPIs. In addition, higher waste volumes were experienced following the extreme weather conditions experienced in February 2018. Council officers are now working closely with Norse colleagues and, in conjunction with the Suffolk Waste Partnership, a number of projects and initiatives are planned, which should improve Recycling rates and reduce Residual Waste in 2018/19; and

Places for People

The Council has an agreed target of increasing the number of people participating in leisure activities at Council leisure facilities by 1% annually.

- This target was achieved in 2016/17 with 691,548 participants. However, the number of participants this year was 608,481 compared to a reduced target of 625,481 (to reflect the temporary closure of Deben Leisure Centre for refurbishment).
- Participation was further reduced by the temporary closure of the Health Suite at Felixstowe Leisure Centre for refurbishment. The decline in participation in leisure activities is expected to be short-lived with future prospects for this KPI being very positive with a newly refurbished Deben Leisure Centre set to open in summer 2018, to be quickly followed by major investment in Leiston Leisure Centre in autumn 2018.

Other Actions

In addition to KPIs, a wide range of other targeted actions and initiatives are in place to deliver the Business Plan. The East Suffolk Business Plan contains 71 actions aimed at the achievement of the strategic deliverables, including 35 joint actions plus a further 18 actions specific to Suffolk Coastal (i.e. 53 relevant to Suffolk Coastal in total). Progress against the Business Plan actions is reported to the Cabinet on a quarterly basis, alongside progress against KPIs as noted above.

Of the 53 actions, a total of 39 were 'live' (in progress) in 2017/18 with the vast majority (36 or 92%) on target at the year end. There are a number of highlights ranging from providing business support to small and medium-term enterprises (e.g. through the "drop in" events which have helped 67 businesses across East Suffolk in 2017/18), through to reducing the number of long-term empty properties (which continue to fall in the district - down from 603 to 559 in the year) and further improving the efficiency, effectiveness and marketing of the Port Health Service software (with the "PHILIS" system winning an innovation award at the Local Government Chronicle awards ceremony in March 2018).

Revenue Spending: the General Fund Outturn

The approved General Fund (revised) Net Expenditure budget was £14.380 million for 2017/18. The outturn for the year was £13.831 million, generating a Net Expenditure surplus of £0.549 million. In addition, a Financing surplus of £0.840 million combined to create an overall surplus of £1.389 million, which was added to Reserves.

The outturn is summarised in the table below:

General Fund Outturn 2017/18: Summary			
Portfolio	**Revised Budget 2017/18**	**Outturn 2017/18**	**Variance**
	£000's	**£000's**	**£000's**
Communities	679	661	(18)
Customer Services	409	372	(37)
Economic Development and Regeneration	704	724	20
Environmental Services and Port Health	(173)	63	236
Financial Services, Corporate Performance and Risk management	1,411	1,511	100
Housing Operations and Landlord Services	637	634	(3)
ICT services	1,155	1,119	(36)
Internal Audit	291	222	(69)
Legal and Democratic Services	1,214	1,095	(119)
Operations	6,066	5,807	(259)
Planning and Coastal Management	431	425	(6)
Revenue and Benefits	332	323	(9)
Senior and Corporate Management	1,046	1,049	3
Direct Revenue Financing	427	2,893	2,466
Taxation and Non-Specific Grant Income	(3,241)	(3,786)	(545)
Net Reserve Movements – Non Service Specific	2,992	719	(2,273)
Net Expenditure (after Reserve Movements)	**14,380**	**13,831**	**(549)**
Council Tax Income	(7,912)	(7,908)	4
Business Rates Income	(5,614)	(6,458)	(844)
Revenue Support Grant	(598)	(598)	0
Transitional & Rural Delivery Grants	(256)	(256)	0
Financing	**(14,380)**	**(15,220)**	**(840)**
Net Outturn (Transferred to Reserves)	**0**	**(1,389)**	**(1,389)**

The most significant positive budget variances behind the surplus were as follows:

- Net Reserve Movements (Non-Service Specific) £2.273 million (176%) – the capital programme was set based on the provisional assumption that revenue reserves of £2.738 million would be used to fund the Capital Programme. The funding was eventually sourced through Direct Revenue Financing (DRF), financed from the retained business rate balance held in the Business Rates Equalisation Reserve. The impact is neutralised by a corresponding negative variance on DRF (see below)
- Business Rates Income £844,000 (15%) – additional income was received, comprising two elements, with the 'pooling benefit' achieved through membership of the Suffolk Business Rates Pool of £366,000 adding to additional 'general' Business Rates received of £478,000
- Taxation and Non-Specific Grant Income £545,000 (16.8%) – predominantly due to additional income from Section 31 Grant ('Business Rates compensation') received (£537,000)
- Operations £259,000 (4.3%) – the surplus was driven by a range of savings/additional income. Work was delayed on the demolition of Dellwood Avenue Pavilion in Felixstowe, which deferred £100,000 in expenditure into 2018/19 and an additional £100,000 in income was received from Car Parking (including £69,000 from Excess Charge Notices)

The positive budget variances were partially offset by some negative variances, with the most significant one being:

- Direct Revenue Financing (DRF) £2.466 million (478%) – due to change in funding source (described above).

Capital Spending: the Capital Programme

The successful delivery of many Council services also relies on the acquisition and maintenance of fixed assets such as land, buildings and equipment. Acquisitions and expenditure which enhance the value of assets is funded through capital expenditure, whereas maintenance (which maintains, rather than adds value) is funded through (General Fund) revenue expenditure.

Overall, the Council spent £4.099 million on its General Fund Capital Programme in 2017/18, compared to an overall budget provision of £4.627 million. The table below summarises the outturn compared to budget.

Suffolk Coastal Capital Programme 2017/18			
Description	Revised Budget £000's	Outturn £000's	Variance £000's
General Fund (GF)			
Community Health	252	0	(252)
Customers, Community & Leisure	2,180	2,430	250
Coastal Management	190	160	(30)
Economic Development	294	56	(238)
Green Environment	1,044	568	(476)
Housing	400	725	325
Resources	267	160	(107)
Total GF Capital Spending	**4,627**	**4,099**	**(528)**
Funded by:			
Capital Receipts	(712)	(481)	231
Direct Revenue Financing	(427)	(155)	272
Revenue Reserves	(2,823)	(2,738)	85
Grants	(415)	(725)	(310)
Contributions	(250)	0	250
Total GF Funding	**(4,627)**	**(4,099)**	**528**

The table above shows a number of Spending and Funding variances. The most significant underspends were as follows:

- Community Health £252,000 (100%) – the budget was unspent due to the re-phasing of the Port Health Server into 2018/19. This also reduced Direct Revenue Financing (DRF) required in the year by the same amount; and
- Green Environment £476,000 (45.6%) – the purchase of Green Waste Bins was re-phased into 2018/19 (saving £750,000), which outweighed the cost of the Public Conveniences project, which was re-phased from 2016/17 into 2017/18 (costing £274,000)

The table also shows some overspends. The most significant items were as follows:

- Customers, Community and Leisure £250,000 (11.5%) – some expenditure on the development of Leiston Leisure Centre was brought forward from 2018/19 into 2017/18, although the associated grant funding from Sport England will not be received until 2018/19 (hence £250,000 variance on Contributions); and
- Housing £325,000 (81%) – funding for Disabled Facilities Grants (DFG) rose to £691,000 (compared £444,000 in 2016/17). The increase led to the DFG programme being revised upwards, raising the total Grant Income utilised this year to £725,000 (compared to budget provision of £415,000).

Collection Fund: collecting and distributing local taxation

Suffolk Coastal is a "billing authority" for the purposes of local taxation, which means that we bill, administer, collect and distribute local taxation as follows:

- *Council Tax* – on behalf of "precepting" authorities; the County Council, Police, Town and Parish councils, as well as the District Council itself; and
- *Business Rates* – on behalf of the County Council (10%) and Central Government (50%), as well as the District Council itself (40%).

The Collection Fund – at a summary level – records the transactions associated with collecting and distributing Council Tax and Business Rates. Surpluses and deficits are shared between the local authorities and central Government – as described above – in prescribed shares. The outturn for 2017/18 is summarised in the table below:

Description	Opening Balance (1st April 2017) £000's	Income £000's	Expenditure £000's	Closing Balance (31st March 2018) £000's
Council Tax (Surplus) / Deficit	(2,049)	(78,602)	78,621	(2,030)
Business Rates (Surplus) / Deficit	2,270	(71,387)	69,631	514

The Council budgets to for a breakeven position on the Collection Fund over time, although in-year fluctuations are commonplace, not least due to the requirement – by 15th January each year – for year-end surpluses/deficits to be estimated in advance to enable their distribution amongst billing and precepting authorities, along with precepts for the forthcoming year. Although there was very little movement on the Council Tax balance, an in-year surplus on Business Rates of £1.76 million served to reduce a brought forward deficit of £2.27 million. Income from Business Rates in 2017/18 was boosted by additional net receipts of £1.166 million due to the Council's membership of the Suffolk Business Rates Pool, which generates benefits from reduced levy payments to the Government.

Financial Resilience: reserves and balances

In June 2017, CIPFA published *"Building Financial Resilience" ("managing financial stress in local government")*. It identified the warning signs of financial stress, and explained the 'pillars' on which financial resilience depends. One of the "four pillars of resilience" highlighted in the document, was the importance of (appropriately) "Managing Reserves".

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. It includes the establishment and maintenance of reserves and balances as follows:

General Fund Balance:

- A working balance to fund and manage the impact of any unforeseen events or circumstances;
- To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; and

- A contingency to cushion the impact of unexpected events or emergencies

Earmarked Reserves (Revenue and Capital):

- A means of building up funds to meet known or predicted requirements.

Reserves and Balances 2017/18

The table below summarises the in-year movement and final position on the General Fund Balance and Earmarked Reserves:

Revenue Balances	Balance as at 31 March 2017 £`000	Transfer In 2017/18 £`000	Transfer Out 2017/18 £`000	Balance as at 31 March 2018 £`000
General Fund Balance	**4,195**	**-**	**195**	**4,000**
Revenue Earmarked Reserves				
Community Housing Fund	1,525	-	(10)	1,515
New Homes Bonus	2,115	926	-	3,041
In-Year Savings	1,850	718	-	2,568
In-Year Contingency	200	-	-	200
Carry Forwards	232	193	(152)	273
Other Revenue Earmarked Reserves	3,726	1,556	(475)	4,807
Subtotal of Revenue Earmarked Reserves	**9,648**	**3,393**	**(637)**	**12,404**
Business Rate Equalisation	**12,706**	**2,942**	**(2,738)**	**12,910**
Port Health	**3,694**	**788**	**-**	**4,482**
Total of Capital Earmarked Reserves	**24**	**-**	**-**	**24**
Total of Revenue Earmarked Reserves	**26,072**	**7,123**	**(3,375)**	**29,820**

The table shows Revenue reserves rising in the year, further strengthening the Balance Sheet. There was no change in Capital Reserves. Thus:

- *General Fund Revenue (up £3.554 million)* – the largest net increase was in "Other Earmarked Reserves" (net transfers in of £1.081 million); comprising a range of items, with the three largest being net transfers into a the Private Sector Housing Renovation Grants Reserve (to fund the associated grants – up £655,000), the Transformation Reserve (to support future transformation and 'invest to save' projects – up £213,000) and the Actuarial Reserve (contingency to meet potential future 'one-off'/exceptional pension costs – up £129,000).

The Chief Financial Officer (CFO) has a personal duty under Section 25 of the Local Government Act 2003 to report on the adequacy of financial reserves and balances and the year-end General Fund balance of £4million is exactly in line with the CFO's £4million recommendation adopted by the Council in February 2018. The balance is established as part of the Medium-Term Financial Strategy process and takes account of the strategic, operational and financial risks facing the Council.

Importantly (given the creation of the new East Suffolk Council in 2019) the CFO's assessment was conducted on the basis that services will continue to be provided and that adequate reserves and balances will be available for the successor authority.

5. Risks and opportunities

The established Council approach is to – wherever possible – seize opportunities as a means of managing risk. The emerging threat from public sector austerity in the late 2000s illustrates the point; the opportunity to share services was taken well ahead of most authorities in the country, leading to savings that have help maintain the viability of the Council for a decade.

Principal Risks

The principal risks faced by the Council sit within the following broad themes:

Financial Sustainability

Reducing central Government support for local government services is set to continue into the 2020s. Ensuring long-term financial sustainability is a major challenge faced by all councils, and Suffolk Coastal is no different with the latest Medium-Term Financial Strategy (February 2018) highlighting an underlying budget deficit of £1.3 million by 2019/20. The underlying risk is reflected in the Business Plan (through the *Financial Self-Sufficiency* "strategic deliverable"). A range of actions are in place to ensure the future financial sustainability of the Council, most notably the formation of a single council for east Suffolk and the adoption of a Commercial Investment Strategy (see further discussion on both topics below).

Service Delivery

The Council recognises the need to continually develop and evolve services to meet the ever-changing needs of customers. Demographic, technological and lifestyle changes all need to be catered for if services are to remain fit for purpose. A number of key strategies have been developed and are being deployed to address these risks. Notably:

- East Suffolk Access and Customer Care Strategy (2015-19) – aims to ensure that customer access to services is easy, ways of working are efficient, advancements in technology are maximised to improve customer experience, costs are reduced and value for money achieved
- East Suffolk Digital Strategy (2015-19) – integral to the way in which services are delivered in partnership with WDC, the Strategy aims to maximise the use of technology and provide the necessary tools to enable electronic accessibility to all services. Key principles include "electronic by default", "exploring new ways of working using digital and innovative technologies", "eliminating duplication and processes that do not add value" and "empowering customers, communities and staff through accessible self-service"; and
- Suffolk Coastal District Council Leisure Strategy (2014 – 24) – designed to improve the health, well-being and fitness of communities within the district, ensuring greater resident access and participation in sport, leisure and recreational activities.

Environmental

A beautiful coastline is a major feature within Suffolk Coastal, greatly appreciated by residents and visitors alike. It does however carry with it substantial risk, highlighted by the past and most recent floods and the impact on our residents. It is a responsibility borne by a minority of district councils in England (in partnership with the Environment Agency) and is a constant funding challenge.

