EAST SUFFOLK COUNCIL

East Suffolk House, Riduna Park, Station Road, Melton, Woodbridge, IP12 1RT

Audit and Governance Committee

Members:

Councillor Geoff Lynch (Chairman)
Councillor Edward Back (Vice-Chairman)
Councillor Judy Cloke
Councillor Tony Cooper
Councillor Linda Coulam
Councillor Tess Gandy
Councillor Chris Mapey
Councillor Rachel Smith-Lyte
Councillor Ed Thompson

Members are invited to a **Meeting of the Audit and Governance Committee** to be held on **Tuesday, 22 September 2020** at **6.30pm**

This meeting will be conducted remotely, pursuant to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be facilitated using the Zoom video conferencing system and broadcast via the East Suffolk Council YouTube Channel at https://youtu.be/Q1WhQBfbilM

An Agenda is set out below.

Part One – Open to the Public

		Pages
1	**Apologies for Absence and Substitutions**	
2	**Declarations of Interest** Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.	
3	**Minutes** To confirm as a correct record the Minutes of the Meeting held on 29 June 2020.	1 - 12

4 Item for Information - Rent Arrears

Further to the information shared at the meeting held on 2 March 2020, the Audit and Governance Committee is provided with the following update upon Rent Arrears for information only:

COVID-19 has impacted on East Suffolk Council's rent arrears profile and the process that would normally be used to tackle non-payment of rent. There follows a brief outline of each impact and any mitigating actions we have been able to take.

The largest impact came in March/April when lockdown was first introduced. We had an increase in the number of new Universal Credit (UC) claims in March/April due to people losing their jobs/income due to lockdown. As there is a 5 week wait for the first payment we did see an small increase in arrears during this period, however, this resolved itself when the UC claim was paid and we saw those new claimants paying their rent.

Under the Coronavirus Act 2020, a moratorium on evictions was introduced until 24th June 2020, this was extended twice more and is currently in effect until 20th September 2020. The Act initially introduced an extended notice period for Notices of Intention to Seek Possession, which are usually 28 days in length, to 3 months in length. This has been extended again in August and a 6 month notice period is now required in the majority of cases, and this will remain the case until the end of March 2021. This restricts the ability of ESC to take court action, which is part of our usual process. As such, we have introduced new methods of contact such as text messaging, and re-designed letters to improve our performance without court action.

We took the decision not to chase former tenant arrears at this time and instead repurposed officers to assist with new Universal Credit claims, to avoid placing undue pressure on households suffering the financial impacts of COVID-19 at this time. We will resume our usual collection process on 21st September 2020 to coincide with the date that court action is allowed to resume.

Despite the unprecedented challenges of the last six months, our performance on rent arrears remains high. Our investment in RentSense technology has meant we can quickly identify cases needing urgent action and focus resources towards them. We have been collecting weekly balance figures since the introduction of RentSense and are still reducing our arrears figures, with an average weekly reduction compared to the same point last year of £150,000 or 16%. Our Rent Officers have worked extremely hard utilising new methods of contact such as text messaging and video calls to continue to assist tenants who have fallen into arrears with benefit applications, payment plans and signposting to budgeting support.

Part Two – Exempt/Confidential

Pages

16 Exempt Minutes

17 Internal Audit: Status of Actions

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

18 Internal Audit Reports Recently Issued

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Close

Stephen Baker, Chief Executive

Unconfirmed

Agenda Item 3

EASTSUFFOLK COUNCIL

Minutes of a Meeting of the **Audit and Governance Committee** held remotely via Zoom, on **Monday, 29 June 2020** at **6.30pm.**

Members of the Committee present:

Councillor Edward Back, Councillor Judy Cloke, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Geoff Lynch, Councillor Rachel Smith-Lyte, Councillor Ed Thompson

Other Members present:

Councillor Peter Byatt, Councillor Maurice Cook

Officers present:

Sarah Davis (Democratic Services Officer), Laura Fuller (Audit Manager), Matt Makin (Democratic Services Officer), Siobhan Martin (Head of Internal Audit), Sheila Mills-James (Corporate Fraud Manager) and Hilary Slater (Head of Legal and Democratic Services)

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1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillors Gandy and Mapey as Members of the Committee, together with apologies from Councillor Kerry, Cabinet Member for Housing in relation to item 7.

Councillor Byatt attended as the substitute for Councillor Gandy.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 2 March 2020 be approved as a correct record and signed by the Chairman.

4 Local Government Association National Code of Conduct

The Committee received the Leader of the Council's report giving details of a national Model Code of Conduct produced by the LGA which went out to consultation from 8 June until 17 August 2020. The Head of Legal and Democratic Services stated that the report was being presented to this Committee because it had a remit in its Terms of Reference to deal with standards matters and, also, to consider any proposed changes to the Council's Constitution and the Code of Conduct formed part of that document. It was noted that the Committee's views on the Model Code would be reported to Cabinet on 7 July 2020. She explained that, in addition to local authorities, individuals were also being encouraged to respond and a link to a consultation questionnaire on the LGA's website was included within the report.

Members were informed that, before 2012, there had been a very centralised and prescriptive Code overseen by the Standards Board for England and every Council had to have a Standards Committee. If a breach was found, then sanctions could be imposed which included suspension or disqualification from office. Following a change of Government in 2011, the standards regime for local government was reviewed and the Localism Act 2011 was introduced under the Localism Agenda. Under the Act, the Council had a duty to promote and maintain high standards of conduct, but it was a much more relaxed, decentralised standards regime. The Standards Board for England was abolished, the National Code of Conduct was scrapped and there were no longer any enforceable sanctions. Each local authority could decide what they wanted in their own Code and if they had a Standards Committee.

In Suffolk, the County, District and Town and Parish Councils worked together to produce a Suffolk Code (the Code) which had worked well since 2012 and it was particularly useful to have the same Code for all Councillors, irrespective of which level of local government they worked in.

It was reported that the Committee on Standards in Public Life had reviewed the ethical standards in local government in 2018 and in January 2019 had produced a report for the Government which contained 26 recommendations. The first of these recommendations was that the LGA produce a national, Model Code of Conduct. Although the Government had not yet formally responded to the report due to Brexit and Covid-19, the LGA had drawn up a Model Code and were now consulting on it.

The Head of Legal and Democratic Services stated that, within her report, she had highlighted the differences between the Suffolk Code and the Model Code as follows:

(a) The Model Code marked a return to a national code which all Councils would be bound by, and this would give consistency and certainty in terms of standards of behaviour for all councillors.

(b) The Model Code would give clarity on when it applied, for example when councillors were representing the Council at meetings, or on Outside Bodies, or identifying as a Councillor when seeing a constituent, but the Code would not apply if the act or behaviour was carried out in their private capacity. The Head of Legal and Democratic Services explained that the current situation led to judgments having to be made especially when a complaint was received as she had to decide if the councillor was acting in that capacity, or privately, when an incident happened. She added that this was particularly difficult when posts were made on social media. If there was a link between the social media account, and Council business, she could conclude that the posts were made by the councillor, acting in that capacity, rather than as a private individual.

The Model Code was clear that if the person was acting or giving the impression that they were acting as a councillor and if what had been posted had a potential impact on the reputation of the Council, then, the Model Code applied so it was more certain and helpful. She commented that, given remote working, remote meetings, and the increased use of electronic communications such as social media, the LGA was interested to know if having this clarification would be useful.

(c) The Code required Councillors not to be disrespectful to others whereas the Model Code focussed on the idea of showing "civility" or politeness and courtesy which could be more subjective and dependent on the circumstances. It was suggested that criticising ideas and opinions was acceptable but making personal or abusive comment would be showing a lack of civility. The Head of Legal and Democratic Services stated that it would be interesting to hear Members' views on whether they felt it would be easier to define "civility".

(d) The threshold in both the Model Code and the Code for declaring the receipt of gifts and hospitality remained at £25, however, the Model Code specified that Councillors should not accept "significant" gifts or hospitality which they were offered from those looking to do business with the Council, or those submitting applications for licences, consents or permissions which meant that the Model Code was clearer.

(e) The Model Code proposed a change to the Localism Act, in that Members would need to declare their Disclosable Pecuniary Interests (DPIs) and those of "family members and associates" rather than just their own DPIs and those of their spouse/partner. This change would mark a return to the wording in the pre-2012, national code and was clearer and more certain in application for the public, Members, and Officers who might have to give advice.

The Committee was informed that, under the Localism Act, the only sanctions available were censuring the Councillor found to be in breach, or requesting that they undertake training, mediation or issue an apology for their behaviour, whereas the Model Code also proposed including a sanction of suspending the Councillor for up to six months. This would require a change in legislation as the Localism Act would need to be amended.

Members were reminded that the LGA was keen to receive comments from individuals as well as Councils in order to better inform Government on how they might want to respond to the Committee on Standards in Public Life report.

The Head of Legal and Democratic Services was thanked for her detailed presentation and in response to several questions by Councillor Byatt she responded as follows:

- Suffolk Authorities had had the same Code since 2012 and the Suffolk Coastal Audit & Governance Committee had reviewed it a few years ago and their only issue of concern had been the inability to impose sanctions. She added that it was likely that all Local Authorities would be considering the Model Code through their Audit and Governance or Standards Committees and she hoped that they would respond to the LGA.

- The Model Code would apply to all forms of media including newspapers if it impacted on the reputation of the Council. She explained that, currently, with complaints about social media posts, if she could not link the social media account to Council business, she had to write to the complainant and explain that the action complained was outside of the Code, and no action could be taken. Whereas the Model Code made it clear that it applied to all social media, if it impacted on the reputation of the Council. This would give more clarity.

- It was not possible to make training compulsory through the Code, although she acknowledged that the Constitution included the provision for Members to undertake the necessary training to enable them to sit on quasi-judicial Committees such as Planning and Licensing. She added that Officers strongly encouraged new Members to attend training on the Code, as part of their induction programme and, where necessary, she had held individual sessions with Members who could not attend the scheduled sessions. She suggested that political groups would be best placed to "insist" that their Members attended the training.

- Councillors could only be disqualified at the moment if they were made bankrupt; did not attend a meeting for six consecutive months; had a prison sentence imposed or suspended of three months or more; or were convicted of a criminal offence where they failed to declare a DPI. She added that if there was a breach that came before this Committee, the person could not be disqualified or suspended which was why the LGA was proposing to include suspension as a sanction but they did not want to go as far as disqualification.

Given that "liking" Facebook posts or re-tweeting had recently proven controversial, clarification was sought on whether that would be classed as using social media. The Head of Legal and Democratic Services confirmed that potentially it could, as a re-tweet might be seen as publishing the document/post and, in doing so, that the individual agreed with it. She added that the link needed to be clear that this had been done as a Councillor as opposed to something for example on a private account with no link to Council business.

Councillor Cooper pointed out that Councillors were well known within their communities and were viewed as a "Councillor", so any comments were always seen as coming from that perspective rather than on an individual basis. A suggestion was made that the punishment should fit the crime, therefore, stronger sanctions were required than those currently available such as an apology. The Head of Legal and Democratic Services responded that she had previously received complaints from the public that they were not happy with posts but if there was not a clear link between the account and Council business, it was not possible to take action against the complaint, nor to sanction the Councillor. She reiterated that it had to reference Council business in some way so that if the posts were on a private account, and there was no link to the Council, then, the councillor was acting in their private capacity. She clarified that it was a question of judgment for her and one of the Council's Independent Persons but the proposals in the Model Code would help. She added that she agreed that an apology might not go far enough or be as fulsome as some might hope but the only recourse she had, if no apology was given at all, was to refer the complaint back to the Independent Person, but the matter was automatically closed if an apology was given.

Councillor Cloke stated that she supported her colleague's comments regarding stronger sanctions and welcomed the changes, as she felt it was a big improvement on the current Code.

Councillor Smith-Lyte stated that she slightly disagreed with her colleagues as she felt that the very nature of being involved in local politics at this level meant that there would always be, within reason, some degree of controversy due to having different political party views. She added that some people would just look to criticise, and you could not please everybody all the time. She pointed out that there would be some people who, whether it was because of the party the Councillor represented or because of them as an individual, would want to pick the Councillor up on things and complain.