The inland areas of the district are also very attractive, with large areas designated as "Areas of Outstanding Natural Beauty" (AONB). Combined with an important strategic location (e.g. as a Gateway to Europe and the rest of the world), the district is very attractive to developers, prospective residents and tourists alike. Whilst this brings significant opportunity, it also threatens the natural environment if not carefully managed. The Council therefore has a number of measures in place to mitigate environmental risk, including:

- Shoreline Management Plan 2012 ("SMP 7: Lowestoft Ness to Landguard Point") – covering the short-term (up to 2025), medium-term (2026 to 2055) and long-term (2056 to 2105), the Plan covers 73 km of the East Coast (incorporating all of the district coastline) and identifies the best ways to manage coastal flood and erosion risk to people and the developed, historic and natural environment
- Suffolk Coastal District Local Plan ("core strategy") (2013 – 2027) – published in July 2013, the core strategy for the district sets out the Council's approach in the form of a wide ranging – inter-linking – set of objectives with environmental implications; including sustainability, housing and economic development, the rural economy, tourism, transport, climate change and environmental protection; and
- East Suffolk Housing Strategy (2017 – 2023) – the Strategy aims to achieve sustainable housing growth, whilst maintaining and enhancing the high quality built and natural environment. For example, it aims to ensure

that new housing developments, wherever possible, avoid noise pollution, support biodiversity and minimises greenhouse gases.

Principal Opportunities

Despite the risk, there are substantial opportunities in Suffolk Coastal.

A Strategic Location

The district has historically benefited from its strategic – coastal – location and the advantages of that location are expected to increase in the future. The economic benefits brought by the Sizewell Power Plant and the Port of Felixstowe are well established. Felixstowe is now the largest container port in the UK and further expansion (especially in supporting infrastructure) is planned. Major expansion at Sizewell is also expected with an announcement awaited on the anticipated development of “Sizewell C”, a third Nuclear Power Station on that site.

In addition, the rapid expansion of offshore sustainable energy developments off the East Coast is driving the creation of large numbers of onshore jobs in the Lowestoft area, to the benefit of the whole of east Suffolk, including Suffolk Coastal. These developments will bring greater prosperity to the district including high quality, better paid jobs and more Business Rates (which in turn will help fund supporting infrastructure and other public services). It is essential therefore that the Council maximises the available benefits for the residents of Suffolk Coastal. Initiatives in place to maximise opportunities here include:

- Business Rates Pilot (2018-19) – as part of the Suffolk Business Rates Pool, the Council has been successful in leading on a Suffolk wide bid to pilot 100% Business Rates Retention in 2018/19 (one of only 10 successful bids in England). It is a pooling arrangement, which is expected to enable all members to increase the amount of Business Rates retained locally. The direct financial benefit for Suffolk Coastal is expected to be in the region of £2 million, with the benefit for Suffolk as a whole, to be allocated to shared priorities (primarily growth-related initiatives)
- East Suffolk Economic Growth Plan (2018 – 2023) – focussing on key sectors such as agriculture, energy, IT, manufacturing and engineering, marine, and ports and logistics, the Growth Plan has three main priorities:
    - *Priority 1* – Supporting entrepreneurs and entrepreneurship in East Suffolk
    - *Priority 2* – Encouraging established businesses to invest and grow; and
    - *Priority 3* – Attracting inward investment to East Suffolk, focused around existing and emerging sectors and supply chains.
- Economic Strategy for Norfolk and Suffolk (November 2017) – this is a 20-year Strategy through to 2036 led by the New Anglia Local Enterprise Partnership (LEP). It is a shared endeavour between businesses, education providers, local councils (including Suffolk Coastal) and the voluntary and community sectors. It outlines ambitious plans for future growth across Norfolk and Suffolk. The Strategy has plans to grow the Norfolk and Suffolk economy by £17.5 Billion – in real-terms – by 2036 and complements our work in Suffolk Coastal. For example, the published Strategy reports that it is on course to achieve 95% coverage of Superfast broadband by 2019. There is also a commitment to increase mobile coverage.

An Attractive Location

Suffolk Coastal is widely acknowledged as an attractive place to live and visit. Once again, in December 2017, the annual Halifax ‘Quality of Life’ survey ranked the district as one of the UK’s best places to live, based on factors such as residents’ health and life expectancy, wellbeing, employment, crime and weather. Whilst this helps greatly in terms of the ‘happiness’ of residents, the natural beauty of the district is also attractive to visitors. Therefore tourism presents an economic opportunity, provided it is done in a sustainable way. To this end:

- East Suffolk Tourism Strategy 2017 to 2022 – Recently completed independent research revealed that – in 2016 – the total number of tourist trips to Suffolk Coastal was 5.8 million, which generated a total value of £305.7 million and sustained 5,788 jobs (11.1% of total employment). The key aim of the Tourism Strategy is to significantly improve on these numbers (e.g. through extending the tourist season, creating compelling destinations and to linking visitors more to experiences such as special events).

A “Super District”

Government approval for the dissolution of Suffolk Coastal and Waveney district councils to create a single council for east Suffolk from 1st April 2019 has now been given. It is a high profile opportunity that has attracted widespread media interest both locally and nationally; with a combined population of over 242,000, the new

Council will be the largest of its kind in the country, a "super district" that presents a major opportunity and a leap forward in achieving long-term financial sustainability. It will be a model for other authorities to follow as they decide how best to tackle the significant challenges facing local government. East Suffolk Council will be of a scale large enough to face these challenges by having a loud enough voice, a strong bargaining position, a stronger balance sheet and a resilient workforce, yet small enough to feel connected to residents. Managing such an opportunity has been a high priority throughout:

- Public Consultation (2016) – the councils commissioned an independent telephone survey of 1,000 east Suffolk residents (500 in Suffolk Coastal) in October 2016 in order to gain feedback on the preferred option to merge. This was followed by a detailed public engagement campaign in November/December 2016; and
- One Council – the "One Council" project was set up in August 2017 to deliver the new Council by April 2019. Overseen by a Member Programme Board, the project is supported by five Member Working Groups and a Programme Team of senior officers. Transitional arrangements also include the formation of a "Shadow Authority".

6. Looking ahead

A 'seamless transition' will very much be the aim as local government in Suffolk Coastal and the wider east Suffolk area undergoes fundamental change in the medium-term.

The year ahead: Suffolk Coastal District Council

The 2018/19 financial year will be an historic one for the Council. It will be the final year for Suffolk Coastal District Council, which – after 45 years serving the residents of the district – will be dissolved at the end of the year, with the new East Suffolk Council emerging in 2019/20.

There is much to look forward to in 2019/20 and the new Council will be bigger, stronger and more able to meet the future needs of our communities. However, it is 'business as usual' in the district for 2018/19, with the focus very much remaining on Suffolk Coastal.

Strategy: business as usual

The General Fund budget for 2018/19 was approved by the Council on 22nd February 2018: net revenue expenditure of £13.771 million is planned for the year ahead. This adds to the Capital Programme for 2018/19 approved by the Council on 25th January 2018, which includes capital commitments of £10.949 million on a range of schemes. Therefore £24.72 million in total is committed to fund Suffolk Coastal services for the year and deliver on the commitments in our Business Plan.

Notably the Capital Programme for 2018/19 includes substantial funding for the second phase of the leisure centre redevelopment programme. There are major refurbishment plans for Leiston Leisure Centre in the year ahead, which have been developed in conjunction with the Council's development partner, Pulse Fitness; the £4.3 million scheme is expected to commence in Autumn 2018, with the Centre fully reopening in 2019. This will be a major asset for local residents and is a key part of Council strategy to increase leisure participation rates.

Tackling the Deficit

Alongside the budget for 2018/19, the Council also approved the latest iteration of the Medium Term Financial Strategy (MTFS), which is a 4-year rolling strategy, setting the strategic financial direction and forming the framework for financial planning in Suffolk Coastal. The MTFS is presented in the table below. Projecting forwards to 2021/22 it shows that the Council is projecting a shortfall in the base budget of £1.3 million from 2019/20 onwards.

MTFS 2017/18 – 2021/22 (high level extract)					
Description	**2017/18 Budget**	**2018/19 Budget**	**2019/20 Budget (projected)**	**2020/21 Budget (projected)**	**2021/22 Budget (projected)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total Net Expenditure	14,380	13,771	12,598	12,798	13,224
Total Funding	(14,380)	(13,771)	(11,281)	(11,530)	(11,899)
Budget Deficit/(Surplus)	**0**	**0**	**1,317**	**1,268**	**1,325**

However, the General Fund surplus of £1.389 million for 2017/18 allows some flexibility and provides an opportunity to support the transition from Suffolk Coastal (and Waveney) to East Suffolk. With this in mind, a balance has been struck between the needs of Suffolk Coastal in 2018/19 and the needs of East Suffolk Council in 2019/20, and beyond. The surplus has therefore been transferred as follows:

- *Business Rates Equalisation Reserve £478,000* – to smooth the annual impact of a large and volatile funding source and create a funding source for specific investments and initiatives
- *Carry Forward Reserve £193,000* – to meet the cost of (Suffolk Coastal) expenditure commitments in 2018/19, originally scheduled for 2017/18; and
- *In-Year Savings Reserve £718,000* – to temporarily support the General Fund revenue budget as savings in the base budget are realised through the Efficiency Strategy.

The £1.3 million deficit for Suffolk Coastal highlighted in the table above, when added to a corresponding deficit at WDC, results in an £3.6 million deficit to be taken on by East Suffolk Council. However, the combined balances including the In-Year Savings Reserves of the two councils will make a substantial contribution to minimising the short-term impacts of the opening deficit; thus allowing the newly elected administration at ESC sufficient time to comprehensively review services and budgets and set a sustainable basis for delivering future priorities.

Whatever happens in 2019/20, the ongoing approach to service delivery and partnership working in particular will remain a key part of driving down costs, continuing to increase value for money and addressing budget deficits. In addition, the Council adopted a new Efficiency Strategy in February 2016. The Strategy has taken advantage of the Government's current flexibility, which allows capital receipts from asset sales to be applied towards fund the one-off revenue costs of transformation projects. A rolling Efficiency Plan feeds into the Strategy and the latest update approved by the Council in February 2018 includes a range of projects that will impact in 2018/19 and beyond. Some of the projects are relatively small scale (e.g. an initiative to bring long-term empty properties back into use to increase NHB receipts) but there are also much larger projects, including the refurbishment of the district's leisure centres in Woodbridge and Leiston (which will reduce ongoing revenue costs). The Efficiency Plan also includes two projects of exceptional note:

- <u>Single Council for East Suffolk</u> – the most visible element of the Efficiency Plan is the creation of a new single council for east Suffolk, which will bring a range of benefits, including further efficiency savings that cannot be realised through the current partnership arrangements. These include reducing the governance costs associated with running two separate councils, eliminating a range of duplicated tasks (e.g. in Financial, Legal and HR services) and a reduction in some external costs (e.g. external audit fees will reduce for a single council); and
- <u>Commercial Investment</u> – the Council adopted the East Suffolk *Commercial Investment Strategy* in September 2017. The Strategy, which is firmly aligned to the self-sufficiency ambition, represents a different approach to the more traditional role of local councils and introduced a framework for the acquisition of commercial asset investments and enables commercial trading to generate net income streams to offset the ongoing reductions in central Government support. The Strategy sits alongside, and compliments, the Asset Management Strategy (which is designed to maintain the service potential of Council assets). Initial investment funds of £5 million have been earmarked within the Suffolk Coastal Capital Programme for 2018/19 to fund the Strategy (see below for further discussion).

<u>Delivering the Transition: from Suffolk Coastal to East Suffolk</u>

Of course, preparing for the future is a major priority for 2018/19, with the "One Council" project set up in August 2017 to deliver a new district council for East Suffolk by April 2019. It is a substantial undertaking, with over 100 individual work streams being overseen by a Member Programme Board, supported by five Member Working Groups and a Programme Team of senior officers. Good progress has been made so far, with the pace expected to quicken as the deadline approaches.

Preparations include following due legal process, with a "Structural Change Order" coming into effect on 25th May 2018. The Order signalled the commencement of a 'shadow period' which will run until 6th May 2019 (four days after the elections for the new council, on 2nd May 2019). A newly created "Shadow Authority" (comprising the 90 existing members across both councils) will act for the duration of the shadow period and is responsible for making the necessary arrangements for East Suffolk Council to assume its powers, functions and responsibilities on 1st April 2019.

2019/20 and beyond: East Suffolk Council

Although Suffolk Coastal District Council will no longer exist from 1st April 2019, and the detailed priorities of East Suffolk Council will be determined by the newly elected administration in May 2019, there should be no major shift in emphasis, with Suffolk Coastal and Waveney adopting the joint Business Plan in 2015, drawing together and protecting the common interests of both districts. Whatever the political colour however, the new council will be keen to establish its voice in local government and increase its influence for the benefit of East Suffolk.

Increasing Financial Scale

The financial scale of the new council will be much larger in revenue and capital terms. A simple amalgamation of the latest medium-term financial plans (adopted February 2018) of Suffolk Coastal and Waveney provides indicative figures, and is presented in the table below:

East Suffolk Council: SCDC and WDC combined financial projections (as @ February 2018)			
Description	**2019/20**	**2020/21**	**2021/22**
	£000's	**£000's**	**£000's**
Revenue			
• General Fund (GF) Total Net Expenditure	25,046	25,971	26,558
• Housing Revenue Account (HRA) Income	(20,494)	(21,319)	(22,113)
• Housing Revenue Account (HRA) Expenditure	20,962	22,095	21,495
Capital			
• GF Capital Programme	26,774	33,171	21,610
• HRA Capital Programme	13,046	11,972	12,172

Major External Developments 2020

There is much cause for optimism, tempered by significant uncertainty. The two councils together will result in a resilient East Suffolk Balance Sheet, with a strong asset base combining with good liquidity. However, there are two major developments in local government – scheduled for 2020 – with currently unknown implications:

- 75% Business Rates Retention – in December 2017, the Government announced proposals for the proportion of Business Rates income to be retained by local authorities is to be increased from 50% to 75%. This is to be accompanied by a new central Government 'funding formula' for local authorities. It is not known precisely how the new system will work, although local growth areas in Suffolk Coastal (e.g. at Sizewell, Felixstowe Port and Martlesham Heath) look set to combine with similar opportunities in Waveney (e.g. in 'onshore infrastructure' to support offshore Sustainable Energy developments and commercial developments following the construction of the Lowestoft Tidal Barrier) to generate a substantial increase in Business Rates receipts in the future; and

- "Fair Funding" Review – the Government is committed to reviewing and updating the current funding formula system which determines local needs and resources, and redistributes funding between local authorities. The current system is widely acknowledged as outdated and in need of reform. The Government has therefore launched its "Fair Funding" review with a view to introducing an updated system from 2020/21, with its first stage consultation process closing in March 2018. So far consultation has focused on the "relative needs" of individual local authorities to spend and future consultation (s) will focus on "relative resources", which is an adjustment to a Council's funding to reflect its relative ability to raise income from Council Tax. The eventual impact on East Suffolk Council of the new funding formula is unknown and appears likely to depend on the way in which the cost of delivering services in rural areas is reflected and also "locally significant duties" (most notably Coastal Management).

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

Councillor N Yeo
Chairman, Suffolk Coastal District Council – 26th July 2018

The Chief Finance Officer's Responsibilities

The Chief Finance 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 2017/18* (the Code).

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- compiled with the local authority Code.

The Chief Finance Officer has also:

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

Certificate by the Chief Finance Officer

I certify that this Statement of Accounts has been prepared in accordance with proper accounting practices and presents a true and fair view of the financial position of the Council at 31st March 2018 and its income and expenditure for the year ending on that date.

H. Javadi

Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer – 31st May 2018

EXPENDITURE AND FUNDING ANALYSIS

This analysis shows how annual expenditure is used and funded from resources (government grants, council tax and business rates) by Councils in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. This is not a primary statement.

Net Expenditure in the Comprehensive Income & Exependiture Statement	2017/18 (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to General Fund Balance		Net Expenditure in the Comprehensive Income & Exependiture Statement	2016/17 (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to General Fund Balance
	Capital	Pensions	Other	Total Adj				Capital	Pensions	Other	Total Adj	
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
924	-	124	-	124	1,048	Communities	679	-	82	-	82	761
429	-	65	-	65	494	Customer Services	348	(22)	38	-	16	364
2,543	(1,731)	81	-	(1,650)	893	Economic Development and Regeneration	1,112	(259)	64	-	(195)	917
(282)	-	516	-	516	234	Environmental Services and Port Health	(139)	(1)	359	-	358	219
181	(7)	1,474	-	1,467	1,648	Financial Services, Corporate Performance and Risk Management	420	(6)	1,853	-	1,847	2,267
614	(46)	87	-	41	655	Housing Operations and Landlord Services	504	(8)	63	-	55	559
1,348	(151)	90	-	(61)	1,287	ICT Services	1,064	(129)	67	-	(62)	1,002
283	-	71	-	71	354	Internal Audit	167	-	43	-	43	210
1,153	(2)	94	-	92	1,245	Legal and Democratic Services	985	(1)	70	-	69	1,054
8,325	(2,365)	24	-	(2,341)	5,984	Operations	9,884	(4,780)	10	-	(4,770)	5,114
1,282	(743)	315	-	(428)	854	Planning and Coastal Management	1,487	(866)	204	-	(662)	825
500	(2)	191	-	189	689	Revenue and Benefits	204	(5)	140	-	135	339
1,204	-	165	-	165	1,369	Senior and Corporate Management	997	-	114	-	114	1,111
18,504	**(5,047)**	**3,297**	**-**	**(1,750)**	**16,754**	**Cost of Services**	**17,712**	**(6,077)**	**3,107**	**-**	**(2,970)**	**14,742**
3,435	(378)	-	-	(378)	3,057	Other Operating Expenditure	2,703	238	-	-	238	2,941
674	2,894	(4,334)	-	(1,440)	(766)	Financing and Investment Income and Expenditure	578	3,211	(3,061)	-	150	728
(26,900)	3,657	-	644	4,301	(22,599)	Taxation and Non-Specific Grant Income	(25,598)	1,982	-	(3,440)	(1,458)	(27,056)
(4,287)	**1,126**	**(1,037)**	**644**	**733**	**(3,554)**	**(Surplus) or Deficit on Provision of Services**	**(4,605)**	**(646)**	**46**	**(3,440)**	**(4,040)**	**(8,645)**
					(30,266)	Opening General Fund Balance						(21,621)
					(3,554)	Less/Plus Surplus of (Deficit) on General Fund Balance in Year						(8,645)
					(33,820)	Closing General Fund Balance at 31 March						**(30,266)**

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 statutory regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement. The Group includes the Council's share of the Suffolk Coastal Norse Ltd profits and tax expenses.

	Authority						Group	
		2017/18			2016/17		2017/18	2016/17
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Services								
Communities	1,685	(761)	**924**	1,410	(731)	**679**	**924**	**679**
Customer Services	454	(25)	**429**	371	(23)	**348**	**429**	**348**
Economic Development and Regeneration	2,863	(320)	**2,543**	1,730	(618)	**1,112**	**2,543**	**1,112**
Environmental Services and Port Health	5,206	(5,488)	**(282)**	4,476	(4,615)	**(139)**	**(282)**	**(139)**
Financial Services, Corporate Performance and Risk Management	666	(485)	**181**	1,008	(588)	**420**	**181**	**420**
Housing Operations and Landlord Services	1,978	(1,364)	**614**	1,967	(1,463)	**504**	**614**	**504**
ICT Services	1,417	(69)	**1,348**	1,135	(71)	**1,064**	**1,348**	**1,064**
Internal Audit	499	(216)	**283**	373	(206)	**167**	**283**	**167**
Legal and Democratic Services	1,464	(311)	**1,153**	1,359	(374)	**985**	**1,153**	**985**
Operations	12,534	(4,209)	**8,325**	14,166	(4,282)	**9,884**	**8,325**	**9,884**
Planning and Coastal Management	3,910	(2,628)	**1,282**	3,439	(1,952)	**1,487**	**1,282**	**1,487**
Revenue and Benefits	26,891	(26,391)	**500**	27,576	(27,372)	**204**	**500**	**204**
Senior and Corporate Management	1,235	(31)	**1,204**	1,015	(18)	**997**	**1,204**	**997**
Total Cost of Services	**60,802**	**(42,298)**	**18,504**	**60,025**	**(42,313)**	**17,712**	**18,504**	**17,712**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
		2017/18			2016/17		2017/18	2016/17
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	Net Expenditure	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Cost of Services	60,802	(42,298)	18,504	60,025	(42,313)	17,712	18,504	17,712
Other Operating Expenditure (note 11)			3,435			2,703	3,435	2,703
Financing and Investment Income and Expenditure			674			578	674	578
Taxation and Non-Specific Grant Income (note 12)			(26,900)			(25,598)	(26,900)	(25,598)
(Surplus) or Deficit on Provision of Services			(4,287)			(4,605)	(4,287)	(4,605)
Share of (Surplus) / Deficit on the Provision of services by Associate (note 30)			-			-	(2)	(73)
Tax expenses of Associate (note 30)			-			-	4	25
(Surplus) / Deficit			(4,287)			(4,605)	(4,285)	(4,653)
(Surplus) or deficit on revaluation of non-current assets (note 20)			(1,644)			(472)	(1,644)	(472)
(Surplus) or deficit on revaluation of available for sale financial assets			109			-	-	-
Remeasurement of the net defined benefit liability / (asset) (note 20)			(2,073)			2,797	(2,073)	2,797
Other Comprehensive Income and Expenditure			(3,608)			2,325	(3,717)	2,325
Total Comprehensive Income and Expenditure			(7,895)			(2,280)	(8,002)	(2,328)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and the Group (i.e. including Suffolk Coastal Norse Ltd), 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 Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net (Increase) / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associate £'000	**Total Reserves £'000**
Balance at 31 March 2016	**(4,120)**	**(17,501)**	**(635)**	**(3,011)**	**(25,267)**	**(33,594)**	**(58,861)**	**(74)**	**(58,935)**
<u>Movement in reserves during 2016/17</u>									
(Surplus) or deficit on provision of services	(4,605)	-	-	-	**(4,605)**	-	**(4,605)**	-	**(4,605)**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	2,325	**2,325**	-	**2,325**
Total Comprehensive Expenditure and Income	**(4,605)**	**-**	**-**	**-**	**(4,605)**	**2,325**	**(2,280)**	**-**	**(2,280)**
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48)**	**(48)**
- Share of Actuarial Gains/Losses (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**345**	**345**
Net (Increase) / Decrease before Transfers	**(4,605)**	**-**	**-**	**-**	**(4,605)**	**2,325**	**(2,280)**	**297**	**(1,983)**
Adjustments between accounting basis and funding basis under regulations (note 9)	(4,041)	-	211	(1,645)	**(5,475)**	5,475	**-**	**-**	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(8,646)**	**-**	**211**	**(1,645)**	**(10,080)**	**7,800**	**(2,280)**	**297**	**(1,983)**
Transfer to / from Earmarked Reserves (note 10)	8,571	(8,571)	-	-	**-**	-	**-**	**-**	**-**
(Increase) / Decrease in Year	**(75)**	**(8,571)**	**211**	**(1,645)**	**(10,080)**	**7,800**	**(2,280)**	**297**	**(1,983)**
Balance at 31 March 2017 carried forward	**(4,195)**	**(26,072)**	**(424)**	**(4,656)**	**(35,347)**	**(25,794)**	**(61,141)**	**223**	**(60,918)**

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	**Total Usable Reserves £'000**	Unusable Reserves £'000	**Total Authority Reserves £'000**	Council's share of Reserves of Associate £'000	**Total Reserves £'000**
Balance at 31 March 2017 brought forward	**(4,195)**	**(26,072)**	**(424)**	**(4,656)**	**(35,347)**	**(25,794)**	**(61,141)**	**223**	**(60,918)**
<u>**Movement in reserves during 2017/18**</u>									
(Surplus) or deficit on provision of services	(4,287)	-	-	-	**(4,287)**	-	**(4,287)**	-	**(4,287)**
Other Comprehensive Expenditure and Income	-		-	-	**-**	(3,608)	**(3,608)**	**-**	**(3,608)**
Total Comprehensive Expenditure and Income	**(4,287)**	**-**	**-**	**-**	**(4,287)**	**(3,608)**	**(7,895)**	**-**	**(7,895)**
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
- Share of Actuarial Gains/Losses (note 30)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(96)**	**(96)**
Net (Increase) / Decrease before Transfers	**(4,287)**	**-**	**-**	**-**	**(4,287)**	**(3,608)**	**(7,895)**	**(94)**	**(7,989)**
Adjustments between accounting basis and funding basis under regulations (note 9)	734		424	(3,470)	**(2,312)**	2,312	**-**	**-**	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(3,553)**	**-**	**424**	**(3,470)**	**(6,599)**	**(1,296)**	**(7,895)**	**(94)**	**(7,989)**
Transfer to / from Earmarked Reserves (note 10)	3,748	(3,748)	-	-	**-**	-	**-**	**-**	**-**
(Increase) / Decrease in Year	**195**	**(3,748)**	**424**	**(3,470)**	**(6,599)**	**(1,296)**	**(7,895)**	**(94)**	**(7,989)**
Balance at 31 March 2018 carried forward	**(4,000)**	**(29,820)**	**-**	**(8,126)**	**(41,946)**	**(27,090)**	**(69,036)**	**129**	**(68,907)**

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the Council and the Group at the Balance Sheet date, which is 31st March each year. The net assets (assets less liabilities) are matched by the Group's reserves, reported in two categories. Details of the Usable Reserves can be found at the bottom of this Balance Sheet and Unusable Reserves held by the Group are contained within Note 20 to the Council's Core Financial Statements.

		Authority		Group	
	Note	2017/18	2016/17	2017/18	2016/17
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	13	54,910	55,053	54,910	55,053
Investment Property				-	-
Heritage Assets		353	353	353	353
Intangible Assets		288	381	288	381
Long Term Investments	33	2,401	10	2,401	10
Investment in Associate	30	-	-	(129)	(223)
Long Term Debtors	32	1,904	1,102	1,904	1,102
Long Term Assets		**59,856**	**56,899**	**59,727**	**56,676**
Current Intangible Assets				-	-
Short Term Investments		44,116	23,091	44,116	23,091
Current Assets held for sale	16	2,144	2,144	2,144	2,144
Short Term Debtors	15	9,798	6,687	9,798	6,687
Cash and Cash Equivalents	Cash Flow	7,583	21,859	7,583	21,859
Current Assets		**63,641**	**53,781**	**63,641**	**53,781**
Short Term Creditors	17	(18,908)	(13,802)	(18,908)	(13,802)
Short Term Capital Grants Receipts in Advance	19	(592)	(274)	(592)	(274)
Current Liabilities		**(19,500)**	**(14,076)**	**(19,500)**	**(14,076)**
Long Term Creditors	14	(96)	(36)	(96)	(36)
Long Term Provisions	18	(2,709)	(2,470)	(2,709)	(2,470)
Long Term Capital Grants Receipts in Advance	19	(2,153)	(1,917)	(2,153)	(1,917)
Other Long Term Liabilities - Pension Liability	27	(30,002)	(31,038)	(30,002)	(31,038)
Long Term Liabilities		**(34,960)**	**(35,461)**	**(34,960)**	**(35,461)**
Net Assets		**69,037**	**61,143**	**68,908**	**60,920**
Capital Reserves					
Capital Receipts Reserve		-	(424)	-	(424)
Capital Grants Unapplied Reserve		(8,126)	(4,656)	(8,126)	(4,656)
Earmarked Reserves	10	(44)	(199)	(44)	(199)
Share of Reserves of Associate	30	-	-	129	223
Revenue Reserves					
General Fund		(4,000)	(4,195)	(4,000)	(4,195)
Earmarked Reserves	10	(29,776)	(25,873)	(29,776)	(25,873)
Usable reserves		**(41,946)**	**(35,347)**	**(41,817)**	**(35,124)**
Unusable reserves	20	(27,091)	(25,796)	(27,091)	(25,796)
Total Reserves		**(69,037)**	**(61,143)**	**(68,908)**	**(60,920)**

H. Javadi

Homira Javadi (CPFA, FCCA, ACCA)
Chief Finance Officer

31st May 2018

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council and Group 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 authority.