The Head of Legal and Democratic Services acknowledged that it had been recognised within the Code that there would always be a level of debate, disagreement and controversy and that political opinions would vary, but it should be possible to have robust discussions as part of the cut and thrust of debate. However, the threshold of when it moved from political debate to a lack of respect or civility was the difficult judgment call she had to make. She added that the threshold for disrespect was quite high and she was looking for instances where the Councillor had been personally abusive or used offensive language, but that judgment was made with one of the Council's Independent Persons.

Members noted that the LGA would be issuing guidance on what constituted a lack of civility etc which she felt would be very useful. She also acknowledged that there had been a lot of tit-for-tat complaints pre-2012 but, under the lighter touch regime, these had decreased, so it was a case of getting a balance between a very prescribed Code and the current, lighter touch regime. The Model Code represented that middle ground, she felt.

The Chairman referred to paragraph 2.4 on page 8 of the report relating to gifts and hospitality and suggested that clear guidelines were required in order to help Councillors determine if they needed to declare them or not. In relation to paragraph (10) on page 12, relating to Register of Interests (ROI), he also suggested that stronger sanctions were required for those Councillors that either did not complete their ROI or did so incorrectly. He acknowledged the points raised by Councillor Smith-Lyte but pointed out that breaches came before this Committee, so there were some checks made, and he felt that having stronger sanctions available for those that had committed a breach was justified.

On the proposition of Councillor Cooper and seconded by Councillor Cloke, it was

RESOLVED

That, having commented on the contents as detailed above, the report be received and Cabinet made aware that, overall, this Committee felt that the Model Code was an improvement but that there should be better options for sanctions so that the Code had more teeth.

The Head of Legal and Democratic Services left the meeting at this point.

5 Annual Internal Audit Report 2019-20

The Committee received the report of the Cabinet Member with responsibility for Resources which gave details of the work undertaken by the Internal Audit Service for the year 2019/20 in accordance with the plan for the year presented to both Suffolk Coastal and Waveney District Councils in March 2019. Members noted that they were being presented with the report in accordance with their terms of reference: "To consider the Head of Internal Audit's Annual Report: The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement. The opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of work supporting the opinion - these will assist the Committee in reviewing the Annual Governance Statement."

Members' attention was drawn to page 17 Section 1 which set out the Head of Internal Audit's duty to report to this Committee annually regarding the work undertaken and she highlighted that, in her opinion, a reasonable assurance could be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control in the year to 31 March 2020. She added that there was one important piece of work that was currently still outstanding due to COVID-19 which related to Procurement, including a Contract Management follow up review, as there had been some significant areas for improvement in this area in 2018/19. She assured the Committee that the results of this work would be communicated to them at a future meeting.

The Committee was reminded that the Service had to comply with the CIPFA Guidance, Audit Charter and a number of other regulatory measures notwithstanding the Public Sector Internal Audit Standards (PSIAS). The Service had recently been externally assessed against the PSIA Standards and passed that requirement so the Head of Internal Audit pointed out to Members that whilst they could be assured of the quality of the service being provided, she could never give an "absolute" assurance about everything at the Council because the Service did not cover 100% of the work. She clarified that this was why she had given a overall "reasonable" assurance about what they had looked at so far. She explained that the assurance covered the work up until early March but that the further work planned up until the end of May had been postponed due to the pandemic. She reassured Members that the Team would return to the work once the fundamental risks against the Council going forward had been assessed.

The Head of Internal Audit stressed that it was important that the Committee remembered that the work of the Internal Audit Service was an independent appraisal function and that they had a unique role in the Council which meant she was independent of the other senior officers with no fear of fettering, so she could objectively examine, evaluate and report upon the adequacy thereof, governance and risk of every area.

Councillor Cooper thanked the Head of Internal Audit and her team for the fantastic job that they did but expressed concern that the Asset Register had still not been completed. The Chairman stated that this could be discussed under an item in the exempt part of the meeting.

The Chairman asked for further clarification regarding the "reasonable" assurance and the Head of Internal Audit stated that, in order to give an "effective" opinion, she would have to look at every single aspect of the Council and be satisfied with that but because it was a risk based fluid plan and the team was of a finite size, they could only cover the high risk areas so it would be foolhardy for her to provide a "completely effective" opinion unless she had been able to look at every aspect of governance within the Council. She clarified that what she had looked at she was satisfied that there were reasonable assurances and controls in place with the good governance at the Council, although there were some areas that had been identified for improvement. She reminded Members that they received a regular report on her overdue or outstanding recommendations for improvement and the Committee then had the power to call in the senior officers who were responsible for completing those actions. She concluded that she hoped this explained why she would only ever give a "reasonable" overall annual audit opinion.

The Chairman requested that it be noted that, normally Members received a full year's report but because of the COVID-19 situation, the full report was not available as the work had been undertaken in different circumstances which made it much more difficult for the Head of Internal Audit and her team. He added that, in his view, they should be thanked for their hard work and that Members generally should be proud of all the Council staff who were continuing to work in these very difficult circumstances.

On the proposal of Councillor Cloke and seconded by Councillor Coulam, it was

RESOLVED

That, having considered and commented upon the outputs of the Internal Audit Service and the Head of Internal Audit's Opinion for 2019/20 as detailed above, the Committee noted the report and thanked the Officers involved.

6 Annual Internal Audit Plan 2020-21

The Committee received the report of the Cabinet Member with responsibility for Resources and it was noted that, in previous years, the Committee had received a report at its March meeting outlining the Internal Audit Plan for the coming year, following consultation of the Plan with the Corporate Management Team. He explained that, in common with all other areas of the Council, the work of the Internal Audit Team had been significantly affected by the COVID-19 pandemic and, therefore, a separate report upon the status of the 2019/20 Internal Audit Plan was being presented to this Committee. He added that, whilst much of the 2019/20 Audit Plan had been completed before the impact of the pandemic took hold, the change in focus which had been necessary within the Internal Audit Team from March 2020 in supporting the Council's response to the pandemic had resulted in a significant change to the usual audit planning process. As the Internal Audit Team was likely to be required to support the wider Council response to the Coronavirus pandemic for some time, Members were informed that it would not be practical at this stage to commit to a set Internal Audit Plan for the 2020/21 financial year, however, they could expect to see an Internal Audit Plan for 2020/21 brought to their September 2020 meeting. The Cabinet Member concluded that this report was being presented to the Committee in accordance with their terms of reference which stipulated that the Committee was to: "Review and approve the annual internal audit plan and any major changes to it". Members were reminded that the Internal Audit Service acted in accordance with the Accounts and Audit Regulations (2015) and aimed to follow the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (2019). In addition, this report had been prepared in accordance with the Council's Audit Charter.

The Head of Internal Audit reiterated the Cabinet Member's comment that it was hoped the Internal Audit Plan for 2020/21 would be able to come before the September Committee meeting but she cautioned this would depend on what stage the Council got back to some semblance of normality.

Councillor Byatt queried if the Internal Audit Team had sufficient staffing and whether further staff were needed temporarily. The Head of Internal Audit acknowledged that it was a small team but stated that she had recently advertised for a trainee auditor and had received a very good response to that. She added that she thought that would be sufficient, however, she would re-assess her staff resources when drawing up the Plan and report back to the Committee at that stage if there were any resources issues or concerns.

On the proposition of Councillor Cooper and seconded by Councillor Coulam, it was

RESOLVED

That the report be received and, having noted and commented upon the impact of the pandemic on the team's workload, it be agreed that this Committee would receive the Annual Internal Audit Plan 2020/21 at its meeting in September 2020.

At this point in the meeting at 7.50pm, the Chairman called a small adjournment in the proceedings to allow for a comfort break. The meeting reconvened at 7.57pm.

7 Corporate Fraud Annual Report 2019-20

The Committee received a joint report from the Cabinet Members with responsibility for Housing and Resources that provided a summary of the performance of the Corporate Fraud Service for the period 1 April 2019 to 31 March 2020. It was noted that this report was presented to the Committee in compliance with its terms of reference to "Review the assessment of fraud risks and potential harm to the Council from fraud and corruption. Monitor the counter-fraud strategy, activity and resources."

The Head of Internal Audit reported that the emphasis of this report was to demonstrate the outputs of this small Corporate Fraud Service and their hard work throughout the last year. She explained that the Council had a dedicated in-house Corporate Fraud Team which supported the Council's long history of a zero tolerance approach towards fraud and corruption. The Team had a comprehensive programme of proactive and reactive anti-fraud work and this Committee had received the Plan of work in March 2019 for the year this report was now covering. It was noted that the Team consisted of a Manager, two Investigation Officers (full time) and an Intelligence Officer (part time), although a partnership contract with Ipswich Borough Council meant that additional resource was available if required. The Head of Internal Audit reported that the Service had cost £304K in 2019/20 and she advised Members that they would see later in the report that the notional value of what had been saved by the Team equated to £4.69m. She explained that it was her responsibility when setting up the Service to have an agreement in place that the costs of the Service are covered in house.

Members' attention was drawn to Section 4.2 on page 34 which set out the focus of the Corporate Fraud Service and the work undertaken with the main emphasis being on social housing including Right to Buy and Social Housing Tenancy Fraud. In addition, investigations had been carried out in relation to Council Tax, Business Rates, Grants, False ID's, Blue Badges, National Fraud Initiatives and internal investigation cases.

The Committee was informed that the main thing they needed to note was the reactive work that had taken place such as alerts on the Fraud Hotline and through the Fraud email address and the national and international involvement the Service had in the Anti-Crime world. The Head of Internal Audit reported that the Service was part of a network of information sharing which if it did not have directly positively outcomes for the East Suffolk area would have nationally and internationally. She commented that a lot of training had taken place throughout the year for Officers and Members in certain areas and specialisms and a lot more work would be done in this area in the coming year. She referred to Section 6 on page 38 which set out the direct notional savings of the Service's intervention including Right to Buy (RTB) and this showed that the vast majority of savings had occurred in the RTB area. She explained that 21 RTB applications had not come to fruition because there was a very robust gateway checking process that now occurred at the Council to ensure that only legitimate people purchased properties so those that did not meet the criteria were not able to purchase properties.

The Chairman thanked the Head of Internal Audit and her Team for the very detailed report and excellent results. This was echoed by Councillor Cooper who also commented that the notional value of savings was unbelievable, especially given the small size of the Team. Councillor Byatt reiterated both comments and queried how these notional savings compared to previous years and also asked if the Council publicised any of the work undertaken in order to deter other fraudsters.

The Head of Internal Audit responded that in 2018/19 there were £3m notional savings so there had been an increase identified, although she did caveat this with the fact that crime was very difficult to put a figure on and it should also be borne in mind that the value of property had risen over this period. In relation to publicity, the Head of Internal Audit commented that she would take this on board especially in terms of advertising the Fraud Hotline. She added that she had contemplated including this report in the private session of the agenda but had decided in the end to include it in the public section so that the nature of the work and the results were available for all to see.

On the proposition of Councillor Cloke and seconded by Councillor Coulam, it was

RESOLVED

That, having commented upon the performance of the Corporate Fraud Service for the year 2019/20, the report be noted and the Head of Internal Audit and her team congratulated on the results of their hard work.

8 Corporate Anti-Fraud Business Plan 2020-21

The Committee received the report of the Cabinet Member with responsibility for Resources relating to the Corporate Anti-Fraud Business Plan 2020-21 which detailed the Council's proposed approach to the prevention, detection and prosecution of fraud and corruption. The Plan set out the high-level desired outcomes and management process aligned to the Council's five strategic themes and objectives. Members noted that the report was being presented to this Committee in compliance with its terms of reference to: "Monitor Council policies on ... Anti-Fraud and Corruption".

The Head of Internal Audit referred Members' attention to page 48 which set out the Fraud Hotline number of 01394 444444 and the Confidential Whistleblowing Hotline on 01394 444222. She explained that the Corporate Fraud Service was a small team but highly qualified and experienced and they had connections and links to many regional, national and international agencies all sharing the same objective to prevent crime. She added that the Service also followed through on the zero tolerance approach supported by the Leader, Cabinet Member and Senior Management Team at the Council. Members noted that the Plan defined what fraud was and the whole spectrum of what the Team came across, as well as explaining the Fraud Triangle of Opportunity, Motivation/Pressure and Rationalisation. The Plan also included details of all the Council officers involved and the Key Activities for 2020-21, although the Head of Internal Audit stressed that the pandemic had clearly shifted the emphasis of the work somewhat eg there was currently a lot of anti-fraud work in relation to the COVID-19 business grants available, as it was a risk based activity. Members noted that the Plan also included the methodology used to fight Fraud and Corruption of Govern, Acknowledge, Prevent and Pursue.