	2017/18 £'000		2016/17 £'000	
Net (surplus) or deficit on the provision of services		**(4,287)**		**(4,605)**
Adjust net surplus or deficit on the provision of services for non cash movements:				
- Depreciation and Amortisation	**(3,030)**		(2,949)	
- Impairment and Downward valuations	**(1,723)**		(2,812)	
- Change in Creditors	**(2,034)**		755	
- Change in Debtors	**2,655**		3,069	
- Change in Inventory	**-**		(57)	
- Pension Liability	**(1,037)**		46	
- Other non-cash items charged to Surplus / Deficit on Provision of Services	**(239)**		(240)	
- Carrying value of Non-Current Assets disposed	**(435)**		(20)	
		(5,843)		**(2,208)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**5,030**		**2,683**
Net cash flows from Operating Activities		**(5,100)**		**(4,130)**
Investing Activities:				
- Purchase of property, plant and equipment, and intangible	3,966		3,299	
- Purchase of short-term and long-term investments	74,000		23,010	
- Other payments for investing activities	3		-	
- Proceeds from the sale of property, plant and equipment, and intangible assets	(102)		(257)	
- Proceeds from short-term and long-term investments	(50,500)		(34,000)	
- Other receipts from investing activities	(5,472)		(2,336)	
		21,895		**(10,284)**
Financing Activities:				
- Other receipts from financing activities	(2,556)		(14)	
- Other payments for financing activities	37		5,793	
		(2,519)		**5,779**
Net increase or decrease in cash and cash equivalents		**14,276**		**(8,635)**
Cash and cash equivalents at the beginning of the reporting		**(21,859)**		**(13,224)**
Cash and cash equivalents at the end of the reporting period (See below)		**(7,583)**		**(21,859)**
- Bank account		1,575		3,353
- Short-term deposits		6,008		18,506
Cash and cash equivalents at the end of the reporting period		**7,583**		**21,859**

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Council is required to prepare an annual Statement of Accounts, by the Accounts and Audit Regulations 2015, which those Regulations require 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 2017/18*, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Preparer's materiality has been set at £1.216m and only accounting policies and disclosures that exceed this materiality level have been provided, with the exception of politically sensitive areas of the Statement of Accounts, such as Members Allowance (Note 21) and Officers Remuneration (Note 24).

b) 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 services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where payments have been received in advance of obligations being performed, they have been recognised as a liability on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress with inventories on the Balance Sheet.
- In calculating the accrual for major grant claims including Housing Benefit Subsidy, the sums receivable have been estimated using the latest information available from the Housing Benefit system.
- Where the Council is acting as an agent for another party (e.g. in the collection of non domestic rates (NDR) and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

c) 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 highly liquid investments that mature in seven days or less from the date of acquisition and that are readily convertible to known amounts of cash without penalty and with insignificant risk of change in value.

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.

d) 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 (unless stated otherwise) 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.

e) 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 non-current 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; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue 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 amortisation are therefore replaced by the contribution in the General Fund Balance (known as a Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

f) Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is only made where the cost of untaken holiday entitlements and other leave carried forward into the next financial year is material. Any material accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The material accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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 in exchange for those benefits and are charged on an accrual basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 pension enhancement termination 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.

Post employment benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Suffolk County Council, to provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Suffolk County Council 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.
- Liabilities are discounted to their value at current prices. The discount rate employed for the 2017/18 accounts is 2.6% which is derived from a Corporate bond yield curve constructed from yields on high quality bonds based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.
- The assets of the Suffolk County Council 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; and
  - property - market value.

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

- Service cost comprising:
  - current service cost - the increase in liabilities as a 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 as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Financial Services, Corporate Performance and Risk Management; and
  - net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; and
  - 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 - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Suffolk County Council 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 transfers 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.

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.

g) 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 authorisation for issue are not reflected in the Statement of Accounts.

h) 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 are initially measured at fair value and carried at their amortised cost. 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.

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. The Council does not have any assets classified as Available for Sale.

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 subsequently measured at their amortised cost. 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 relevant service (for receivables specific to that service) or 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.

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

i) 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 attached 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which any conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ringfenced 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.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure.

j) Interests in companies and other entities

On 1st April 2009, the Council entered into a service contract with Suffolk Coastal Services Limited (now Suffolk Coastal Norse Limited) for the provision of a range of services including waste management and grounds and buildings maintenance. At the same time the Council acquired 20% of the shares of Suffolk Coastal Norse which is a subsidiary of the Norse Group of companies which is itself a wholly owned subsidiary of Norfolk County Council. Profits and losses are shared 50%/50% with Suffolk Coastal Norse.

Following a review of the Group Accounting requirements within the Code for 2017/18, the Council's accounting relationship with Suffolk Coastal Norse was determined as an Associate. In the Council's own single-entity accounts, the interest in Suffolk Coastal Norse is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Suffolk Coastal Norse is based on their financial results at their accounting date of 1st April 2018. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

k) Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all 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 Lessor

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.

l) Overheads and support services

The costs of overheads and support services are charged service segments in accordance with the Council's arrangements for accountability and financial performance.

m) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or
- Level 3 – unobservable inputs for the asset or liability.

n) 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.

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), and expenditure below a de-minimis level of £10,000, 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; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

The cost of assets acquired other than by purchase (for example exchange for non-monetary asset) is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

- infrastructure, community assets and assets under construction - depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective; or
- all other assets - current value, determined as 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The effective date of revaluation of those assets revalued in 2017/18 is:

- 30th September 2017 for assets measured at current value;
- 31st March 2018 for assets measured at fair value and those assets at risk of material movements in their valuation during the year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

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

- 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 or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

The Revaluation Reserve contains revaluation gains recognised since 1st 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 as follows:

- 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 or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement for the amount not covered by any Revaluation Reserve balance for that asset.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, 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 bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset, as advised by a suitably qualified officer; or
- infrastructure - straight-line allocation over 40 years.

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, and whose life is materially different to that of the main asset, the components are depreciated separately. This will generally apply where the cost of the potential component exceeds 25% of the total cost of the asset, and where the life of that component is less than 50% of the expected life of the main asset. Below those de minimis levels, it is unlikely that a failure to account separately for components would have a material impact on depreciation charges, using the Council's capital expenditure de minimis level of £10,000 as a guide for material impact.

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 non-current assets held for sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Irrespective of the timing of any decision an asset is surplus, the accounting treatment will apply from 1st April in that year. 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 in the Surplus or Deficit on Provision of Services. Depreciation is not charged on 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 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 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. 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 non-current 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.

o) Provisions, contingent liabilities and contingent assets

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 are 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. Where the obligation is expected to be settled within 12 months of the Balance Sheet date the provision is recognised as a Current Liability in the Balance Sheet. Other provisions are recognised as Long Term Liabilities.

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.

The Council makes specific provision in the Collection Fund for doubtful debts in relation to receipt of council tax and business rates, and in the Comprehensive Income and Expenditure Statement for doubtful debts in relation to other service debtors. These provisions are based on the age profile of the debts outstanding at the end of the financial year, reflecting historical collection patterns, and are included in the Balance Sheet as an adjustment to Debtors.

p) 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 or 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.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and therefore do not represent usable resources for the Council - these Unusable Reserves are explained elsewhere in the relevant accounting policies.

q) Collection tax and non-domestic rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for council tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

r) VAT

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

2. Accounting standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2017/18 Code:

- *IFRS 9 Financial Instruments*, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council's financial assets does not anticipate any material impairment.
- *IFRS 15 Revenue from Contracts with Customers* presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.
- *IAS 7 Statement of Cash Flows (Disclosure Initiative)* will potentially require some additional analysis of Cash Flows from Financing Activities (disclosed at Note 33) in future years. If the standard had applied in 2017/18 there would be no additional disclosure because the Council does not have activities which would require additional disclosure.
- *IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses)* applies to deferred tax assets related to debt instruments measured at fair value. Neither of the Council's subsidiary companies in the Group Accounts has such debt instruments.
- *IFRS 16 Leases* will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases).

3. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 1, 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:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Any potential legal claims by or against the Council are not adjusted in the accounts but are disclosed as part of Contingent Liabilities or Assets as required under the CIPFA Code.
- The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.
- Suffolk Coastal Norse Limited continues to be recognised as an Associate in the Council's financial statements and Group Accounts have been prepared in 2017/18. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.
- As part of the National Non Domestic Rates (NNDR1) return in January 2017, the Council had to estimate the business rates income expected to be received in 2017/18 based on a number of assumptions. The most significant assumption was in relation to the provision for appeals. The Council based the provision on Government guidance and trend analysis which was 4.04% of appeals that had been lodged with the

Valuation Office, backdated to 1st April 2010 where an appeal was lodged before 31st March 2015 or backdated to 1st April 2015 before 31st March 2017. Regarding purpose built GP surgeries, the provision for appeals is based on 65% of the appeal lodged. For 2017/18 liabilities created through the issuing of bills, 4.04% has been taken as the provision.

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

The preparation of Statement of Accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key judgements and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 buildings would increase by £309k for every year that useful lives had to be reduced. Whilst this risk is inherent in the valuation process, any change to the useful lives of assets and the subsequent depreciation charge will not impact on the Council's usable reserve balances, as depreciation charges do not fall on the taxpayer and are removed in the Movement in Reserves Statement.
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.	Whilst the effects on the net pensions liability of changes in individual assumptions can be measured, they are complex and inter related. Any change in estimates can have a material impact on the Council's Accounts. It is important to note, however, that the impact of pension costs is protected in the short to medium term under national pension arrangements.
Arrears	At 31st March 2018, the Council had a balance of sundry debtors of £6.321m. A review of significant balances suggested that an allowance for doubtful debts of £1.629m 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 an increase in the amount of the impairment of the doubtful debts would be required. If necessary such a sum could be met from reserves and balances in the short term. However, the ongoing monitoring of the Council's debt makes this scenario extremely unlikely.
Housing Benefit Subsidy	In preparing the accounts for the year the Council has submitted a grant claim to the Department for Work and Pensions in relation to Housing Benefit paid in the year to the value of £24.660 million. The grant claim is subject to detailed audit and the accounts have been prepared on the basis that all entries on the claim have been correctly stated.	If the auditor identifies errors or system weakness within the grant claim there is a risk the grant income shown within the accounts is over-stated. If this were to be the case, any shortfall would reduce the General Fund balance.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Under the Business Rates Retention scheme, which came into operation in April 2013, the Council as Billing Authority collects all non-domestic rates from local business and distributes these to Central Government (50%), Suffolk County Council (10%) and Suffolk Coastal District Council (40%). The current system is relatively new and changes have been made by the Government in a number of areas since its introduction, such as the imposition of a time limit for backdating appeals and the capping of year-on-year increases in rates bills. The Council makes the assumption that there will be no further significant in-year changes and fundamental changes to the system in the medium term. The Council has to make a number of assumptions in the returns to Government required under the system. These include estimates of growth or contraction in the rates base; the value of outstanding appeals; the value of reliefs to be awarded; and the value of doubtful debts. Methodologies for the estimation of these variables have been continually refined since April 2013.	If there are in-year changes to the system and there are actual variances from the assumptions on key variables included in Government returns, these will be reflected in changes in the Collection Fund surpluses or deficits attributable to Central Government, Suffolk County Council and Suffolk Coastal District Council in future years based on their distribution proportions.
Fair value measurements	When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for *similar* assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's chief valuation officer and external valuer). Information about the valuation techniques and inputs used in determining the fair value of the authority's assets and liabilities is disclosed in Note 13 below.	The fair value for all surplus assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the authority's area.

5. Comprehensive Income and Expenditure Statement - Material Items of Income and Expense

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. There are no items to disclose for 2017/18 (there were no items to disclose in 2016/17).

6. Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no adjusted Post Balance Sheet Events for the 2017/18 Accounts.

Where events taking place before this date did not relate to conditions at the Balance Sheet date but provided information that is relevant to an understanding of the Council's financial position, these events are disclosed as part of this note.

There is one non-adjusted Post Balance Sheet Events to disclose in relation to the decision made by Full Council at its 26th January 2017 meeting, along with Waveney District Council at its 25th January 2017 meeting, to dissolve both Councils and create a new Council for East Suffolk from 1st April 2019.

On the 9th May 2018, the House of Lords and House of Commons debated the East Suffolk (Local Government Changes) Order 2018 and the East Suffolk (Modification of Boundary Change Enactments) Regulations 2018. Both the Order and Regulations were approved by the House of Lords and the House of Commons and entered a period of call-in.

On the 25th May 2018 the Order became part of legislation and was available on www.legislation.gov.uk. From the 25th May 2018 until 6th May 2019, Suffolk Coastal District Council and Waveney District Council have entered a shadow period, in which a Shadow Authority and Shadow Executive will make decisions on behalf of East Suffolk Council until it comes into effect from 1st April 2019.

A shadow Authority means an authority being a local authority (with limited powers) which will become a local authority on 1st April 2019 and will consist of the current 90 members of Suffolk Coastal and Waveney District Councils until the 2019 elections where the number of elected Members will reduce to 55 from 6th May 2019. The Shadow Authority must meet within 14 days of the Order becoming legislation and the first meeting of the Shadow Authority will be held on Monday 4th June 2018.

At its first meeting, the Shadow Authority must designate, on an interim basis, an officer of one of the District Council to be responsible for performing the duties of the interim Monitoring Officer, the interim Chief Finance Officer and the interim Head of Paid Services. The Shadow Authority may, at any time before the 1st April 2019, appoint a person to become, on and after that date:

- The East Suffolk Council's Head of Paid Service;
- That Council's Chief finance officer; and
- That Council's Monitoring Officer.

If the Shadow Authority does not appoint to the above positions before the 1st April 2019, the interim officers will take up those positions on a permanent basis for East Suffolk Council.

A Shadow Executive has the meaning given in Article 8(1) of the Order of 25th May 2018 which is a Leader and Cabinet and will consist of both current Leaders and Cabinet members of Suffolk Coastal and Waveney District Councils. At its first meeting, the Shadow Executive must elect a Leader and Deputy Leader from the Shadow Executive members.

The main functions of the Shadow Authority will be to prepare, keep under review and revise as necessary, an Implementation Plan which must include:

- such plans and timetables as are in its opinion necessary to secure the effective, efficient and timely discharge of its functions; and

- such budgets and plans as it considers necessary or desirable to facilitate the economic, effective, efficient and timely discharge, on or after 1st April 2019, of the functions that, before that date, are functions of the District Councils.

for the purposes of preparing, reviewing and revising the Implementation Plan and discharging its functions.

On the 1st April 2019, the Suffolk Coastal and Waveney districts are abolished as local government areas and the District Councils are wounded up and dissolved. All functions and duties will transfer across to East Suffolk Council, which will commence as a new non-metropolitan district council.

7. Note to the Expenditure and Funding Analysis

Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net change for the pension adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure –**- the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8. Expenditure and income analysed by nature

	2017/18	2016/17
	£'000	£'000
Expenditure		
Employee benefits expenses	13,915	12,216
Other service expenses	42,132	42,050
Depreciation, amortisation, impairment	4,753	5,760
Interest payments	952	978
Precepts and levies	3,061	2,889
Council tax support grant to parish councils	-	51
Business rates tariff payment and levy	18,374	21,257
Gain or loss on the disposal of assets	375	(238)
Total expenditure	**83,562**	**84,963**
Income		
Fees, Charges and other service income	(42,298)	(42,314)
Interest and investment income	(278)	(400)
Income from council tax, non-domestic rates, district rate income	(36,351)	(38,636)
Government grants and contributions	(8,922)	(8,218)
Total income	**(87,849)**	**(89,568)**
Surplus or deficit on the provision of services	**(4,287)**	**(4,605)**

9. Movement In Reserves Statement - 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. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2016/17	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
- Charges for depreciation and impairment of non current assets	(2,837)	-	-	**(2,837)**	2,837
- Revaluation losses on Property, Plant and Equipment	(2,812)	-	-	**(2,812)**	2,812
- Amortisation of intangible assets	(112)	-	-	**(112)**	112
- Capital grants and contributions that have been applied to capital financing	287	-	-	**287**	(287)
- Revenue expenditure funded from capital under statute	(416)	-	-	**(416)**	416
- Revenue expenditure funded from section 106 receipts	(344)	-	-	**(344)**	344
- 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	(20)	-	-	**(20)**	20
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
- Capital expenditure charged against the General Fund balance	3,211	-	-	**3,211**	(3,211)
Adjustment involving the Capital Grants Unapplied Account					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,139	-	(2,139)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	494	**494**	(494)

2016/17	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Receipts Reserve:					
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	265	(265)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	468	-	**468**	(468)
- Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(8)	8	-	**-**	-
Adjustments involving the Pensions Reserve:					
- Reversal of items relating to post employment benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,061)	-	-	**(3,061)**	3,061
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,107	-	-	**3,107**	(3,107)
Adjustments involving the Collection Fund Adjustment Account:					
- 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	(3,440)	-	-	**(3,440)**	3,440
Total Adjustments	**(4,041)**	**211**	**(1,645)**	**(5,475)**	**5,475**

2017/18	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments Involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
- Charges for depreciation and impairment of non current assets	(2,886)	-	-	**(2,886)**	2,886
- Revaluation losses on Property, Plant and Equipment	(1,723)	-	-	**(1,723)**	1,723
Movements in the market value of Investment Properties					
- Amortisation of intangible assets	(144)	-	-	**(144)**	144
Expenditure capitalised under Approvals					
- Capital grants and contributions that have been applied to capital financing	6	-	-	**6**	(6)
- Revenue expenditure funded from capital under statute	(790)	-	-	**(790)**	790
- Revenue expenditure funded from section 106 receipts	(194)	-	-	**(194)**	194
- 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	(435)	-	-	**(435)**	435
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:					
Statutory provision for the financing of capital investment					
- Capital expenditure charged against the General Fund balance	2,894	-	-	**2,894**	(2,894)
Adjustment involving the Capital Grants Unapplied Account					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4,341	-	(4,341)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	871	**871**	(871)

2017/18	Usable Reserves				
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Adjustments involving the Capital Receipts Reserve:					
- Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	57	(57)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	481	-	**481**	(481)
Adjustments involving the Pensions Reserve:					
- Reversal of items relating to post employment benefits debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(4,333)	-	-	**(4,333)**	4,333
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,296	-	-	**3,296**	(3,296)
Adjustments involving the Collection Fund Adjustment Account:					
- 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	645	-	-	**645**	(645)
Total Adjustments	**734**	**424**	**(3,470)**	**(2,312)**	**2,312**

10. Movement In Reserves Statement – transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17 and 2017/18.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Actuarial Contributions	**300**	(79)	-	**221**	(32)	161	**350**	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Air Quality	**78**	(2)	-	**76**	-	21	**97**	To provide a source of finance for Air Quality Management Areas.
Benefit Verification	**272**	-	41	**313**	(37)	31	**307**	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Better Broadband Suffolk	**-**	-	-	**-**	-	36	**36**	To provide funding support toward the Better Broadband project across the district.
Business Incentive	**206**	(90)	-	**116**	(38)	-	**78**	To support economic development throughout the district.
Business Rate Equalisation	**6,030**	-	6,676	**12,706**	(2,738)	2,942	**12,910**	To provide a source of finance to equalise the effect of changes in Business Rate income.
Capital	**2,905**	(3,211)	330	**24**	-	-	**24**	To provide an additional source of finance for unspecified capital investment plans.
Carry Forwards	**-**	-	232	**232**	(152)	193	**273**	Budget carry forward requests.
Climate Change (includes Suffolk Energy Link)	**58**	(26)	8	**40**	(3)	-	**37**	To provide an additional source of finance for initiatives to reduce climate change and to promote energy efficiency.
Coastal Protection	**175**	-	-	**175**	(155)	-	**20**	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Coastal Management	**36**	-	58	**94**	-	41	**135**	To provide a source of finance to fund revenue expenditure on coastal defences in the district.
Community Health	**99**	(59)	-	**40**	(20)	-	**20**	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	**-**	-	1,525	**1,525**	(10)	-	**1,515**	To enable local community groups to deliver affordable housing units.
Community Safety	**24**	(11)	53	**66**	(5)	2	**63**	To provide a source of finance to support anti-social behaviour and crime reduction initiatives.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Domestic Violence	**-**	-	-	**-**	-	53	**53**	Funding received to provide support to schemes supporting those affected by domestic violence.
Economic Development	**160**	(127)	6	**39**	-	-	**39**	Funding provided to support the delivery of Economic Development projects.
Elections	**23**	-	30	**53**	-	30	**83**	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Empty Property	**100**	-	90	**190**	-	-	**190**	To provide a source of finance for the Council to assist in bringing empty properties situated within the District back into use.
Emerging Plans Initiative	**318**	-	-	**318**	(84)	-	**234**	To facilitate the delivery of the Council's Business Plan including any emerging priorities.
Grants	**117**	(117)	-	**-**	-	-	**-**	To provide grant aid towards local voluntary and charitable organisations.
Homelessness Prevention	**-**	-	109	**109**	(2)	99	**206**	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Housing and Planning Delivery	**182**	-	-	**182**	(3)	-	**179**	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	**67**	-	-	**67**	(18)	-	**49**	To meet the cost of the periodic survey of private sector housing within the district.
HCA Development Grant	**-**	-	-	**-**	-	75	**75**	Funding received for the Adastral Park development.
Individual Electoral Registration	**-**	-	97	**97**	-	-	**97**	To meet the additional cost for administration of Individual Electoral Registration.
Indoor Leisure	**-**	-	120	**120**	-	-	**120**	To provide a source of finance to support the closure cost of Deben Leisure Centre during the refurbishment period.
Insurance	**110**	-	-	**110**	-	-	**110**	To provide a source of finance for any uninsured losses.
In-Year Contingency	**-**	-	200	**200**	-	-	**200**	To provide in-year contingency provision.
In-Year Savings	**850**	-	1,000	**1,850**	-	718	**2,568**	In-Year savings set aside to support future year budget gaps.

	Balance 1 April 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in 2017/18 £'000	Balance 31 March 2018 £'000	Purpose of the Earmarked Reserve
General Fund:								
Key Capital Programme	**100**	-	-	**100**	-	-	**100**	To provide a source of finance to support the revenue costs associated with the delivery of key capital projects.
Land Charges	**127**	-	-	**127**	-	-	**127**	To provide a source of finance to implement service enhancements.
Local Development Framework	**405**	-	50	**455**	-	48	**503**	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
New Homes Bonus	**798**	-	1,317	**2,115**	-	926	**3,041**	To provide a source of finance to fund initiatives arising from the Big Society agenda.
Planning & Building Control	**-**	-	-	**-**	-	15	**15**	To provide a source of finance for professional training and development needs of the service.
Port Health	**3,421**	-	273	**3,694**	-	788	**4,482**	To provide a source of finance to support the future investment and development of the Council's infrastructure at the Port of Felixstowe.
Private Sector Housing Grant Support	**90**	(90)	-	**-**	-	-	**-**	Transferred from the Housing Condition Survey reserve to support administration.
Private Sector Housing Renovation Grants	**-**	-	83	**83**	-	655	**738**	Grants repaid set aside to fund future Renovation works.
Recycling and Waste Management	**-**	-	-	**-**	-	-	**-**	To provide a source of finance to fund the one-off costs associated with waste reduction.
Transformation	**450**	-	7	**457**	(57)	270	**670**	To meet the cost of one-off investments in order to achieve long-term and continuing reductions in revenue expenditure and costs arising from shared services.
Warmer Homes Healthy People	**-**	-	78	**78**	(21)	9	**66**	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	**-**	-	-	**-**	-	10	**10**	Project funding received to support Active Leisure for young people.
Total	**17,501**	**(3,812)**	**12,383**	**26,072**	**(3,375)**	**7,123**	**29,820**	

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2017/18 £'000	2016/17 £'000
Parish Council precepts	2,967	2,820
Council tax support grant to Parish Councils	-	51
Gains/losses on the disposal of non current assets	375	(237)
Levies	93	69
Total	**3,435**	**2,703**

12. Comprehensive Income and Expenditure Statement - taxation and non-specific grant income and expenditure

	2017/18 £'000	2016/17 £'000
Council tax income	(10,871)	(10,350)
Non domestic rates	(24,740)	(27,583)
Tariff payment to Suffolk County Council	13,775	17,116
Share of (surplus)/deficit on NDR collection fund	426	161
Share of pooling benefit with other Suffolk Councils	(1,166)	(864)
Levy to Central Government for Business Rates	4,598	4,140
Non-ring fenced government grants	(4,640)	(6,236)
Capital grant and contributions	(4,282)	(1,982)
Total	**(26,900)**	**(25,598)**

13. Property, plant and equipment

Movements in 2017/18:	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2017	-	37,341	6,760	22,728	987	349	24	808	**68,997**
Additions	-	566	35	168	-	-	2,365	122	**3,256**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	175	-	-	-	(13)	-	-	**162**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(2,156)	-	-	-	(5)	-	-	**(2,161)**
Derecognition - Disposals	-	(57)	-	-	-	-	-	-	**(57)**
Derecognition - Other	-	(379)	(39)	-	-	-	-	-	**(418)**
Other movements in Cost or Valuation	-	344	-	-	-	-	585	(930)	**(1)**
At 31 March 2018	**-**	**35,834**	**6,756**	**22,896**	**987**	**331**	**2,974**	**-**	**69,778**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	771	4,152	8,899	111	11	-	-	**13,944**
Depreciation charge	-	1,731	342	724	71	17	-	-	**2,885**
Depreciation written out to the Revaluation Reserve	-	(1,470)	-	-	-	(12)	-	-	**(1,482)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(435)	-	-	-	(2)	-	-	**(437)**
Derecognition - Disposals	-	(4)	-	-	-	-	-	-	**(4)**
Derecognition - Other	-	-	(38)	-	-	-	-	-	**(38)**
Other movements in Depreciation and Impairment	-	(163)	-	(1)	-	(1)	165	-	**-**
At 31 March 2018	**-**	**430**	**4,456**	**9,622**	**182**	**13**	**165**	**-**	**14,868**
Net Book Value									
At 31 March 2018	**-**	**35,404**	**2,300**	**13,274**	**805**	**318**	**2,809**	**-**	**54,910**
At 31 March 2017	**-**	**36,570**	**2,608**	**13,829**	**876**	**338**	**24**	**808**	**55,053**

Comparative Movements in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Land Awaiting Development	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2016	493	35,654	6,350	22,631	985	838	2,708	485	**70,144**
Additions	-	433	790	97	-	-	1,499	684	**3,503**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	(1,084)	-	-	-	(166)	-	-	**(1,250)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(2,843)	-	-	-	(178)	-	-	**(3,021)**
Derecognition - Disposals	-	-	(24)	-	-	-	-	-	**(24)**
Derecognition - Other	-	-	(355)	-	-	-	-	-	**(355)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	**-**
Other movements in Cost or Valuation	(493)	5,181	(1)	-	2	(145)	(4,183)	(361)	**-**
At 31 March 2017	**-**	**37,341**	**6,760**	**22,728**	**987**	**349**	**24**	**808**	**68,997**
Accumulated Depreciation and Impairment									
At 1 April 2016	12	961	4,218	8,150	39	20	-	-	**13,400**
Depreciation charge	-	1,714	294	749	71	9	-	-	**2,837**
Depreciation written out to the Revaluation Reserve	-	(1,715)	-	-	-	(8)	-	-	**(1,723)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(192)	-	-	-	(17)	-	-	**(209)**
Derecognition - Disposals	-	-	(24)	-	-	-	-	-	**(24)**
Derecognition - Other	-	-	(335)	-	-	-	-	-	**(335)**
Other movements in Depreciation and Impairment	(12)	3	(1)	-	1	7	-	-	**(2)**
At 31 March 2017	-	771	4,152	8,899	111	11	-	-	**13,944**
Net Book Value									
At 31 March 2017	**-**	**36,570**	**2,608**	**13,829**	**876**	**338**	**24**	**808**	**55,053**
At 1 April 2016	**481**	**34,693**	**2,132**	**14,481**	**946**	**818**	**2,708**	**485**	**56,744**

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful life of each depreciating asset. The estimated useful life of each category of asset is as follows:

	Estimated Life (Years)		Estimated Life (Years)
Council dwellings	40	Other land and buildings	Up to 40
Vehicles, plant and equipment	3 to 20	Infrastructure assets	Up to 40
Community assets	Up to 40	Other depreciating assets	Up to 40

Fair Value Measurement of Surplus Assets

Fair Value Hierarchy – all the Council's surplus assets have been assessed as having level 2 inputs as at 31st March 2018. Valuation techniques used to determine Level 2 Fair Values for Surplus Assets was Significant Observable Inputs (Level 2). The fair value for all assets has been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the Council area. The fair value of surplus assets as at 31st March 2018 was £318k (31st March 2017 was £388k).