The Chairman stated that the COVID-19 grants had added to the Team's workload and it was likely the new parking charges eg issuing tickets etc would do so as well, therefore, if the Head of Internal Audit found that the Team were struggling to cope with this additional work then she was asked to report back to this Committee. He also pointed out that, given there had been some good successes, advertising these would be one of the best preventions as it might make people less interested in committing crime.

Councillor Byatt referred to the community budgets available to support projects across the whole of East Suffolk and he queried whether these were part of this Team's remit as several applications from his Ward had been checked and sent back by

Officers to the applicants which he felt showed good vigilance to ask for clarification. The Head of Internal Audit responded that there was a robust process in place regarding the issue of grants so if it did not appear wholly correct she should be informed and these would be followed up. Councillor Cook referred to the Business Grants being offered during this crisis and stated that an enquiry had been made into the processes the Council had in place and the Council had reassured the correspondent that there were rigid precautions and checks and balances in place, in addition to holding very strictly to the criteria for payments to be made, including a strong internal audit process to back our Officers up and consequently he was highly confident that it was a robust process.

Councillor Cooper referred to previous issues relating to the financial aspects associated with parking and asked whether they had been resolved. The Chairman stated that he would make a note of this query but it was not relevant to this discussion and was not on the Forward Work Programme.

On the proposition of Councillor Cooper and seconded by Councillor Cloke, it was

RESOLVED

That, having commented upon the Corporate Anti-Fraud Business Plan 2020-2021, it be endorsed.

9 Internal Audit Reports Recently Issued (Open)

The Committee received the report of the Cabinet Member with responsibility for Resources who introduced the following Internal Audit reports that had recently been issued in accordance with their terms of reference "To consider reports from the Head of Internal Audit..."

(a) General Ledger (Core Functions) 2019/20

The Head of Internal Audit reported that the work undertaken by her team had found the highest possible assurance so they had deemed it to be "effective" which was very reassuring for the Council given the importance of the General Ledger.

(b) Housing Rents 2019/20

The Head of Internal Audit reported that an overall assurance of "reasonable" had been given and some low recommendations had been made.

The Chairman commented that "effective" was top marks and was what the Committee would like to see across the whole Council. He added that both reports had come out very well.

On the proposition of Councillor Coulam and seconded by Councillor Byatt, it was

RESOLVED

That, having commented on the following Internal Audit Reports, they be noted:

a) General Ledger (Core Functions) 2019/20
b) Housing Rents 2019/20

10 Audit and Governance Committee's Forward Work Programme

The Audit and Governance Committee reviewed their Work Programme for 2020/21 and the Chairman stated that Members with any queries or suggestions for further items could contact himself or the Vice-Chairman.

11 Exempt/Confidential Items

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

12 Exempt Minutes

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

13 Internal Audit: Data Protection Annual Report 2019-20 (Exempt)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

14 Internal Audit Reports Recently Issued (Exempt)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The meeting concluded at 9.10pm.

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Chairman

Agenda Item 5

ES/0493

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

TREASURY MANAGEMENT OUTTURN 2019/20 AND MID YEAR REPORT 2020/21

EXECUTIVE SUMMARY

1. The Treasury Management Policy Statement for 2019/20 requires an annual report and mid-year report on the Treasury Management function to be produced annually.
2. The report reviews performance of the treasury management function including prudential indicators for 2019/20 and incorporates a mid-year review of 2020/21.

2019/20 Summary:

- East Suffolk Councils short term Investments totalled £84m, long term investments totalled £18.68 and liquidity investments totalled £7m as at 31st March 2020
- Total Investments as at 31st March 2020 was £109.68m
- Interest received on investment balances during the year totalled £1.46m.
- East Suffolk Council operated within its approved Prudential Indicator Limits for 2019/20.

2020/21 Summary to date:

- Short term Investments totalled £68.6m, Long Term Investments totalled £24.86m and Liquidity Investments totalled £68m (includes £40m of Covid19 Grant money) as at 31st August 2020.
- Total Investments as at 31st August 2020 was £160.28m
- Interest received to 31st August 2020 totalled £0.33m.
- The Council received £101.5m of Covid19 grant money from MHCLG for distribution in April 2020 of which £65.7m has been distributed with the remaining balance due to be repaid to MHCLG in the coming months.
- The approved counterparty limits have been revised for 2020/21 at Appendix B.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in the District

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Lorraine Rogers Deputy Chief Finance Officer 01502 523667 lorraine.rogers@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 Treasury Management in Local Government is governed by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in the Public Services and in this context is the "management of the Council's cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks". This Council has adopted the Code and complies with its requirements.

1.2 The Council approves a strategy report at the beginning of each financial year, which identifies how it proposes to borrow and invest in the light of capital spending requirements, interest rate forecasts and economic conditions. The Cabinet monitors the implementation of the treasury strategy and reports are received quarterly during the year. The Audit & Governance Committee are responsible for ensuring scrutiny of the treasury management activities.

1.3 Under the Prudential Code for Capital Finance in Local Authorities, the Council determines at a local level its capital expenditure and can borrow or use alternative financing methods to finance capital spending provided that capital plans are demonstrably affordable, prudent, and sustainable. The Code requires prudential indicators to be set and monitored, some of which are limits.

1.4 Councils must report on their treasury management activities that have taken place over the past financial year to Full Council. The remainder of this report summarises the year's activities and performance and provides an update on the activities that have taken place during the first half of the current financial year.

TREASURY MANAGEMENT OUTTURN 2019/20

2 BORROWING

2.1 During 2019/20 the Council did not enter any new borrowing arrangements.

The debt portfolio for 2019/20 can be seen in the table below and is summarised by £71.17m attributable to the HRA which includes £68.30m of Self-Financing loans taken out in 2011/12 and £6.24m of General Fund loans.

Loans as at 31st March 2020	Principal £m	Rate Range %	Maturity Range (years)
PWLB Fixed Rate Maturity/Equal Instalments of Principal Loans	67.12	3.01 - 8.38	2.0- 42.0
PWLB Variable Rate Maturity Loans	10.29	0.88%	2.0
Total	**77.41**	**0.88 - 8.38**	**2.0 - 42.0**

3 INVESTMENT ACTIVITY

3.1 The Council's investment policy for 2019/20 was governed by the Ministry of Housing, Communities and Local Government (MHCLG) guidance and implemented in the annual investment strategy approved by the East Suffolk Shadow Authority on 29th January 2019. This policy set out the approach for choosing investment counterparties and was based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The MHCLG Investment Guidance requires local authorities to focus on security and liquidity, rather than yield.

3.2 The average cash balances held during the year was £119.30m and Investment income received was £1.46m which exceeded the planned budget of £750k. This is mainly due to the increased return on the Property Investment and Diversified Income investments along with an increased number of short-term Local Authority investments in the last quarter of 2019/20 which achieved an increased rate of return.

	Balance at 1st April 2019	Investment made	Investments repaid	Balance at 31st March 2020
INVESTMENTS	£m	£m	£m	£m
Term Investments (liquidity & term <60 months)	113.28	319.20	-322.80	109.68

3.3 As at the 31st March 2020 the investment profile was as follows.

INVESTMENTS	**Balance at 31st March 2020 £m**	**Rate Range**	**Institution**
Liquidity Investments	7.00	0.40%	UK Banks
Short Term Investments			
June 2019 to June 2020	3.00	0.95%	Local Authority
July 2019 to July 2020	14.00	0.95%	Local Authority
August 2019 to May 2020	5.00	0.89%	Local Authority
August 2019 to August 2020	3.00	0.90%	Local Authority
September 2019 to September 2020	2.00	0.90%	Local Authority
November 2019 to October 2020	3.00	0.83%	Local Authority
November 2019 to May 2020	10.00	0.85%	Local Authority
November 2019 to September 2020	5.00	0.80%	Local Authority
December 2019 to June 2020	11.00	0.78% - 0.85%	Local Authority
December 2019 to December 2020	5.00	1.10%	Local Authority
January 2020 to July 2020	6.00	0.84%	Local Authority
January 2020 to September 2020	2.00	0.81% - 0.84%	Local Authority
February 2020 to February 2021	5.00	0.95%	Local Authority
March 2020 to May 2020	3.00	1.10%	Local Authority
March 2020 to June 2020	7.00	0.85% - 1.10%	Local Authority
Long Term Investments			
October 2018 to October 2020	5.00	1.35%	Local Authority
Long Term Investments - Externally managed funds			
Property Investment Fund	9.28	4.49%	CCLA
Diversified Income Fund	4.40	3.36%	CCLA
Total	109.68		

3.4 Security of capital remained both Councils main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2019/20.

3.5 Investments during the year included call accounts, deposits with UK Banks and Building Societies and Local Authorities and CCLA. During the year there were no investments placed with counterparties outside of the UK.

3.6 Externally Managed Pooled Funds: £13.68m of investments are held in externally managed strategic pooled multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

4 COMPLIANCE WITH PRUDENTIAL INDICATORS

4.1 The Council complied with its Prudential Indicators for 2019/20, these were approved by the East Suffolk Shadow Authority on 29th January. The Prudential Indicators for 2019/20 can be found at Appendix A.

5 TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY

5.1 The East Suffolk Council Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Council on 22nd January 2020 and there have been no policy changes to date.

6 DAILY CASH MANAGEMENT

6.1 The Council's counterparty list (investment list) is continuously reviewed and updated taking into account published credit rating information, financial accounts, share prices, asset size, Government support and information from the Council's Treasury Advisors, Arlingclose.

7 INVESTMENT PORTFOLIO 2020/21

7.1 The Council held £160.28m of investments as at the 31st August 2020; the table below illustrates the maturity of investments over the forthcoming months and the average interest rate achieved on the investment.

7.2 With the bank interest rate at an all time low of 0.10% and the outlook being that this level or lower is likely to be seen for the next 3 years has resulted in markable decreases in the investment rates that Local Authorities can achieve.

7.3 The Councils investment portfolio in the short term is looking healthy with both the Property Investment and Multi Asset Fund still performing well despite the current downturn due to Covid19. The Property Fund Investment has seen little effect on its income stream with the Diversified Income Fund also holding up well due to the range of different investments it holds.

7.4 The Council is currently estimating that the impact of reduced investment income rates across the whole investment portfolio will be a reduction in investment income budget of £300k for 2020/21 and £550k for 2021/22.

	1st April 2020 £m	Interest Rate Range %	31st August 2020 £m	Average Interest Rate %
Call Accounts (Liquidity Funds)	60.0	0.12% - 0.48%	48.0	0.12% - 0.48%
Money Market Funds	10.00	0.48%	20.00	0.48%
Term Investments: 3 to 24 months	136.0	0.08% – 1.35%	78.60	0.10% - 1.35%
Property Investment Fund	9.28	4.49%	9.28	4.49%
Multi Asset Fund	4.40	3.36%	4.40	3.36%

7.5 On 1st April 2020, the Council received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. £101.5m was received, temporarily invested in short-dated, liquid instruments such as call accounts. £65.7m was disbursed by the end of August 2020 and surplus funding will be returned to central government over the coming months. ESC had the thirteenth largest allocation of funding in respect of these schemes, which were weighted towards rural and coastal areas due to their focus on providing support to small businesses and smaller businesses in the RHL sector including tourism. Total funding for these schemes nationally was £12.3bn. However, the number of businesses actually eligible for the grants in accordance with these Government schemes was considerably less than the number used by the Government in making these allocations, hence the large surplus allocation to be returned.

7.6 As a result of the central government funding being received the approved limits within the Annual Investment Strategy would be breached temporarily. As part of the Councils due diligence process the Leader, Cabinet Member and the Chair of the Audit & Governance Committee were updated.

7.7 With the grant scheme coming to an end in September 2020 it is anticipated that the remaining funding will be repaid to central government over the next few months. As the timing of the repayment is still uncertain the approved limits for 2020/21 have been uplifted to provide a small buffer to take account of any further external grants or contributions that may be received in the interim. The revised approved limits are set out in Appendix B.

8 ECONOMIC OUTLOOK

8.1 The UK's exit from the European Union took a back seat during the first quarter of 2020/21 as the global economic impact from coronavirus took centre stage. Part of the measures taken to stop the spread of the pandemic included the government implementing a nationwide lockdown in late March which effectively shut down almost the entire UK economy. These measures continued throughout most of the quarter with only some easing of restrictions at the end of May and into June.

8.2 Bank Rate was maintained at 0.1% despite some speculation that the Bank of England's Monetary Policy Committee (MPC) might cut further and some MPC members also suggesting that negative rates are part of the Bank's policy tools. In June, the Bank increased the asset purchase scheme by £100 billion, taking the recent round of QE to £300bn and total QE to £745 billion.

8.3 At the same time, the government also implemented a range of fiscal stimulus measures totalling over £300 billion which had been announced in March and designed to dampen the effect of the pandemic on the labour market.

8.4 As the extent of the losses that banks and building societies will suffer due to the impact from the coronavirus epidemic remains uncertain but is expected to be substantial, in early June following Arlingclose's stress testing of the institutions on the counterparty list using bail-in analysis, a number of UK banks and building societies were suspended from the counterparty list for unsecured deposits. Although much better capitalised than before the 2007-09 financial crisis, under the current economic circumstances these entities were suspended for reasons of prudence. For those remaining on the list, the duration advice remains up to 35 days.

9 TREASURY MANAGEMENT PRACTICES (TMP'S)

9.1 As a backdrop to the Council's approved treasury management policies, the Council also maintains a number of Treasury Management Practices (TMPS) which set out the manner in which the Council seeks to achieve the policies and objectives of the treasury function and how it will manage and control those activities. These were approved at Council in September 2013.

9.2 There have been no major changes during 2019/20 and during the first half of 2020/21.

9.3 The TMP'S can be viewed within the Finance service area on the Council's intranet page or by contacting the Financial Services Compliance Team.

10 INVESTMENT POLICY

10.1 The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments, Investment Regulations and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Council's investment priorities will be security first, liquidity second, and then return.

11 BANKING ARRANGEMENTS

11.1 Banking services for the Council are provided by Lloyds Banks Plc.

12 TREASURY MANAGEMENT ADVISORS

12.1 The external treasury advisors for the Council is Arlingclose.

13 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

13.1 The Treasury Management Outturn and Mid-Year report is a CIPFA requirement, the report does not link directly to the vision of the Business Plan, but through ensuring good governance arrangements and security of the Councils investment income this will help to achieve the planned actions set out in the Business Plan.

14 FINANCIAL AND GOVERNANCE IMPLICATIONS

14.1 This report is to provide an update of the treasury management governance arrangements and performance for the previous and current year.

15 OTHER KEY ISSUES

15.1 The recommendations of this report do not directly affect or impact on the Council's policies, projects, initiatives, or actions. Therefore, an Equality Impact Assessment is not required.

15.2 No other key issues to be considered.

16 CONSULTATION

16.1 There is no requirement upon the Council for consultation.

17 OTHER OPTIONS CONSIDERED

17.1 No other options were considered

18 REASON FOR RECOMMENDATION

18.1 The CIPFA Treasury Management Code requires a report to be produced covering the Council’s Treasury Management activities outturn for 2019/20 and a Mid-Year Review of the Treasury Management activities for 2020/21 to be presented to Full Council during 2020/21.

RECOMMENDATIONS

1. That the Annual Report on the Council’s Treasury Management activity for 2019/20 incorporating the Mid-Year review for 2020/21 be noted.
2. That the Prudential Indicators Outturn position for 2019/20 in Appendix A be noted.
3. That the revised Counterparty limits for 2020/21 in Appendix B are approved

APPENDICES	
Appendix A	East Suffolk Council Prudential Indicators Outturn position for 2019/20
Appendix B	East Suffolk Council Counterparty Limits 2020/21

BACKGROUND PAPERS - none

East Suffolk Council - Compliance with Prudential Indicators 2019/20

1 ESTIMATED AND ACTUAL CAPITAL EXPENDITURE

1.1 This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and in particular, to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

	2019/20 Estimated £m	2019/20 In Year Forecast	**2020/21 Outturn £m**
Capital Expenditure			
Non-HRA	42.03	26.44	**10.85**
HRA	13.22	6.59	**3.13**
Total Capital Expenditure	55.25	33.03	**13.98**

1.2 The £15.59m variance on Non-HRA and the £3.46m HRA variance relates to programme delivery being deferred until 2020/21. These were reported to Cabinet on 1 September 2020 as part of the Councils Outturn report for 2019/20.

2 ESTIMATED AND ACTUAL RATIO OF FINANCING COSTS TO NET REVENUE STREAM

2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments. Any increase in the percentages requires an increased contribution from the revenue account to meet the borrowing cost. The variances are primarily related to how the expenditure has been financed, with the Non-HRA benefiting from increased external financing whereas the HRA has used slightly more internal resources to finance the 2019/20 expenditure.

	2019/20 Estimated %	**2019/20 Outturn %**
Ratio of Financing Costs to Net Revenue Stream		
Non-HRA	2.36	**2.07**
HRA	21.17	**23.57**

3 CAPITAL FINANCING REQUIREMENT

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

3.2 The Council met this requirement in 2019/20.

	2019/20 Estimated £m	**2019/20 Outturn £m**
Capital Financing Requirement		
Non-HRA	48.99	**37.03**
HRA	77.75	**77.75**
Total	126.74	**114.78**

4 AFFORDABLE BORROWING LIMIT, AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

4.1 **Authorised Limit**: This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and provides headroom over and above for unusual cash movements. This limit was set at £155m for 2019/20, with the actual total borrowing being £77.14m.

4.2 **Operational Boundary**: This limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and was set at £153m for 2019/20 with the actual borrowing amount being £77.14m.

4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits.

5 UPPER LIMITS FOR FIXED INTEREST RATE EXPOSURE AND VARIABLE INTEREST RATE EXPOSURE

5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis, i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	2019/20 Estimated %	**2019/20 Outturn %**
Upper Limit for Fixed Rate Exposure	100	**87**
Upper Limit for Variable Rate Exposure	50	**13**

6 MATURITY STRUCTURE OF FIXED RATE BORROWING

6.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period and in particular in the course of the next ten years.

6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %	**Actual Borrowing as at 31 March 2020 £m**	**Percentage of total as at 31 March 2020 %**
under 12 months	50	0	**0**	**0**
1 year and within 2 years	50	0	**1.0**	**2**
2 years and within 5 years	75	0	**2.0**	**3**
5 years and within 10 years	75	0	**10.07**	**15**
10 years and within 20 years	75	0	**33.12**	**49**
20 years and above	100	0	**21.00**	**31**

6.3 All borrowing has been taken in conjunction with advice from the Council's Treasury Management Advisors.

7 TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS

7.1 There were no proposals for the Council to invest sums for periods longer than 364 days.

7.2 The Council has £9.28m invested into a long-term property fund, £4.40m invested in a long-term diversified income fund and £5m invested with a local authority.

Appendix B

Approved investment counterparties and principal limits 2020/21

Credit rating	Banks unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£25m* 5 years	£25m 20 years	£30m 50 years	£20m 20 years	£20m 20 years
AA+	£25m* 5 years	£25m 10 years	£30m 25 years	£20m 10 years	£20m 10 years
AA	£25m* 4 years	£25m 5 years	£30m 15 years	£20m 5 years	£20m 10 years
AA-	£25m* 3 years	£25m 4 years	£30m 10 years	£20m 4 years	£20m 10 years
A+	£25m* 2 years	£25m 3 years	£30m 5 years	£20m 3 years	£20m 5 years
A	£25m* 13 months	£25m 2 years	£30m 5 years	£20m 2 years	£20m 5 years
A-	£25m* 6 months	£25m 13 months	£20m 5 years	£20m 13 months	£20m 5 years
Credit rating	**Banks unsecured**	**Banks Secured**	**Government**	**Corporates**	**Registered Providers**
None	£4m 6 months	n/a	£10m 25 years	£10m 5 years	£20m 5 years
Pooled funds and real estate investment trusts	£10m per fund				

*increased from £20m to £25m

Agenda Item 6

ES/0494

EASTSUFFOLK COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Tuesday, 22 September 2020

SUFFOLK COASTAL DISTRICT COUNCIL AND WAVENEY DISTRICT COUNCIL CONCLUDING ANNUAL GOVERNANCE STATEMENT LETTER 2018/19

EXECUTIVE SUMMARY

1. The Annual Governance Statements (AGS) for Suffolk Coastal DC and Waveney DC were approved by the authorities' Audit and Governance Committees on 12 March 2019 and 15 March 2019 respectively. These Statements provided assurance for the period 1 April 2018 to 31 January 2019.

2. In order to comply with Boundary Changes Regulations, the Council is required to report on any material inaccuracy or omission from the approved AGS for the period 1 February 2019 to 31 March 2019, or any matter relevant to internal control on or after the reorganisation date.

3. This report presents to the Committee the letter that provides assurance that there is no movement on the wording and assurance levels as stated in the 2018/19 Annual Governance Statements.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Annual Governance Statement is a key document which helps provide assurance to Members and other stakeholders as to how the governance of the Council is conducted, how effective it has been for the year, and identifies any major issues of improvement raised by the Corporate Management Team, together with emerging issues upon which the Council will need to focus on over the coming year.

2 CONCLUDING ANNUAL GOVERNANCE STATEMENT LETTER 2018/19

2.1 The Annual Governance Statements (AGS) for Suffolk Coastal DC and Waveney DC were approved by the authorities' Audit and Governance Committees on 12 March 2019 and 15 March 2019 respectively. These Statements provided assurance for the period 1 April 2018 to 31 January 2019.

2.2 In order to comply with Boundary Changes Regulations, the Council is required to report on any material inaccuracy or omission from the approved AGS for the period 1 February 2019 to 31 March 2019, or any matter relevant to internal control on or after the reorganisation date.

2.3 Attached as Appendix A is the Concluding Annual Governance Letter 2018/19 that provides assurance that there is no movement on the wording and assurance levels as stated in the 2018/19 Annual Governance Statements. This letter was sent to EY, the Council's external auditor, on 8 July 2019.

3 CONSULTATION

3.1 There are no formal consultation requirements for this document. All Heads of Service have been consulted to provide assurance in the letter for the period 1 February 2019 to 31 March 2019.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

4.1 The AGS is a statutory requirement by the Accounts and Audit Regulations 2015. The AGS helps to achieve the critical success factors and planned actions set out in the Business Plan.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 The AGS and the Concluding Letter provide evidence of good governance in respect of the predecessor councils of East Suffolk Council.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

The production and consideration of the AGS is a statutory requirement under the Accounts and Audit Regulations 2015 and the Concluding Letter is a requirement under the Local Government (Boundary Changes) Regulations 2018.

RECOMMENDATIONS
That the Committee notes the Concluding Annual Governance Statement Letter for the year ended 31st March 2019 in respect of Suffolk Coastal District Council and Waveney District Council.

APPENDICES	
Appendix A	Concluding Annual Governance Statement Letter 2018/19

BACKGROUND PAPERS – none

EASTSUFFOLK
COUNCIL

Agenda Item 6
ES/0494

Concluding Annual Governance Statement Letter 2018/19

The Annual Governance Statement is a key document which helps provide assurance to Members and all stakeholders as to how the governance of the Council is conducted and how effective it has been for the year. It also identifies major issues of concern raised by the Corporate Management Team and Head of Internal Audit, together with emerging issues upon which the Council will need to focus over the coming year.

Under the Accounts and Audit Regulations 2015 it is a requirement that all councils produce an Annual Governance Statement before 31st July of each year, in line with the conclusion of the audit of the Statement of Accounts.

On the 1st April 2019 Suffolk Coastal District Council (SCDC) and Waveney District Council (WDC) became East Suffolk Council. The creation of East Suffolk Council was regulated by the Boundary Changes Regulations. In order to comply with these regulations Annual Governance Statements were prepared providing assurance for the period 1st April 2018 to the 31st January 2019, and approved by the predecessor Councils' Audit & Governance Committees on 12th March 2019 (SCDC) and 15th March 2019 (WDC).