Capital Commitments - At 31st March 2018, the Council has no capital commitments in 2018/19. There was a contract for the construction of new office accommodation and budgeted costs at 31st March 2017 totalled £250k.

Effects of changes in estimates – There were no material changes to accounting estimates for property, plant & equipment.

Revaluations

The following statement shows the progress of the Council's programme of revaluation of property, plant and equipment. The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at current value is revalued at least every five years. All valuations were carried out by the Council's in-house valuers. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). The basis for valuation of non-current assets is set out in the Statement of Accounting Policies. There were no significant assumptions made by the valuer in the year. The effective date of revaluation of those assets revalued during 2017/18 was:

- 30th September 2017 for assets measured at current value; and
- 31st March 2018 for assets measured at fair value and assets are risk of material movements in their valuation within the year.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Land Awaiting Development £'000	Total PPE £'000
Carried at historical cost	-	-	6,756	22,896	987	-	2,974	-	33,613
Value at current value as at:									
31 March 2018	-	18,491	-	-	-	267	-	-	18,758
31 March 2017	-	8,222	-	-	-	-	-	-	8,222
31 March 2016	-	2,967	-	-	-	-	-	-	2,967
31 March 2015	-	1,965	-	-	-	-	-	-	1,965
31 March 2014	-	4,189	-	-	-	64	-	-	4,253
Total Cost or Valuation	**-**	**35,834**	**6,756**	**22,896**	**987**	**331**	**2,974**	**-**	**69,778**

14. Financial instruments

Categories of financial instruments

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

	Long-term		Current	
	2017/18	**2016/17**	**2017/18**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**
Investments				
Loans and receivables	2,401	10	51,699	44,950
Total investments	**2,401**	**10**	**51,699**	**44,950**
Debtors				
Loans and receivables	28	33	2,427	3,938
Total debtors	**28**	**33**	**2,427**	**3,938**
Creditors				
Financial liabilities at amortised cost	(96)	(36)	(2,205)	(3,405)
Total creditors	**(96)**	**(36)**	**(2,205)**	**(3,405)**
Total Financial Instruments	**2,333**	**7**	**51,921**	**45,483**

Income, Expense, Gains and Losses

	2017/18			2016/17		
	Financial liabilities measured at amortised cost	Financial assets - loans and receivables	Total	Financial liabilities measured at amortised cost	Financial assets - loans and receivables	Total
	2017/18	**2017/18**	**2017/18**	**2016/17**	**2016/17**	**2016/17**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Interest expense	173	-	**173**	7	-	7
Total expense in Surplus or Deficit on the Provision of Services	**173**	**-**	**173**	**7**	**-**	**7**
Interest income	-	(269)	**(269)**	-	(400)	(400)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(269)**	**(269)**	**-**	**(400)**	**(400)**
Net (gain) / loss for the year	**173**	**(269)**	**(96)**	**7**	**(400)**	**(393)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors 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:

- no early repayment or impairment is recognised;

- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2018		31 March 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities	(2,301)	(2,301)	(3,441)	(3,441)
Loans and receivables	56,555	56,555	48,931	48,931

15. Debtors

	2017/18	2016/17
	£'000	£'000
Central Government bodies	2,377	1,288
Other Local Authorities	1,889	2,065
Public Corporations and trading funds	2	-
Council Taxpayers	885	823
Other entities and individuals	6,321	3,595
Prepayments	333	949
Total	**11,807**	**8,720**
less Bad Debt Impairment Provisions		
Council Taxpayers	(380)	(394)
Other service debtors	(1,629)	(1,639)
Total	**9,798**	**6,687**

16. Assets held for sale

There has been no movement in the assets held for sale value and it has remained at £2.144m as at 31st March 2018. This is due to the value only relating to one property, which a sale was agreed back in 2015/16 but completion has been held up due to planning application requirements.

17. Creditors

	2017/18	2016/17
	£'000	£'000
Central Government bodies	5,187	2,245
Other Local Authorities	8,697	7,560
NHS bodies	-	-
Public corporations and trading funds	-	3
Other entities and individuals	3,177	2,898
Receipts in Advance	1,847	1,096
Total	**18,908**	**13,802**

18. Provisions

	Other £'000	Business Rates Appeals £'000	Total £'000
Long Term Provisions			
Balance at 1 April 2017	**5**	**2,465**	**2,470**
Additional provisions made in 2017/18	**-**	**822**	**822**
Amounts used in 2017/18	**-**	**(114)**	**(114)**
Unused amounts reversed in 2017/18	**-**	**(469)**	**(469)**
Balance at 31 March 2018	**5**	**2,704**	**2,709**

Outstanding Legal Cases

The Council has no substantial legal cases in progress that required provision in the accounts.

Provisions

As part of the Business Rates Retention scheme, the Council is required to maintain a provision for its share of the business rates appeals provision shown within the Collection Fund. The appeals provision relates to those appeals that have been registered with the Valuation Office. The total appeals provision in the Collection Fund is £6.760m, of which the Council's share is 40%.

The Council's calculation of the provision for Business Rates appeals must cover an element for future appeals. In 2014/15, a review of all appeals lodged since 2010 was undertaken and this identified that the majority of the appeals were made in the first year i.e. 2010 when the revaluation was carried out. During 2014/15, DCLG announced any appeal to be backdated to 2010 had to be lodged with the Valuation Office by 31st March 2015 otherwise appeals lodged after that date could only be backdated until 1st April 2015, which resulted in a large number of late appeals. The Business Rates appeal provision above incorporates all appeals lodged with the Valuation Office by 31st March 2018 and an element for 2017/18 liabilities created by raising of bills, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2017/18.

19. Grant income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2017/18 £'000	2016/17 £'000
Credited to Taxation and Non-Specific Grant Income		
Non-ringfenced grants:		
Revenue Support Grant	(598)	(1,304)
New Homes Bonus	(2,077)	(2,099)
Community Housing Fund	-	(1,524)
Business Rates Reliefs	(1,345)	(1,035)
Other non-ringfenced grants	(620)	(275)
Capital grant and contributions:		
Community Infrastructure Levy	(4,279)	(1,695)
S106 contributions	21	(198)
Other capital grants and contributions	(24)	(89)
Total	**(8,922)**	**(8,219)**
Credited to Services		
Housing Benefits Subsidy	(24,374)	(25,357)
Benefits Administration Grant	(402)	(433)
Disabled Facilities Grants	(691)	(444)
Discretionary Housing Payments	(163)	
Warmer Homes Healthy People	-	(254)
Seafront Gardens Lottery Funding	-	(219)
Coastal Communities/Coastal Revival	-	(171)
Other Grants	(351)	(430)
Total	**(25,981)**	**(27,308)**

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

	2017/18 £'000	2016/17 £'000
Capital Grants Receipts in Advance (Short-Term)		
Other grants	-	1
S106 Contributions	530	211
Coast Protection	62	62
Total	**592**	**274**
Capital Grants Receipts in Advance (Long-Term)		
S106 Contributions	2,153	1,917
Total	**2,153**	**1,917**

20. Balance Sheet – Unusable Reserves

	2017/18 £'000	2016/17 £'000
Revaluation Reserve	(17,556)	(16,755)
Available for Sale Financial Instruments Reserve	109	-
Capital Adjustment Account	(39,539)	(40,617)
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	30,002	31,038
Collection Fund Adjustment Account	(103)	542
Total Unusable Reserves	**(27,091)**	**(25,796)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 1st 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.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	**(16,755)**	**(16,622)**
Upward revaluation of assets	(2,464)	(1,202)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	820	730
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	**(1,644)**	**(472)**
Difference between fair value depreciation and historical cost	495	339
Accumulated gains on assets sold or scrapped	348	-
Amount written off to the Capital Adjustment Account	**843**	**339**
Balance at 31 March	**(17,556)**	**(16,755)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council arising from increases/decreases 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

	2017/18 £'000	2016/17 £'000
Balance at 1 April	-	-
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	109	-
Balance at 31 March	**109**	**-**

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 additions of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and 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 subsequent costs.

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2017/18 £'000	2016/17 £'000
Balance at 1 April	**(40,617)**	**(42,358)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
- Charges for depreciation and impairment of non current assets	2,886	2,837
- Revaluation losses on Property, Plant and Equipment	1,723	2,812
- Amortisation of intangible assets	144	112
- Revenue expenditure funded from capital under statute	791	416
- Revenue expenditure funded from section 106 receipts	194	344
- 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	435	20
Adjusting amounts written out of the Revaluation Reserve:		
- Amortisation of Revaluation Reserve	(495)	(339)
- Amounts written out on disposal of assets	(348)	-
Net written out amount of the cost of non current assets consumed in the year	**5,330**	**6,202**
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	(481)	(469)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24)	(83)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(871)	(494)
- Application of grants to capital financing from Receipts in Advance	18	(204)
- Capital expenditure charged against the General Fund balance	(2,894)	(3,211)
Balance at 31 March	**(39,539)**	**(40,617)**

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 pension 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.

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**31,038**	**28,287**
Actuarial gains or losses on pensions assets and liabilities	(2,073)	2,797
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	4,333	3,061
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,296)	(3,107)
Balance at 31 March	**30,002**	**31,038**

Collection Fund Adjustment Account

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

	2017/18	2016/17
	£'000	£'000
Balance at 1 April	**542**	**(2,898)**
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements.	(645)	3,440
Balance at 31 March	**(103)**	**542**

21. Members' allowances

There are 42 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2017/18	2016/17
	£'000	£'000
Basic, Attendance and Special Responsibility Allowances	342	362
Subsistence and Expenses	21	19
Total	**363**	**381**

22. External Audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors.

	2017/18 £'000	2016/17 £'000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	50	50
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	16	18
Total	**66**	**68**

23. Related parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

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 transactions that the Council has with other parties (e.g. council tax bills, business rates and housing benefits). Grants received from Government departments and grants receipts outstanding at 31st March 2018 are shown in Note 19.

Waveney District Council

Waveney District Council and Suffolk Coastal District Council have formally agreed that both Councils are each other preferred partners for shared services, and with effect from 1st October 2010 a shared senior management structure is in place to run services for both Councils. Further information on the partnership with Waveney DC is disclosed in the Narrative Report and Note 24 to the Core Financial Statements.

Suffolk County Council

Transactions included income and expenditure, precept payments and business rates pooling (The Collection Fund statement), pension payments (Note 27), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.337m with a year-end debtor of £0.161m (2016/17 £1.385m with a year-end debtor of £0.174m).

Members and Chief Officers

Members and Chief Officers of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is shown in Note 21. During 2017/18, the Council made payments totalling £0.122m (£0.060m in 2016/17) to various organisations in which Members had an interest. Any contracts were entered into in full compliance with the Council's standing orders, and any grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to awarding of the contract or grant.

Levies paid to other Authorities - Rivers and Drainage Authorities £0.093m (£0.071m in 2016/17).

Suffolk Coastal Norse Ltd - As part of the contract with Suffolk Coastal Norse Ltd, one Council employee, Andrew Jarvis (Strategic Director), along with a Cabinet Member, Carol Poulter (Cabinet Member with responsibilities for Green Environment) were named as Directors of Suffolk Coastal Norse Ltd during 2017/18 due to their representation of the Council’s interests through the Partnership Board.

24. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2017/18 or 2016/17.

		Salary, Fees and Allowances £	Benefits in Kind (e.g. Car Allowances) £	Compensation for Loss of Office £	Total Excluding Pension Contributions £	Employer's Pension Contribution £	Total Including Pension Contributions £	Additional Council Pension Contributions £
Chief Executive	**2017/18**	**130,634**	-	-	**130,634**	**21,471**	**152,105**	-
	2016/17	129,341	-	-	129,341	21,471	150,812	-
Strategic Director	**2017/18**	**91,115**	-	-	**91,115**	**15,220**	**106,335**	-
	2016/17	90,199	-	-	90,199	15,220	105,419	-
Chief Finance Officer	**2017/18**	**72,835**	-	-	**72,835**	**11,971**	**84,806**	-
	2016/17	72,114	-	-	72,114	11,971	84,085	-
Head of Internal Audit	**2017/18**	**62,430**	-	-	**62,430**	**10,261**	**72,691**	-
	2016/17	61,812	-	-	61,812	10,261	72,073	-
Head of Planning Services & Coastal Management	**2017/18**	**72,835**	-	-	**72,835**	**11,971**	**84,806**	-
	2016/17	72,114	-	-	72,114	11,971	84,085	-
Head of Legal and Democratic Services	**2017/18**	**72,835**	-	-	**72,835**	**11,543**	**84,378**	-
	2016/17	69,538	-	-	69,538	11,543	81,081	-
Head of Environmental Services and Port Health	**2017/18**	**72,835**	-	-	**72,835**	**11,543**	**84,378**	-
	2016/17	69,538	-	-	69,538	11,543	81,081	-
Head of Economic Development and Economic Services	**2017/18**	**62,430**	-	-	**62,430**	**10,261**	**72,691**	-
	2016/17	61,812	-	-	61,812	10,261	72,073	-

No employees were paid in excess of £150,000 in the year, therefore no additional disclosure of employee names is required. The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	2017/18 Number of employees Total	2017/18 Number of employees Left in Year	2016/17 Number of employees Total	2016/17 Number of employees Left in Year
£50,000 - £54,999	7	-	6	-
£55,000 - £59,999	3	-	2	-
	10	**-**	**8**	**-**

The above numbers include officers who were made redundant voluntarily during the 2017/18 and 2016/17 financial years, and whose remuneration may not have normally been included within the limits of the above table, but who had received a redundancy payment which increased their earnings to over the minimum of £50k. An additional column in the Table above shows leavers.