In order to continue to comply with the Boundary Changes Regulations East Suffolk Council is required to report any material inaccuracy or omission from the approved AGS which had been identified during the period 1st February to 31st March 2019, or of any matter relevant to internal control arising on or after the reorganisation date. The Section 151 Officer will report these to the Members of East Suffolk Council and East Suffolk external audit.

Assurance has been received from the Head of Internal Audit, the Section 151 Officer and from each Head of Service that there is no movement on the wording and assurance levels as stated within the 2018/19 Annual Governance Statement for the period 1st February 2019 to 31st March 2019.

Post	Signature	Date
Head of Internal Audit		31.05.19
Chief Finance Officer & S151 Officer		17/6/19
Stephen Baker Chief Executive		05.06.19.
Cllr Steve Gallant Leader of the Council		13.06.19.

Agenda Item 7

ES/0495

EASTSUFFOLK COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

SUFFOLK COASTAL DISTRICT COUNCIL AUDIT RESULTS REPORT 2018/19

EXECUTIVE SUMMARY

1. The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of Suffolk Coastal District Council to discharge their statutory audit responsibilities together with any governance issues identified.

2. EY expect to issue an unqualified audit opinion. Due to continuing work regarding an objection to the accounts, EY are yet to issue their opinion as to whether Suffolk Coastal DC made appropriate arrangements to secure economy, efficiency, and effectiveness in the use of resources.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Audit Results Report (Appendix A) produced by the External Auditor, EY, summarises the findings from the 2018/19 audit which is substantially complete. The report includes the messages arising from the audit of the financial statements and the results of the work they have undertaken to assess arrangements to secure value for money in the use of resources.

2 AUDIT FINDINGS

2.1 EY expect to issue an unqualified audit opinion. Due to continuing work regarding an objection to the accounts, EY are yet to issue their opinion as to whether Suffolk Coastal DC made appropriate arrangements to secure economy, efficiency, and effectiveness in the use of resources.

2.2 The audit has identified a number of adjusted and unadjusted differences, which are detailed within Section 4 of Appendix A.

2.3 EY states within Section 7 of Appendix A that they have not identified any significant weaknesses in the design or operation of Suffolk Coastal DC's internal controls that might result in a material error within the financial statements.

2.4 Regarding Value for Money, EY have judged within Section 5 of Appendix A that subject to receiving a satisfactory response to inquiries in respect of an objection to the accounts that they expect to have no matters to report about your arrangements to secure economy, efficiency, and effectiveness in the use of resources.

3 CONSULTATION

3.1 There have been ongoing updates during the financial year with the Audit team and key stakeholders.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014. The Audit Results Report does not link directly to the Vision of the Business Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the critical success factors and planned actions set out in the Business Plan.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 There have been a limited number of material issues raised from the audit and none of these have an impact on the financial position of Suffolk Coastal DC as at 31 March 2019.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration of the External Auditors report is a statutory requirement under the Local Audit and Accountability Act 2014.

RECOMMENDATIONS
That the Committee notes the findings within the Audit Results report in respect of Suffolk Coastal District Council for 2018/19.

APPENDICES	
Appendix A	Suffolk Coastal DC Audit Results Report 2018/19

BACKGROUND PAPERS
None

Suffolk Coastal District Council

Audit results report

Year ended 31 March 2019

September 2020

Building a better working world

Dear Audit and Governance Committee Members

10 September 2020

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Governance Committee. This report finalises our audit conclusions in relation to the audit of Suffolk Coastal District Council for 2018/19.

We have substantially completed our audit of Suffolk Coastal District Council for the year ended 31 March 2019.

We planned to complete the audit by 31 July 2019. Unfortunately this was not possible due to our own resourcing difficulties. We have taken these resourcing difficulties into account when estimating the additional fee we propose for completing the audit outlined in Section 8. Our ability to issue an opinion in a timely manner was further delayed as we agreed with management to move the start date from October 2019 to late January 2020 in order to bring forward Housing Benefit work as well as due to the impact of Covid-19.

In completing the audit, we have considered the impact that Covid-19, as a post balance sheet event for 2018/19, has had on the certainty of future local government funding. We sought evidence from the Council regarding its assessment on its future financial resilience and the impact this may have on the disclosures in the 2018/19 accounts. As a result of the uncertainties faced, we have included an emphasis of matter paragraph in the auditor's report which draws the readers' attention to relevant disclosures made by the Council. Our opinion is not modified in this respect.

A further consequence of Covid-19 is additional quality assurance that EY has introduced in the form of an internal consultation process for our proposed auditor's report. This aims to ensure that we provide the appropriate assurance to the Council and its stakeholders. Subject to concluding the outstanding matters listed in our report, we confirm that we anticipate issuing an unqualified audit opinion on the financial statements.

We have no matters to include in the auditor's report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with members of the Audit and Governance Committee on 22 September 2020.

Yours sincerely

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The 'Terms of Appointment (updated April 2018)' issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Governance Committee, the Authority and management of Suffolk Coastal District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, the Authority and management of Suffolk Coastal District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee, the Authority and management of Suffolk Coastal District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Planning Report presented at the 11 December 2018 Suffolk Coastal District Council's Audit and Governance Committee meeting, we provided members with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan subject to the modifications noted below.

Changes in materiality:

In our Provisional Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.342 million, with performance materiality, at 75% of overall materiality, of £1.006 million, and a threshold for reporting misstatements of £67,100.

We updated our materiality and reconsidered our risk assessment using the draft accounts. Based on our materiality measure of gross expenditure on the provision of services, we have updated our overall materiality assessment to £1.297 million. This results in updated performance materiality, at 75% of overall materiality, of £0.972 million and reporting threshold of £65,000. The basis of our assessment remains 2% of gross expenditure on provision of services.

Other scope changes:

- During the course of the audit we received an objection to the Statement of Accounts from an elector which we accepted. We are currently finalising our consideration of the issues raised in the objection.
- We were required to undertake additional procedures in relation to the Covid-19 pandemic.

Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Provisional Audit Planning Report. Subject to satisfactory completion of the outstanding matters set out below and correction of the material differences identified, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Completion of work in relation to the objection received
- Review of Council's responses to our queries related to Covid-19 and revised proposed disclosures
- Final Associate Partner review of the audit work undertaken
- Completion of our internal consultation requirements relate to the impact of Covid-19
- Review of the final amended financial statements
- Review of subsequent events up to the date of the opinion
- Receipt of the signed management representation letter and financial statements

We expect to issue the audit certificate at the same time as the audit opinion, once we have concluded on the objection.

Executive Summary

Status of the audit

Impact of Covid-19

A number of audit procedures were in progress when the government introduced lockdown measures in late March. Since then we have been working closely with the Finance team to undertake the remaining audit procedures whilst working remotely.

Specific to the financial statements, Covid-19 has had three main impacts:

1. **Financial resilience and going concern**

There is presumption that the Council is a going concern due to the continuation of services through the successor body East Suffolk Council. However, the uncertainty over future government funding and other sources of Council revenue as a result of Covid-19 means that the Council needs to undertake a more detailed assessment to support the presumption that the accounts are prepared on a going concern basis and evaluate its financial resilience. From an audit report perspective, the going concern concept covers a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2018/19 statements, for example, we need to see evidence of an assessment up to and including September 2021, which therefore includes information relevant to the 2021/22 financial year. We have requested information about the Council's latest financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, and are currently reviewing the responses which have recently been provided. We also discussed with management the need to make specific disclosures in the 2018/19 statements on going concern and financial resilience including any material uncertainties identified.

2. **Accounts and disclosures**

For the 2018/19 statements, Covid-19 impacts disclosures only, with events after the reporting period being the main areas impacted. Covid-19 will however impact a number of accounting judgements and disclosures in 2019/20.

3. **Auditor's report consultation**

Following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

Executive Summary

Audit differences

Unadjusted audit differences
We have identified two audit differences in the financial statements which management has chosen not to adjust. We ask that they be corrected or a rationale as to why they are not corrected be approved by the Audit and Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £835,000. There is no impact on the general fund as both differences relate to the Council's net defined benefit pension liability.

Adjusted audit differences
There were four audit differences with a total value of £6.478 million which have been adjusted by management. None of these adjustments impacted the Council's general fund. We also identified some disclosure differences which have been adjusted by management.

Details of the adjusted and unadjusted audit differences can be found in Section 4 Audit Differences.

Objections

We received an objection to the 2018/19 accounts from a member of the public. This related to the Council's arrangements to secure value for money in respect of the disposal of its former head office building

We have made inquiries of management related to the issues raised and our work in this regard is ongoing. However, subject to satisfactory responses from the Council, we expect to conclude that the matter raised has not had any impact on our financial statement opinion or value for money conclusion. We therefore expect to issue our completion certificate along with our opinion and value for money conclusion once we have concluded on the objection. Section 5 Value for Money for includes further details.

Areas of audit focus

Our Provisional Audit Planning Report identified key areas of focus for our audit of Suffolk Coastal District Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.
No weaknesses of internal control have come to light from our work that we wish to bring to your attention.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Provisional Audit Planning Report we did not identify any significant value for money risks.

Our work in this regard is complete, subject to the conclusion of the matters raised in the objection and final Associate Partner review. Based on the work we have completed we have not identified any matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

The Council is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We have no matters to report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- Assessed fraud risks during the planning stages of our audit.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
    - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
    - Assessed accounting estimates for evidence of management bias, and
    - Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied which would indicate management bias;
- other transactions during our audit which appeared unusual or outside the Council's normal course of business

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital.

What did we do?

We undertook a substantive approach to respond to this risk, undertaking the following procedures:

- Sample testing on additions to property, plant and equipment to ensure that they have been correctly classified as capital, and included at the correct value, to identify any revenue items that have been inappropriately capitalised.
- Identification of the controls the Council has in place to prevent incorrect capitalisation of revenue expenditure.
- Consideration of the effectiveness of management's controls designed to address the risk.
- Testing year end journals which move expenditure from revenue to capital.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position through the inappropriate capitalisation of revenue expenditure.

Other Areas of Audit Focus

Valuation of land and buildings and investment property

What is the risk?

Property, plant and equipment (PPE) and Investment Property represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Land and buildings comprise the main element of the PPE balance.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (for example size of the asset area to support valuations based on price per square metres);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for investment properties;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered any changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work on the valuation of land and buildings and investment property exercise is complete, subject to Associate Partner review. When completing our work on PPE and investment property we noted:

- The valuation of chalets in Felixstowe was overstated by a total of £243,000 due to VAT being incorrectly included in forecast income.
- The valuation of the Felixstowe leisure centre was understated by £100,000 due to the use of an index as at 1 April 2018 rather than 1 April 2019.

These audit differences were corrected by management. We have no other matters to report.

Other Areas of Audit Focus

Pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £28.38 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the pension liability, which could have a material impact on the financial statements, primarily:

- The reasonableness of the underlying assumptions used by the Council's expert;
- Ensuring the information supplied to the actuary in relation to Suffolk Coastal District Council was complete and accurate;
- Considering the reasonableness of any significant changes in assumptions made by the actuary;
- Considering the assessments of the actuary undertaken by PWC and the EY actuarial team.

What did we do?

- Liaised with the auditors of the administering authority (Suffolk Pension Fund), to obtain assurances over the information supplied to the actuary in relation to Suffolk Coastal District Council;
- Assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Compared the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and considered the impact on he Council's pension fund liability and IAS19 disclosures; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

Our work is complete in this area subject to final review. We wish to report the following:

- The Council re-engaged the actuary to estimate the impact of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. The total estimated increase in the liability as a result of these rulings was £234,000 for McCloud and £191,000 for GMP.
- We also noted a £410,000 drop in value of the Council's share of the year-end actual value of pension fund assets compared with the estimate used to inform the actuary's assessment of the IAS 19 liability.

The net defined pension liability would increase by £835,000 if these differences were corrected. Management have decided not to amend the statements for these issues and we are therefore reporting them as uncorrected audit differences in Section 4.

Areas of Audit Focus

Other areas of audit focus

We identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Financial statement area	What we did	What we concluded
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 CIFPA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.	▸ Assessed the Council's implementation arrangements; ▸ Considered the classification and valuation of financial instrument assets; ▸ Reviewed new expected credit loss model impairment calculations for assets; and ▸ Checked additional disclosure requirements.	We have concluded our work in this area and have no issues to report
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provided guidance on the application of IFRS 15 and included a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	▸ Assessed the Council's implementation arrangements; ▸ Considered application to the Council's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▸ Checked additional disclosure requirements	Having reviewed the Council's analysis of the impact of IFRS 15 on their financial statements, we agreed with their conclusion that this standard does not have a material impact on their disclosures. The Council should keep this under review.