With effect from 1st October 2010 the Council, in conjunction with its Preferred Partner, Waveney District Council, formed a new shared senior management team. This has since been extended to include the majority of staff as part of the shared services. The postholders continue to be employed by the Council which employed them prior to the introduction of the shared Senior Management Team. Six of the Senior Management Team are employed by Waveney District Council (WDC) and their remuneration, in the format of the table above, is disclosed in that Council's Statement of Accounts and an extract is provided below.

Extract from Note 26 of Waveney District Council's 2017/18 Statement of Accounts

		Salary, Fees and Allowances	Benefits in Kind (e.g. Car Allowances)	Compensation for Loss of Office	Total Excluding Pension Contributions	Employer's Pension Contribution	Total including Pension Contributions	Additional Council Pension Contributions
		£	£	£	£	£	£	£
Strategic Director (Part Year)	**2017/18**	**63,540**	**-**	**-**	**63,540**	**14,551**	**78,091**	**-**
	2016/17	-	-	-	-	-	-	-
Strategic Director & Monitoring Officer (Part Year)	**2017/18**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2016/17	69,830	-	-	69,830	11,002	80,832	-
Head of Housing Operations & Landlord Services (Part Year)	**2017/18**	**67,269**	**-**	**30,780**	**98,049**	**14,991**	**113,040**	**-**
	2016/17	71,255	-	-	71,255	11,401	82,656	-
Head of ICT Services	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Customer Services	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Communities	**2017/18**	**62,430**	**-**	**-**	**62,430**	**14,296**	**76,726**	**-**
	2016/17	61,812	-	-	61,812	9,890	71,702	-
Head of Operations	**2017/18**	**62,430**	**-**	**-**	**62,430**	**5,957**	**68,387**	**-**
	2016/17	36,555	-	-	36,555	-	36,555	-

In addition other transactions are disclosed in Note 23, Related Parties.

Exit packages

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

Exit package cost band (including special payments)	Number of Compulsory redundancies		Number of other departures agreed		Total number of exit by cost band		Total cost of exit packages in each band	
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18** £	2016/17 £
£0 - £20,000	1	7	-	1	1	8	5,061	46,101
£20,001 - £40,000	-	1	1	1	1	2	32,023	62,332
£60,001 - £70,000	-	1	-	-	-	1	-	64,191
TOTAL	**1**	9	**1**	2	**2**	11	**37,084**	172,624

The total cost in the above table covers exit packages (also know as termination benefits) that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement for the disclosed financial years. The figures exclude payments made for ill-health retirements, (of which there was none during 2017/18 (2016/17 – none)), as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

25. 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. The Council remains debt-free and has no Capital Financing Requirement.

	2017/18 £'000	2016/17 £'000
Opening Capital Financing Requirement	**(45)**	**-**
Capital investment		
Property, Plant and Equipment*	3,256	3,503
Intangible Assets	53	112
Cost of Asset Disposals	-	8
Payments in Advance	30	33
Revenue Expenditure Funded from Capital under Statute	985	760
Total Capital Investment	**4,324**	**4,416**
Sources of finance		
Capital receipts	(481)	(469)
Government grants and other contributions	(877)	(781)
Sums set aside from revenue:		
Direct revenue contributions	(2,894)	(3,211)
	(4,252)	**(4,461)**
Closing Capital Financing Requirement	**27**	**(45)**

* This figure match to the Additions line in Note 13 detailing movements on the non-current assets.

26. Leases

Disclosures as Lessee

Finance Leases

The Council has no material finance leases as a lessee.

Operating Leases

The Council has no material finance leases as a lessee.

Disclosures as Lessor

Finance Leases

The Council has no material finance leases as a 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, etc.;
- to provide suitable affordable accommodation for local businesses; and
- to facilitate the housing needs of the district.

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

	2017/18	2016/17
	£'000	£'000
Not later than one year	218	178
Later than one year and not later than five years	773	814
Later than five years	1,971	2,743
	2,962	**3,735**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents receivable by the Council under operating leases for 2017/18 and 2016/17.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 13).

27. Pensions

Pension costs are accounted for in accordance with the Accounting Standard IAS19 (previously referred to as FRS17). The objectives of IAS19 are to ensure that the financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding and that the operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned, and that the financial statements contain adequate disclosure of the cost of providing retirement benefits.

IAS19 costs are not, however, chargeable to Council Tax, and the impact is reversed out by replacing the IAS19 figures with the actual cash payments made to the Pension Fund. The actual payments are shown in the Movement in Reserves Statement.

The Pensions Liability in the Balance Sheet reflects the underlying commitments that the Council has in the long-term to pay retirement benefits. The impact of the net pension liability on overall reserves amounts to £30.002m in 2017/18 (2016/17 was £31.038m). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected.

The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Council Pension Fund was completed as at the 31st March 2016 and the next review will be carried out during 2019/20 with an effective date of 31st March 2019.

Participation in the pension scheme

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Suffolk County Council - this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions relating to post employment benefits

Retirement benefits are reported in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme 2017/18 £'000**	**Local Government Pension Scheme 2016/17 £'000**
Cost of Services:		
- Current service cost	3,554	1,990
- Past Service cost	-	100
Financing and investment income and expenditure:		
- Net interest expense	779	971
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,333	3,061
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)	230	(12,921)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(1,090)
- Actuarial gains and losses arising on changes in financial assumptions	(2,319)	18,218
- Other	-	(1,358)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(2,089)	2,849
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(4,333)	(3,061)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	3,280	3,159

Pensions assets and liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme 2017/18 £'000	**Local Government Pension Scheme 2016/17 £'000**
Present value of the defined benefit obligation	(128,435)	(127,244)
Fair value of plan assets	98,433	96,206
Net liability arising from defined benefit obligation	**(30,002)**	**(31,038)**

Reconciliation of the movements in the fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2017/18	**2016/17**
	£'000	**£'000**
Opening fair value of scheme assets	96,206	80,428
Interest Income	2,404	2,814
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	(230)	12,921
Contributions from employer	3,280	3,159
Contributions by employees into the scheme	561	542
Benefits paid	(3,788)	(3,658)
Closing fair value of scheme assets	**98,433**	**96,206**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme	
	2017/18	**2016/17**
	£'000	**£'000**
Opening balance 1 April	127,244	108,715
Current service cost	3,554	1,990
Interest cost	3,183	3,785
Contributions from scheme participants	561	542
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	-	(1,090)
- Actuarial gains / losses arising from changes in financial assumptions	(2,319)	18,218
- Other	-	(1,358)
Past service costs	-	100
Benefits paid	(3,788)	(3,658)
Closing balance at 31 March	**128,435**	**127,244**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	**Fair Value of Scheme Assets**	
	2017/18	**2016/17**
	£'000	**£'000**
Equity Instruments:		
Consumer	7,131	8,409
Manufacturing	2,528	2,612
Energy and Utilities	1,490	1,753
Financial Institutions	3,284	3,277
Health and Care	1,526	2,741
Information Technology	2,877	3,435
Other	1,029	1,197
	19,865	23,423
Debt Securities:		
Corporate (Investment Grade)	23,861	14,053
UK Government	3,742	4,063
Other	-	-
	27,603	18,116
Private Equity (Non-active Market)	3,547	3,103
Real Estate:		
UK Property	9,542	8,961
Investment Funds & Unit Trusts:		
Equities	22,823	28,807
Bonds (Non-active Market)	-	-
Hedge Funds	4,014	2,935
Commodities	-	-
Infrastructure (Non-active Market)	2,567	2,194
Other (Non-active Market 2017/18 - 1,972 (2016/17 - 1,441))	7,453	6,656
	36,857	40,592
Derivatives:		
Foreign exchange	(4)	28
Cash and Cash Equivalents	1,023	1,982
Total Assets (Non-active Market 2017/18 - 8,086 (2016/17 - 6,738))	98,433	96,205

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2017/18	2016/17
Mortality assumptions:		
Longevity for current pensioners:		
Men	21.9	21.9
Women	24.4	24.4
Longevity for future pensioners:		
Men	23.9	23.9
Women	26.4	26.4
Rate of inflation	2.4%	2.4%
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.6%	2.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis

The sensitivities regarding the principle assumption used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2018	Approx.	Approx. £,000
0.5% decrease in Real Discount Rate	9%	12,072
0.5% increase in the Salary Increase Rate	1%	1,846
0.5% increase in the Pension Increase Rate	8%	10,054

A one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as far as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed during 2019/20 based on 31st March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The Council anticipates paying £3.180m in contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 16.9 years in 2017/18 (16.9 years 2016/17).

28. Contingent liabilities

At 31st March 2018, the Council has no material contingent liabilities.

29. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- 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; and
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by Financial Services, under policies and practices approved by the Council in accordance with the annual Treasury Management and Investment Strategy.

Credit risk

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

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, as laid down by Fitch, Moody's, and Standard and Poor's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category	Criteria	Maximum Investment
Deposits with UK Banks	Short Term	£15m (£20m group)
	Long Term: A- Rated	
	Access to Government Credit Guarantee	
Deposits with Building Societies	Short Term	£8m
	Value of Assets: Top 5 Societies only	
Money Market Fund Deposits	AAA Rated	£8m
Deposits with Non-UK Banks	Short Term	£8m (max 15% of holdings)

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £15 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2018 that this was likely to crystallise.

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

	Amount at 31 March 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£'000	%	%	£'000	£'000
Deposits with banks and other financial institutions	51,699	-	-	-	-
Customers	3,690	10	20	738	1,069
				738	1,069

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and has therefore not provided for any impairment of these assets.

The Council does not generally allow credit for customers, such that only £195,667 of general debt out of a total debt of £3,689,061 has been outstanding for more than three months. Within the total debt classified as receivable from customers £1,815,887 relates to Housing Benefit overpayments of which £1,697,439 has been outstanding for more than three months. The past due amounts can be analysed by age as follows:

	2017/18	2016/17
	£'000	£'000
Less than three months	1,796	2,599
Three to Six Months	268	954
Six months to one year	107	275
More than one year	1,519	1,518
	3,690	**5,346**

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen the Council has ready access to borrowings from the Public Works Loans Board, but before borrowing the Council ensures it has adequate, but not excessive cash resources available to meet its business objective. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- investments at fixed rates - the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. Investments are made with a range of counter-parties meeting the specified criteria, with a rolling programme of maturities. The Council aims to achieve maximum interest returns but only where commensurate with minimising liquidity and credit risks. The security of public money is paramount.

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and has set Treasury Management Prudential Indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

As an indication of the degree of risk associated with interest rates, if average rates in 2017/18 had been 1% higher with all other variables held constant, the financial effect would have been an increase in the variable investment income of £139k.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price risk and foreign exchange risk

The Council does not invest in equity shares or any other market priced investment and therefore has no exposure to losses arising from movements in the prices of the shares.

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

30. Interests in companies and other entities

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity.
- Assess the nature of the relationship between the Council and the entity.
- Determine the grounds of materiality whether group accounts should be prepared.

Having considered the accounting requirements and the Council's involvement with all companies and organisations, Group Accounts have been prepared. These incorporate only the results of Suffolk Coastal Norse Limited, an Associate of which the Council owns a 20% share. Suffolk Coastal Norse Ltd is a subsidiary of Norfolk County Council.

Suffolk Coastal Norse Limited (formerly Suffolk Coastal Services Limited)

Suffolk Coastal District Council has held a 20% share of Suffolk Coastal Norse Limited since 1st April 2009. This company provides a package of services including Refuse, Cleansing and Maintenance.

Group accounts have been prepared as the Council has the 'power' to participate in operating decisions and because transactions between Suffolk Coastal Norse Ltd and the Council are material. The Group Accounts incorporate the Council's share of the net assets and surplus of Suffolk Coastal Norse Ltd as an Associate, using the Equity method.

The Company prepared its accounts for 1st April 2018, a few days after the Council, which is within the permissible period for consolidation, subject to there being no significant movements within that period. Therefore for both the current accounts and the comparative figures no adjustment has been made to the accounts of the Company to make it co-terminus with the Council. The Group Accounts are included in this document as additional columns to the Council's primary statements, showing the extent of the Council's 20% interest in the Company.

In addition to the Group Accounts, the following information has been disclosed to aid an understanding of the nature of the group relationship and the impact of the arrangement on the Council's Statement of Accounts.

a) The registered name of the Company is Suffolk Coastal Norse Limited;

b) Nature of the business - the principal activity of the Company is that of refuse, cleansing and maintenance services;

c) The immediate parent undertaking is Norse Commercial Services Limited;

d) The ultimate parent undertaking is Norse Group Limited;

e) The Company's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share;

f) The Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 20% share of the Company and also receives a 50-50 profit / loss share at year-end;

g) Payments made to Suffolk Coastal Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement. Total payments to Suffolk Norse Ltd were £8.183m in 2017/18 (£8.066m in 2016/17) and included as follows:

	2017/18	2016/17
	£'000	£'000
Economic Development	133	136
Legal & Democratic Services	2	2
Operations	8,048	7,928
	8,183	**8,066**

i) Details of the Company's annual financial results to 1st April 2018 are set out below:

	2018	**2018**	**2017**	**2017**
	Suffolk Coastal Norse Ltd	**Council Investment (20%)**	Suffolk Coastal Norse Ltd	Council Investment (20%)
	£'000	**£'000**	£'000	£'000
Property, Plant & Equipment	-	-	-	-
Current Assets				
Stock	196	39	150	30
Debtors	4,498	900	4,996	999
Cash at Bank	21	4	45	9
	4,715	**943**	**5,191**	**1,038**
Creditors falling due within one year	(1,499)	(300)	(2,300)	(460)
Provision for Deferred Taxation	-	-	-	-
Defined Benefit Pension Scheme Liability	(3,859)	(772)	(4,012)	(801)
Net Assets / Shareholder's funds	**(643)**	**(129)**	**(1,121)**	**(223)**
Share of Actuarial Gains/(Losses)	482	96	(1,727)	(345)
Turnover	12,463	2,493	12,091	2,418
Profit on ordinary activity before taxation	12	2	363	73
Tax on profit on ordinary activity	(17)	(4)	(125)	(25)
Profit for the Financial Period	(5)	(2)	238	48
Tax components included in the above figures are as follows:	**£'000**	**£'000**	**£'000**	**£'000**
Debtors				
- Deferred Tax asset	673	135	705	141
Creditors falling due within one year				
- Corporation Tax	(84)	(17)	(97)	(19)
Tax on profit on ordinary activity				
- Current Tax	84	17	148	30
- Deferred Tax	(67)	(13)	(23)	(5)
	17	4	125	25

31. Agency Services

The Council hosts Suffolk Sports – The County Sports Partnership for Suffolk. As part of hosting Suffolk Sports, the Council provides the following services:

- Finance (including banking, transactional services, budget monitoring);
- Human Resources;
- ICT; and
- Accommodation.