03 Audit Report

Draft audit report

Our opinion on the financial statements

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

Opinion

We have audited the financial statements of Suffolk Coastal District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Related notes 1 to 33 and Expenditure and Funding Analysis on page 19
- Collection Fund Income and Expenditure Account and related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Suffolk Coastal District Council at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 1 Accounting Policies; policy a) General principles and Note 6 Events after the reporting period, which describe the financial and operational consequences the Council and Group is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Suffolk Coastal District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether Suffolk Coastal District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Suffolk Coastal District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Suffolk Coastal District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Suffolk Coastal District Council , as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Suffolk Coastal District Council and the Suffolk Coastal District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date:

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £972,000 which have been corrected by management that were identified during the course of our audit:

- Income in relation to the Community Infrastructure Levy (CIL) was understated by £966,000. Related debtors were understated by £1,135,000 and creditors overstated by £169,000. The error arose because officers had recorded CIL income based upon when invoices were issued rather than the date of intended or deemed commencement of the related developments.
- Long term investments were understated by £5 million as a 2 year treasury investment with another Council was misclassified as short-term.
- The Events after the Reporting Period note was amended to include reference to include Covid-19 related disclosures.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Civic Affairs Committee and provided within the Letter of Representation:

Uncorrected misstatements Council and Group 31 March 2019	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
	£'000	£'000	£'000	£'000	£'000
Other Long Term Liabilities – Pension Liability					(835)
Remeasurement of the net defined liability – change due to movement in asset values at 31 March compared to the actuaries estimate	410				
Past Service Cost – estimated for McCloud and GMP ruling	425				
Total uncorrected audit differences	835	-	-	-	(835)

Management have determined not to amend the statements for these audit differences as they are individually and cumulatively immaterial.

Uncorrected misstatements in the statement of cash flows

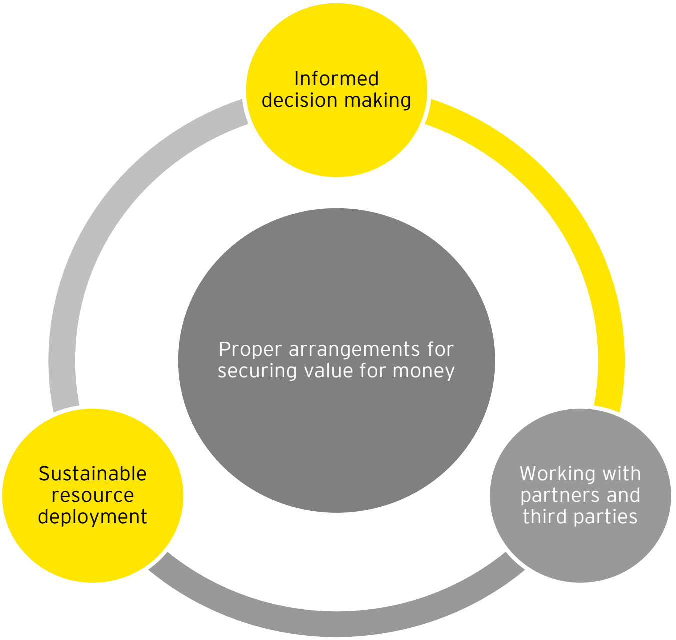
We have not identified any audit differences in respect of the cash flow statements which management have not agreed to correct.

Uncorrected disclosure misstatements

We have not identified any further disclosure related audit differences which management have not agreed to correct.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Provisional Audit Plan we identified no significant value for money risks.

During the course of the audit we received an objection to the Statement of Accounts that raised questions regarding the Council's arrangements to secure value for money in respect of the disposal of its former head office building. The key areas of concern were: in relation to the initial contract and other legal matters; the relationship between officers and the successful bidder; and the delay in achieving expected cost savings from the move.

Our consideration of these issues has not identified any evidence that the Council did not have adequate arrangements in place to secure value for money in 2018/19. We have however made further inquiries of management in respect of the objection and are currently awaiting a response.

Subject to receiving a satisfactory response to the above inquiries we expect to have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources. We will verbally update the Committee if any concerns arise from the Council's responses to our inquiries related to the objection.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Council is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We submitted the return to confirm this based on the draft statement of accounts.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest. However until our work on the value for money conclusion related to the objection is concluded further issues may be identified.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following: • Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Any significant difficulties encountered during the audit; • Any significant matters arising from the audit that were discussed with management; • Written representations we have requested; • Expected modifications to the audit report; • Any other matters significant to overseeing the financial reporting process; • Related parties; • External confirmations; • Going concern; and • Consideration of laws and regulations. We have no issues to report

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have no matters we wish to bring to your attention.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated November 2018.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 22 September 2020.

We confirm we have undertaken non-audit work outside the NAO Code requirements.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We confirm that none of the services listed below have been provided on a contingent fee basis.

As at the date of this report, future non-audit services are limited to reasonable assurance engagement for the housing subsidy grant claim and, if appointed, for the pooling of housing capital receipts return.

There are no other future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work (Note 1)	**49,469**	**38,869**	**38,869**	**56,599**
Non-audit work - Housing subsidy grant claim (Note 2)	17,155	17,155	n/a	19,521
Total Fees	66,024	56,024	n/a	76,120

Note 1 - The 2018/19 final fee includes an estimated fee variation of £10,600 due to additional work required to consider the objection to the accounts and the impact of the Covid-19 pandemic. The final fee for Code work in 2017/18 included a scale fee variation of £6,120.

Note 2 - The 2018/19 planned fee for housing benefit assumed testing levels required will be similar to 2017/18. The final fee for the 2017/18 housing benefits work included a scale fee variation of £3,981.

9 Appendices

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about the Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report
Subsequent events	▸ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report
Fraud	▸ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.	Audit results report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report and Audit results report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit planning report and Audit results report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report and Audit results report
Certification work	▸ Summary of certification work	Annual Audit Letter

EY | Assurance | Tax | Transactions | Advisory

EASTSUFFOLK COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

SUFFOLK COASTAL DISTRICT COUNCIL AUDITED STATEMENT OF ACCOUNTS 2018/19

EXECUTIVE SUMMARY

1. The Accounts and Audit Regulations 2015 require the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2019 and of its income and expenditure for the year ending on that date".
2. The external auditors try to issue their audit opinion by 31st July. However, the audit of accounts was not completed by 31st July 2019, because of lack of external audit resources and staff turnover. Completion was then further delayed by the Covid-19 pandemic. The Council has put out a notice of late publication of the audited accounts on its website to this effect.
3. The audit work has now been concluded, and EY are finalising their Partner review before issuing an unqualified audit opinion on the Suffolk Coastal 2018/19 Statement of Accounts. The issue of the Value for Money opinion for the year has been delayed as result of an objection to the accounts which is yet to be concluded.
4. The Audit & Governance Committee is requested to approve the Suffolk Coastal District Council Audited Statement of Accounts for 2018/19.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Accounts and Audit Regulations 2015 require the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2019 and of its income and expenditure for the year ending on that date".

1.2 The Council's accounts for the year ended 31st March 2019 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003

1.3 The audit of accounts was not completed by 31st July 2019, because of lack of external audit resources and staff turnover. Completion was then further delayed by the Covid-19 pandemic. The Council has put out a notice of late publication of the audited accounts on its website to this effect

1.4 The audit work has now been concluded, and EY are finalising their Partner review before issuing an unqualified audit opinion on the Suffolk Coastal 2018/19 Statement of Accounts. The issue of the Value for Money opinion for the year has been delayed as result of an objection to the accounts which is yet to be concluded.

2 SUFFOLK COASTAL DC FINANCIAL PERFORMANCE 2018/19

2.1 Cabinet on 8th July 2019 received a Draft Outturn report providing an overview of the Council's financial performance for 2018/19 in respect of the General Fund, reserves, the capital programme and the Collection Fund.

2.2 Key financial information to highlight from the Draft Outturn report was:

- The General Fund outturn position was a surplus of £639k and this was transferred to the in-year savings reserve, in addition to a planned transfer of £1.3m.
- The total balance on the Council's General Fund earmarked reserves was increased by £2.4m to £33.1m and the General Fund balance was maintained at £4m.
- The 2018/19 capital programme expenditure for the General Fund was £6.7m. The programme was underspent by £2.2m, mainly due to rephrasing of projects to 2019/20.

3 AUDITED STATEMENT OF ACCOUNTS 2018/19

3.1 The Suffolk Coastal Audited Statement of Accounts 2018/19 is attached as Appendix A.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The publication of Audited Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014. The Statement of Accounts demonstrates the Council's governance and value for money, helping to achieve the critical success factors and planned actions set out in the Strategic Plan, and the audit process provides external assurance of this.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 Included in Sections 2 and 3.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration and approval of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015.

RECOMMENDATIONS

1. That the Committee review and approve the Suffolk Coastal DC Audited Statement of Accounts for 2018/19.
2. That should any further minor amendments be required the Chief Finance Officer, in consultation with the Chairman of the Audit & Governance Committee, be given delegated authority to make these changes.

APPENDICES	
Appendix A	Suffolk Coastal DC Audited Statement of Accounts for 2018/19

BACKGROUND PAPERS - none

Agenda Item 8

ES/0496

Suffolk Coastal District Council

Statement of Accounts

2018-19

SUFFOLK COASTAL DISTRICT COUNCIL

CONTENT

FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present the Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2019. These are the final set of Accounts for Suffolk Coastal District Council, as from 1st April 2019 the Council will merge with Waveney District Council to become East Suffolk Council. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, are due to commence their audit of the Accounts in July 2019.

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 2018/19 financial year, the inspection period must include the first ten working days of June and therefore the period will commence on 3rd June 2019 and finish on 12th July 2019. From the 31st May 2019, the unaudited Accounts were available to the public on the Council's website.

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).

Simon Taylor (CPFA)
Chief Finance Officer
S151 Officer

1. Introduction

This document presents the statutory financial statements (the "Statement of Accounts") for Suffolk Coastal District Council for the period 1st April 2018 to 31st March 2019 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 2018/19 (the Code).

The Narrative Report, which is not formally part of the Statement of Accounts, follows the reporting principles established by the International Integrated Reporting Council (IIRC) and 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 Council originally entered into a shared services partnership with Waveney District Council in 2008 and the long-term success of that arrangement has led to a full merger of the two councils with effect from 1st April 2019, creating East Suffolk Council. The Narrative Report has therefore been prepared in that context, reflecting the outcomes for Suffolk Coastal District Council in 2018/19 and then looking forward from 2019/20 onwards as East Suffolk Council. The following topics are covered:

- **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.
- **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 2018/19** – financial performance for the year both in revenue and capital terms and non-financial performance during the year. 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 corporate risks and opportunities faced by East Suffolk Council from 1st April 2019 and the way in which they are being managed and explored; and
- **Looking Forward** – East Suffolk Council from 1st April 2019, including a high level overview of the financial picture in terms of revenue and capital.

2. Introducing Suffolk Coastal District Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and seven district councils. This will reduce to five from 2019/20 due to the creation of East and West Suffolk Councils from 1st April 2019. 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 129,016 (ONS, 2017) 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 the world and increasingly important post Brexit. 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

In 2018/19 the Council was governed by 42 Councillors, covering 26 electoral wards. The make up of the Council in 2018/19 was:

Conservative Party	37 Councillors
Liberal Democrat Party	2 Councillors
Independent	2 Councillors
Labour Party	1 Councillor

Executive Leadership

In 2008 Suffolk Coastal entered a "shared services" partnership with neighbouring local authority Waveney District Council, initially through the appointment of a joint Chief Executive. The partnership extended to a shared senior management team in 2010 with the majority of services now jointly delivered. 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.

A Shared Vision for East Suffolk Council

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. This led to the development of "East Suffolk Means Business" (2015 – 2023), a combined Business Plan, setting 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".

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".

<u>Critical Success Factors</u>

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 £22m since 2008 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 Leisure); 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 31st March 2019, there were 297.6 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

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 the Council services means that training and development has to be carefully tailored. Professionals from many different fields are employed, for example Accountancy, Legal, Human Resources, Environmental Services and Planning. Professional staff are required to complete continuous professional development, which needs to be factored in alongside personal and organisational development. 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.

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 to core funding for the Council. The Government's aim is to phase out non-specific grant funding completely, e.g. Revenue Support Grant (RSG), and to support local authorities generating additional income locally via council tax, retaining a higher proportion of business rates and fees and charges.

New Homes Bonus (NHB) funding was introduced in 2011 to provide an incentive for local authorities to encourage housing growth, including bringing empty homes back into use. NHB has become an extremely important source of funding for the Council, which it sets aside for allocation to community initiatives and projects. The Government modified the scheme from 2017/18, which saw 'legacy payments' reduce from five to four years in 2018/19 and the introduction of a baseline for housing growth (currently 0.4%). The Government has retained the option to review and make adjustments to NHB in future years to consider how to effectively incentivise housing growth.

Changing Demographics: the impact on services

Commenting on the draft local government finance settlement for 2019/20 announced in December 2018, the Institute for Fiscal Studies said that the Government's plans meant that funding per person will be 4% lower per person in real terms in 2019/20 compared to 2015/16, and approximately 25% lower than in 2010/11. By common consensus, the pressure is 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 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's Performance

Achievements in 2018/19

The Council's Performance Report is reported quarterly to the Council's Cabinet Committee. The report captures how the Council is performing against the strategic deliverables within the East Suffolk Business Plan, Key Performance Indicators (KPIs), financial updates, corporate risks, corporate projects, corporate activities and performance of partners. Achievements to highlight:

- ☑ In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £2.297m. This is to provide funding towards projects with a strong commitment to a range of actions across economic development, housing, leisure and communities.
- ☑ Funding of £0.075m has been awarded from the Coastal Revival Fund for the Deben and Leiston Coastal Community Teams. Funding for the Deben Coastal Community Team is to support the commission of a feasibility and condition survey of the Tin Chapel at Bawdsey. The funding for the Leiston Coastal Community Team is to create an information point for visitors and residents within the town's cinema.
- ☑ As part of the continued quarterly business support programme at Innovation Martlesham, the third Knowledge Sharing event was held on 19th February 2019. This ambitious programme aims to provide expert insight for local businesses on a range of priority topics, and is hosted by the local tech cluster Innovation Martlesham.
- ☑ £1.266m of income was generated through project work and external funding. The largest being £0.950m from the Coastal Communities Fund for the second phase of a wider development programme to transform Felixstowe's south seafront. The funding will seek to deliver a modern, iconic, high quality visitor destination centre on the seafront providing a café/restaurant, improved access and community use of the recently restored Martello Tower 'P' (a Scheduled Monument and Grade II listed), and develop a business support package for new start-up and existing businesses in the area.
- ☑ Screen Suffolk developed a new interactive map for all their locations with each one listed by the type of building or period making it easier to see what is available in the County. The district has seen close to 60 days of filming throughout 2018/19 on the Council land and property or at private locations.
- ☑ Ongoing support is being given to the Connected Towns Pilot project which is bringing together a number of different, but complementary, initiatives and projects seeking to improve the viability and sustainability of towns across the district. The pilot is currently underway in Framlingham and includes providing

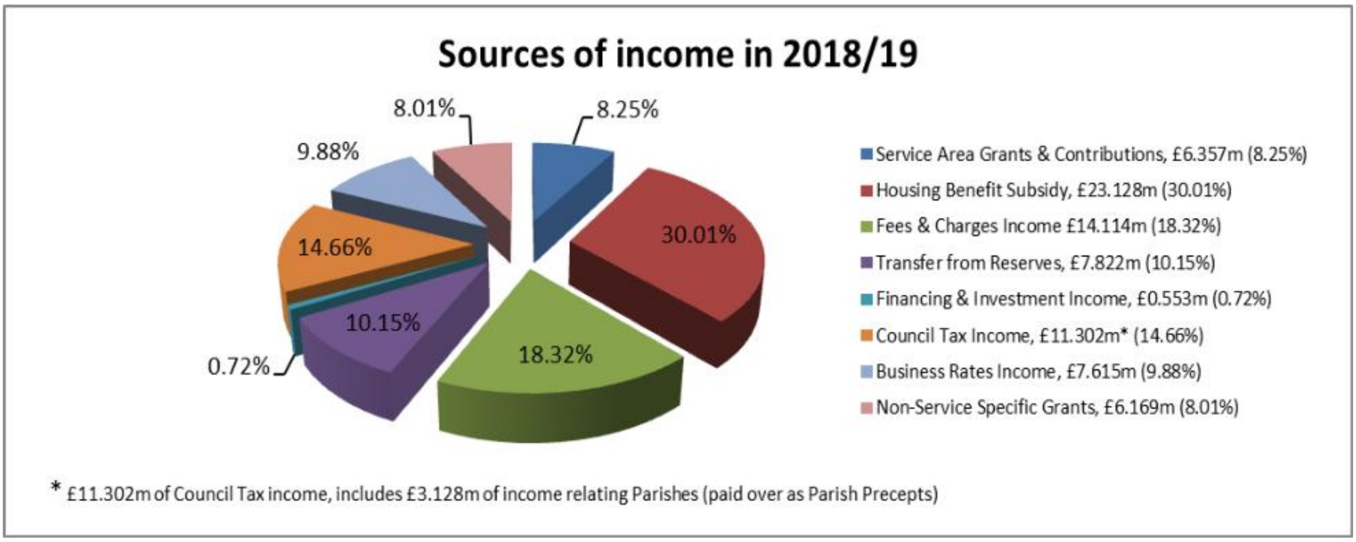
enhanced broadband and Wi-Fi infrastructure and business support measures around the use of cashless technology and digital marketing.

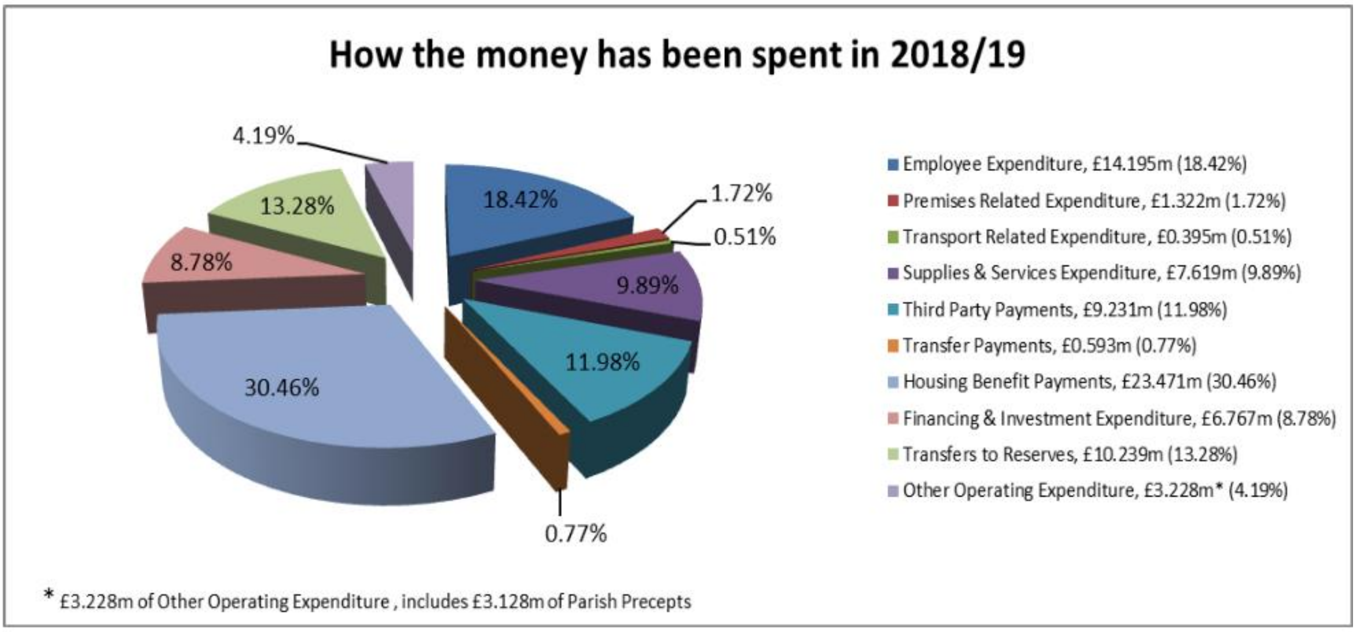
- ☑ £0.110m of East Suffolk Partnership (ESP) funding was made available to tackle social isolation amongst older people and families on low income in 'hot spot' areas identified through the ESP Hidden Needs mapping, which is being used as an example of good practice at a county level.
- ☑ Three Crucial Crew Plus events have been held, two in Leiston and one in Saxmundham, building on the pilot held at Alde Valley Academy. The events are aimed at older young people (13-15 year olds) which included hard hitting sessions on online safety, healthy relationships, drugs and alcohol, self harm and gangs, including follow-up sessions with professional support workers.
- ☑ Leisure facilities participation saw a 16% increased against the target for the year and membership sales also saw an increase (45% against the annual target), mainly due to refurbishment of the Deben Leisure Centre.
- ☑ Over 500 new homes (net dwellings) completed.

Financial Performance in 2018/19

Revenue Income and Expenditure

The following two charts show the sources of income to the Council during the year and how the income has been spent (excluding accounting adjustments required by Internal Financial Reporting Standards).





The table below provides the revenue outturn position for the Council for 2018/19, compared to the In-Year forecast position. The original budget position was approved by Full Council on 22nd February 2018. The Surplus/Deficit on the Provision of Services represents the net movement on the Council's reserves for the year (Note 8 to the Financial Statements). The sub-totals in the table cross reference to the Expenditure and Funding Analysis (EFA) in the Financial Statements. However, within the Net Cost of Service, the total by Service Area will differ to those shown in the EFA. This is due to The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities, and some transactions have to be analysed differently in the Financial Statement than when they are reported in the budget and for the purpose of internal financial management reporting.

Service Area	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Actual £'000	2018/19 Variance £'000
Communities	723	766	(85)	(851)
Customer Services	517	521	535	14
Economic Development and Regeneration	997	994	809	(185)
Environmental Services and Port Health	(652)	(403)	(504)	(101)
Financial Services, Corporate Performance and Risk Management	494	541	296	(245)
Housing Operations and Landlord Services	724	689	719	30
ICT Services	1,180	1,193	1,054	(139)
Internal Audit	294	236	240	4
Legal and Democratic Services	1,038	1,330	1,316	(14)
Operations	4,884	4,977	5,397	420
Planning and Coastal Management	730	870	756	(114)
Revenue and Benefits	473	908	517	(391)
Senior and Corporate Management	1,125	1,109	877	(232)
	12,527	**13,731**	**11,927**	**(1,804)**
Pension Backfunding	1,300	1,300	1,300	0
Accounting Adjustment (Impairment Loss)	0	0	(54)	(54)
Accounting Adjustment (Pension Adjustment IAS19)	0	0	3,738	3,738
Net Cost of Service	**13,827**	**15,031**	**16,911**	**1,880**
Other Operating Expenditure				
Parish Precepts	3,130	3,130	3,128	(2)
Levies	100	110	107	(3)
Other Operating Expenditure	0	0	(7)	(7)
Total of Other Operating Expenditure	**3,230**	**3,240**	**3,228**	**(12)**
Financing and Investment Income and Expenditure				
Direct Revenue Financing	0	8,361	6,657	(1,704)
Interest Receivable and Similar Income	(200)	(370)	(553)	(183)
Interest Payable and Similar Charges	8	8	110	102
Accounting Adjustment (Impairment Loss)	0	0	54	54
Accounting Adjustment (Pension Adjustment IAS19)	0	0	(3,738)	(3,738)
Total Financing and Investment Income and Expenditure	**(192)**	**7,999**	**2,530**	**(5,469)**
Taxation and Non-Specific Grant Income				
Council Tax Income	(11,303)	(11,303)	(11,302)	1
Business Rates Income	(5,231)	(9,325)	(7,615)	1,710
Section 31 Grant (Business Rates)	(1,321)	(3,567)	(4,143)	(576)
New Homes Bonus Grant	(1,844)	(1,844)	(1,844)	0
Revenue Support Grant	(168)	0	0	0
Other Non-Specific Grants	(289)	(108)	(182)	(74)
Total Taxation and Non-Specific Grant Income	**(20,156)**	**(26,147)**	**(25,086)**	**1,061**
(Surplus) or Deficit on Provision of Services	**(3,291)**	**123**	**(2,417)**	**(2,540)**
Net Transfer to/(from) Earmarked Reserves in the Year	**3,291**	**(123)**	**2,417**	**2,540**

In 2018/19 the Council has been able to transfer £1.969m to the In-Year Savings Reserve. The In-Year Savings Reserve was previously created to provide funding for future year budget shortfalls.