The Council received £28,500 from Suffolk Sports in relation to these services provided.

As part of the finance function, Suffolk Sports transactions go through the Council's general ledger, but are excluded from the Council's statement of accounts, therefore the income and expenditure detailed below does not appear in the Council's Comprehensive Income and Expenditure Account.

The only transactions identifiable in the Council's statement of accounts are the cash value in relation to Suffolk Sports bank accounts (which is a separately identifiable account within the Council's overall accounts) and a receipt in advance for the same amount to demonstrate that this is not the Council's money.

	2017/18 £'000	2016/17 £'000
Income:		
Contributions	(1,289)	(1,151)
Fees and Charges	(30)	(29)
	(1,319)	**(1,180)**
Expenditure:		
Employee Expenses	704	652
Transport Costs	5	5
Supplies and Services	168	154
Grants and subscriptions	442	370
	1,319	**1,180**
Balance Sheet:		
Cash	790	
Receipt in Advance	(790)	

32. Long term debtors

	2017/18 £'000	2016/17 £'000
Reimbursement Arrangements	21	29
Finance Leases	4	4
Other entities and individuals	1,879	1,069
	1,904	**1,102**

33. Long term investments

During the financial year, the Council invested £2.5m in the CCLA LAMIT Property Fund. As part of the investment, an element is used to fund legal costs and Stamp Duty Land Tax, which equated to £109k (which can be seen on the face of the Comprehensive Income and Expenditure Statement, reducing the investment to £2.391m. The Council receives dividend on the investment and the capital investment is also expected to appreciate in value in future years. The Council also has £10k invested in ARP Trading Ltd, which was the only long term investment during 2016/17.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and local businesses and the distribution to local authorities and Central Government of council tax and non-domestic rates.

	Notes	2017/18		2016/17	
		Business rates	**Council tax**	**Business rates**	**Council tax**
		£'000	**£'000**	**£'000**	**£'000**
Income					
Income from council tax	1	-	(78,618)	-	(75,406)
Transfer from General Fund - council tax benefits		-	16	-	21
Income from business rates	2	(68,954)	-	(69,045)	-
Transitional protection payments from Central Government		(2,433)	-	-	-
		(71,387)	**(78,602)**	**(69,045)**	**(75,385)**
Expenditure					
Precepts, demands and shares:					
- Central Government		30,739	-	34,220	-
- Suffolk County Council		6,148	57,668	6,844	55,090
- Police and Crime Commissioner for Suffolk		-	8,617	-	8,315
- Suffolk Coastal District Council		24,740	10,633	27,583	10,126
Transitional protection payments to Central Government		9,797	-	14	-
Charges to Collection Fund			-		-
- Write offs of uncollectable amounts		21	1	101	3
- Increase / (decrease) in bad debt provision		142	(55)	(195)	227
- Increase / (decrease) in provision for appeals		596	-	602	-
- Cost of collection allowance		270	-	277	-
Apportionment of previous years surplus / (deficit)			-		-
- Central Government		(1,411)	-	3,772	-
- Suffolk County Council		(282)	1,316	754	2,102
- Police and Crime Commissioner for Suffolk		-	199	-	317
- Suffolk Coastal District Council		(1,129)	242	3,017	384
		69,631	**78,621**	**76,989**	**76,564**
(Surplus) / deficit for year		**(1,756)**	**19**	**7,944**	**1,179**
Balance brought forward - (surplus) / deficit		2,270	(2,049)	(5,674)	(3,228)
Balance carry forward - (surplus) / deficit	3	**514**	**(2,030)**	**2,270**	**(2,049)**

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Income from council tax

Council tax is set to meet the demands of Suffolk County Council, The Police and Crime Commissioner for Suffolk, Suffolk Coastal District Council and Parish/Town Councils. The tax is set by dividing these demands by the tax base, which is the number of chargeable dwellings in each valuation band expressed as an equivalent number of Band D dwellings.

	2017/18	2016/17
	£	£
The average Band D Council Tax set was:	1,578.56	1,533.66

The Council estimated its Tax Base for 2017/18 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,578	4,385
B	13,078	10,172
C	10,721	9,530
D	10,285	10,285
E	7,349	8,982
F	3,916	5,657
G	2,099	3,498
H	159	317
	54,185	52,826
Less: local council tax reduction scheme		(3,674)
provision for bad and doubtful debts (1.25%)		(614)
Add: Ministry of Defence properties		189
Tax Base 2017/18 (Band D equivalents)		**48,727**

2. Business rates

The Council collects business rates (non-domestic rates) in the district. The amount collected less an allowance for the cost of collection is shared between Central Government (50%), Suffolk Coastal District Council (40%) and Suffolk County Council (10%). As Suffolk Coastal was a member of the Suffolk Business Rates Pool, from the Council's share, a tariff payment is made to Suffolk County Council to distribute excess business rates income above the Council's baseline funding need set by Central Government. These transactions are shown in the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grants (Note 12). The valuation list was revised in April 2005 and April 2010, and the latest revaluation of all business properties was completed on 1st April 2017.

	2017/18	2016/17
The rateable value at 31 March was	**£152.2m**	£157.3m
The multiplier was	**47.9p**	49.7p

3. Collection Fund balances

The Collection Fund in year (surplus) / deficit comprises the following:

(Surplus) / Deficit relating to:	2017/18 £,000	2016/17 £,000
Council Tax		
Suffolk County Council	14	884
Police and Crime Commissioner for Suffolk	2	134
Suffolk Coastal District Council	3	161
Total Council Tax	19	1,179
Business Rates		
Central Government	(878)	3,972
Suffolk County Council	(176)	794
Suffolk Coastal District Council	(702)	3,178
Total Business Rates	(1,756)	7,944

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUFFOLK COASTAL DISTRICT COUNCIL

To be inserted once audited

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GLOSSARY OF FINANCIAL TERMS

Accounting Period

The period of time covered by the Accounts, normally 12 months commencing on 1st April for local authorities.

Accounting Policies

The rules and practices adopted by the Council that determine how the transactions and events are reflected in the accounts.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Business Rates (Non Domestic Rates)

The system of local taxation on business properties also called non domestic rates (NDR).

Capital Adjustment Account

The Account absorbs the difference arising from the different rates at which non-current assets are accounted for as being consumed and at which resources are set aside to finance their acquisition.

Capital Charge

A charge to service accounts to reflect the cost of non-current assets used in the provision of services, usually comprising depreciation charges, impairment and any associated write down of capital grant financing.

Capital Expenditure

Expenditure on the acquisition of a non-current asset such as land and buildings, or expenditure that adds to, and not merely maintains, the value of an existing non-current asset.

Capital Receipts

Capital money received from the sale of land, dwellings or other assets, which is available to finance other items of capital expenditure, or to repay debt on assets originally financed from loan.

Capital Receipts Reserve

This reserve holds the receipts generated from the disposal of non-current assets, which are restricted to being applied to finance new capital investment or reduce indebtedness.

CIPFA (Chartered Institute of Public Finance and Accounting)

CIPFA is the professional institute for accountants working in the public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

This Fund records the collection of the council tax and non domestic rates and its distribution.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings. See new paragraph regarding change from Community Assets to Heritage Assets from 1st April 2011.

Community Charge

The system of local taxation prior to council tax.

Contingent Liabilities

Potential liabilities which are either dependent on a future event, or which cannot be reliably estimated.

Contingent Assets

Potential assets which are either dependent on a future event, or which cannot be reliably estimated.

Corporate and Democratic Core

This comprises all activities which local authorities engage in specifically because they are elected, multi-purpose organisations. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes cost relating to the corporate management and democratic representation.

Council Tax

The system of local taxation on dwellings that replaced the community charge with effect from 1st April 1993.

Council Tax Base

The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals, local council tax reduction scheme and a provision for non-collection.

Council Tax Benefit

A system of financial assistance towards council tax costs which takes account of the applicants' financial needs and incomes.

Creditors

An amount of money owed by the District Council at 31st March for goods or services supplied but not yet paid for.

Debt

Amounts borrowed to finance capital expenditure that are still to be repaid.

Debtors

An amount of money owed to the District Council at 31st March. Long-term debtors comprise loans against mortgaged property and loans to other local authorities.

Deferred Capital Receipts

Capital receipts outstanding on Council houses sold on deferred terms and secured by a mortgage of the property.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use or obsolescence through technological or other changes.

Direct Revenue Financing

A charge to revenue accounts for the direct financing of non-current assets and other capital expenditure.

Earmarked Reserves

Revenue reserves within the General Fund set aside to finance specific future services.

General Fund

The main revenue fund of the District Council, to which the costs of the services are charged.

Government Grants

Payments by Central Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (general grants).

Heritage Assets

Heritage Assets are a distinct class of asset which is reported separately from property, plant & equipment. It is expected that these assets would previously have been classified as community assets prior to 1st April 2011 (see earlier paragraph). The CIPFA Code defines a tangible heritage asset as: *a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.* An intangible heritage asset is: *an intangible asset with cultural, environmental or historical significance.*

Housing Advances

Loans by an authority to individuals towards the cost of acquiring or improving their homes.

Housing Benefit

A system of financial assistance towards housing costs which takes account of the applicants' financial needs and incomes. Assistance takes the form of rent rebates, council tax rebates and rent allowances.

Impairment

A material reduction in the value of a non-current asset during the accounting period. This can be caused by a consumption of economic benefits (such as physical damage through fire or flood) or a fall in price of a specific asset. A general reduction in asset values is accounted for as an impairment through Valuation Loss.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and coast protection works.

International Financial Reporting Standards

The Code of Practice on Local Authority Accounting was, for the first time in 2010/11, based on International Financial Reporting Standards (IFRS). However, these standards are primarily drafted for the commercial sector and are not wholly designed to address the accounting issues relevant to local government in the UK. The Code therefore prescribes a hierarchy of alternative standards on which the accounting treatment and disclosures should be based for all transactions.

Leasing or Leases

A method of acquiring capital expenditure where a rental charge is paid for an asset for a specified period of time.

All leases are categorised as either finance leases or operating leases. A finance lease transfers substantially all of the risks and rewards of ownership to the lessee. An operating lease, in contrast, is similar to a rental agreement in nature, and all operating lease rentals are treated as revenue.

Levies

Payments made to Internal Drainage Boards.

Minimum Revenue Provision

A prudent sum required by law to be set aside from revenue for the repayment of loan debt.

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 and impairment.

Non-Current Assets

Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Net Realisable Value

The amount at which an asset could be sold after the deduction of any direct selling costs.

Operational assets

Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Out-turn

Actual income and expenditure for the financial year.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts are authorised for issue by the Section 151 Officer.

Precept

The net expenditure of a non-billing authority (e.g. County Council, Police Authority or Parish Council) which the billing authority must include when setting its Council Tax and then pay over to the precepting authority in agreed instalments.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period. (See separate paragraph on Heritage Assets).

Provisions

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

Rateable Value

A value assessed by the Valuation Office Agency for all properties subject to national non-domestic rates.

Reserves

Reserves are, reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority 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 authority 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.

Revaluation Reserve

An "unusable reserve" recording accumulated gains arising from the revaluation of non-current assets until they are consumed by the authority or realised in a sale, arising after 1st April 2007, the establishment date of the reserve.

Revenue Expenditure

This is expenditure mainly on recurring items and consists principally of salaries and wages, capital charges and general running expenses.

Revenue Expenditure Funded from Capital under Statute (REFCuS)

Expenditure that is classified as capital for funding purposes which does not result in the expenditure being carried on the Balance Sheet as a non-current asset. Examples include improvement grants and capital grants to third parties.

Revenue Support Grant

A general grant paid by Central Government to local authorities in aid of revenues generally and not for specific services. It is paid to the General Fund.

Section 151 Officer

The officer with specific legal responsibility for the financial matters of a local authority.

Statement of Standard Accounting Practice (SSAP)

Accounting practice recommended by the former Accounting Standards Committee of the joint accountancy bodies for adoption in the preparation of accounts to ensure a true and fair view. These have now been adopted by the Accounting Standards Board and many superseded by Financial Reporting Standards.

The Code

The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'presents a true and fair view' of the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

Trading Accounts

Trading accounts exist where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

Usable Capital Receipts

Capital receipts that remain available to meet the cost of future capital expenditure.

UK GAAP

The accounting treatments that companies in the UK would generally be expected to apply in the preparation of their financial statements.

Valuation Loss

Impairment of an asset due to a general fall in prices, supported by a valuer's certificate. Valuation losses are charged initially to any balance in the Revaluation Reserve, and subsequently to the Comprehensive Income and Expenditure Account. Impairment charges do not, however, fall on the taxpayer, and the impact is reversed in the Movement in Reserves Statement.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs (HMRC). VAT receivable is excluded from income.

Abbreviations used in the Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
GAAP	Generally Accepted Accounting Principles
IFRS	International Financial Reporting Standards
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SSAP	Statement of Standard Accounting Practice