Communities received £0.549m of Social Prescribing Transformation funding from NHS Ipswich and East Suffolk Clinical Commissioning Group (CCG) and a further £0.155m of external funding for other community projects, for example the Hidden Needs Project. This funding was not anticipated as part of the budget, hence contributing in the main to the £0.851m favourable variance on Communities at the year end.

The £1.710m unfavourable variance on Business Rates income for the year is due to a higher than expected Levy payment to the Suffolk Pool, of £1.962m. This is the result of a decrease in the provision for appeals. Due to accounting timing differences, the impact on the Collection Fund deficit/surplus will not be reflected in the General Fund until two years time (2021). The 2018/19 planned transfer to the Business Rates Equalisation Reserve has been reduced to finance this temporary shortfall in Business Rates income. The reason for the decrease to the appeals provision is explained further in this report under 'Provisions and Contingencies'.

An outturn report for 2018/19 will be presented to East Suffolk Council's Cabinet meeting on 8th July 2019.

Capital Programme

The successful delivery of many of the 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.

Capital budgets are approved for the life of the project which can span more than one financial year. Any capital budgets for a project that remain unspent at the end of the financial year are carried forward to the following year. Similarly, with projects that are ahead of the original profile, budgets can be brought forward. The table below summarises the capital programme expenditure and financing for 2018/19. £1.5m of the variance at the end of the year is due to projects being rephrased to 2019/20 and the budgets will be carried forward accordingly.

The outturn report presented to Cabinet on 8th July 2019 will provide further information on the Capital Programme performance in 2018/19.

Service Area	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Outturn £'000	2018/19 Variance £'000
Environmental Services & Port Health	40	235	134	(101)
Financial Services,Corporate Performance & Risk Management	5,170	635	51	(584)
ICT Services	32	390	390	0
Operations	7,217	7,468	6,062	(1,406)
Planning & Coastal Management	40	110	20	(90)
Total General Fund Capital Expenditure	**12,499**	**8,838**	**6,657**	**(2,181)**
Financed By:				
External:				
Grants	40	75	0	(75)
Internal:				
Reserves	12,459	8,763	6,657	(2,106)
Total General Fund Capital Financing	**12,499**	**8,838**	**6,657**	**(2,181)**

Reserves and Balances

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. The Council has a policy of maintain the level of General Fund balance at around 3% to 5% of its budgeted gross expenditure. The General Fund 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. No movements to or from the General Fund balance have been made in 2018/19 and as at 31st March 2019 the balance is held at £4.00m.

The Council holds a number of Earmarked Revenue Reserves which have been established to meet known or predicted liabilities or to hold balances of grants and external funding which is committed to future year spend. The Council annual reviews its reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As at the 31st March 2019 the total balance on Earmarked Reserves stood at £33.088m, an increase of £2.417m on the previous year. Earmarked Reserves to highlight include:

- **Business Rates Equalisation Reserve (Balance as at 31st March 2019, £7.675m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in particular in relation to Business Rates appeals and for year-end surpluses/deficits needing to be estimated in advance.
- **Port Health Reserve (Balance as at 31st March 2019, £4.623m)** – Port Health is a ring-fenced account within the General Fund. This reserve is Port Health income held to provide a source of finance support for future investment and development of the Council's infrastructure at the Port of Felixstowe.
- **In-Year Savings Reserve (Balance as at 31st March 2019, £4.537m)** – This is prior year savings set-aside to support future year budget pressures. Use of this reserve is planned in 2019/20 as presented in the East Suffolk Council Budget for 2019/20 (Shadow Council meeting on 28th February 2019).
- **New Homes Bonus (Balance as at 31st March 2019, £3.515m)** – New Homes Bonus funding is allocated to fund specific community initiatives and projects. Any unallocated in-year funding is held in this reserve. It has been agreed as part of the East Suffolk Budget for 2019/20 for this approach to continue from 1st April 2019.
- **Business Rate Pilot Reserve (Balance as at 31st March 2019, £1.580m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £2.297m. This income has been transferred to this reserve and is to be used to provide funding for agreed projects (£0.717m used in 2018/19).

A summary of the movements on Earmarked Reserves is provided in Note 8 to the Statement of Accounts.

Interests in Companies and Other Entities

Suffolk Coastal District Council has held a 20% share of Suffolk Coastal Norse Limited (Ltd) since 1st April 2009. Suffolk Coastal Norse Ltd provides a package of services including refuse, cleansing and maintenance. Payments made to Suffolk Coastal Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council's Statement of Accounts. Total payments to Suffolk Coastal Norse Ltd were £8.514m in 2018/19 (£8.183m in 2017/18).

Pension Liabilities

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.

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 £33.389m in 2018/19 (£28.380m in 2017/18). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. The overall increase of £5.009m in the liability is primarily due to financial assumptions at 31st March 2019 being less favourable than at 31st March 2018.

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.

Provisions and Contingencies

As part of the National Non Domestic Rates (NNDR1) return in January 2018, the Council had to estimate the business rates income expected to be received in 2018/19 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.

For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. A provision of 4.04% has been calculated for the two large hereditaments within the Council's valuation list. For the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 4.04% trend analysis and then finally take 25% of the value as the provision. The provision for Business Rates appeals has decreased by £1.596m, as shown in the Collection Fund Note to the Financial Statements.

5. Risks and Opportunities

Risks

The Council does have a Corporate Risk Management Strategy which has been adopted for East Suffolk Council from 1st April 2019. The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. A detailed review of all corporate risks is undertaken quarterly by Corporate Management Team at Corporate Governance Days and the Corporate Risk Management Group is held every six months to manage, monitor and consider risks including the management of the risk process. All Corporate Risks, significant for the Council, are reported to the Audit and Governance Committee in March. The high level details as at 31st March 2019 are:

Corporate Risk	Current rating	Target rating	Projected Direction
Medium Term Overview	Amber	Green	→
Asset Management Strategy	Amber	Green	↑
ICT (including Disaster Recovery for ICT)	Amber	Amber	→
Programme and Project Delivery	Amber	Green	↑
Digital Transformational Services	Amber	Green	↑
Welfare Reform (Universal Credit) Impact	Amber	Green	→
Housing Development Programme	Amber	Green	↑
Safeguarding	Amber	Green	→
General Data Protection Regulation	Amber	Green	→
Brexit	Amber	Green	→
Service Delivery Contracts / Partnerships *(large/'significant)*	Amber	Green	↑
Service Delivery Contracts / Partnerships *'other')*	Green	Green	↑
'One Council' East Suffolk Council	Green	Green	↑
Ethical Standards (maintain and promote)	Green	Green	→
Service Planning	Green	Green	↑
East Suffolk Business Plan	Green	Green	↑
Capital Programme	Green	Green	↑

Action plans are in place to continue to improve mitigation for cyber threats and risks.

The impact of Brexit is as yet uncertain, but is likely to affect interest and inflation rates, labour costs and property and rental values, as well as the business and tourist economies. A Suffolk wide Brexit group has been set-up at which the Council is represented.

Opportunities

Looking forward to East Suffolk Council from 1st April 2019 will provide further opportunities for cash savings and non-cash efficiency savings. It will place the Council in the best position to take advantage of opportunities - ensuring value for money for residents and become more financially resilient.

East Suffolk is recognised by many as an economic powerhouse area, with many major assets located in the district such as Felixstowe Port, BT's global Research and Development Head Quarters, offshore wind sector and nuclear energy (Sizewell Power Plant). Developments likely to bring significant economic and employment opportunities for the district include:

- The Port of Felixstowe is now the largest container port in the UK and further expansion (especially in supporting infrastructure) is planned; and
- Sizewell Power Plant major expansion - development of "Sizewell C", a third Nuclear Power Station on the site.

Lowestoft, along with neighbouring Great Yarmouth Borough Council, are one of only six locations in England that have been designated as a Centre for Offshore Renewable Engineering (CORE) status by the Government.

CORE status is awarded through recognising the existing port infrastructure, skills, supply chain and Local Government support to enable rapid growth within the offshore wind sector.

Tourism is an important part of the Council's economy. Visitors are attracted by the character, culture, festivals, music, art, food, drink, clean beaches and spectacular coastline, with areas of the district designated as Areas of Outstanding Natural Beauty (AONB).

The Council will also be able to increase its ability to extend social housing, with the Housing Revenue Account (formerly part of Waveney District Council) being able to operate in the new East Suffolk district from 1st April 2019.

6. Looking Forward

Since the two Councils started working in partnership in 2008, over £22m of efficiency savings have been made whilst maintaining a reputation for delivering a high standard of service. With the creation of a single council from 1st April 2019, it will provide opportunities for East Suffolk Council to realise further cost savings through a reduction in external costs whilst operating as two separate legal entities and being able to renegotiate contracts.

Additional non-cashable savings will be achievable due to the removal of duplication of time and effort by officers, with capacity and resources being released to deliver more for the residents. With a combined population of almost 247,000 and covering an area of 487 square miles, East Suffolk Council will be the largest district council in the country and will be able to develop a stronger voice to represent its residents, businesses and communities.

The East Suffolk General Fund budget for 2019/20 was approved by Shadow Council on 28th February 2019 and presented the Medium Term Financial Strategy (MTFS) through to 2022/23. To deliver a balanced budget for 2019/20, £3.019m is planned to be used from the In-Year Savings Reserve. Going forward, the MTFS for 2020/21 currently reports a budget gap of £3.841m, increasing to £3.872m by 2022/23.

Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. The Government is working towards significant reform of the local government finance system from 2020/21, which creates uncertainty for the Council going forward. In the current MTFS the Council has assumed no core funding from 2020/21 onwards in the form of RSG and Rural Services Delivery Grant (total of £0.571m in 2019/20).

Also, due to the high degree of uncertainty regarding the future reform of the local government financing system, business rates income above baseline has not been included in the East Suffolk Council MTFS from 2020/21.

In January 2019 a General Fund Capital Programme of £153m was approved for East Suffolk Council for the period 2019/20 to 2022/23, including:

- Redevelopment of Leiston Leisure Centre – continuing to build on the Council's commitment to improve leisure facilities in the district and to encourage active lifestyles for residents,
- Flood Risk Management/Tidal Barrier – Lowestoft tidal barrier is a major project to construct a permanent tidal wall to protect Lowestoft from future tidal surges,
- Normanston Footbridge (£1.7m) – a new pedestrian/cycle bridge over the railway adjacent to the existing Network Rail bridge,
- Commercial Investment – £5m has been set aside for East Suffolk Council to deliver commercial investment plans. The Council's Commercial Investment Strategy has now been developed into a business case advocating a wide ranging commercial investment and trading delivery approach, including the creation of a Local Authority Trading Company (LATCO). This is due to be progressively phased in during 2019/20; and
- Land Acquisitions – £5m has been allocated to finance strategic land acquisitions, aimed at advancing the Council's housing and regeneration priorities.

The capital expenditure is financed from a combination of external grants and contributions, borrowing and the Council's own financial resources.

East Suffolk Council is faced with exciting opportunities but also some challenges, from a national and local level. At a national level it is the financial uncertainty surrounding the Government's reform of the local government financing system and the impact of Brexit. At a local level, the district has areas presenting economic challenges and it will be imperative for the Council to ensure that its planning policies continue to support a proportionate and sustainable growth in employment, the local economy, housing and transport and communications infrastructure.

The Council will need to respond in increasingly innovative ways to support its communities and maintain the momentum of improvement over the medium and longer term. Overall, the Council's budget is robust, and it has sufficient earmarked and general balances to manage key risks and challenges and deliver on a range of ambitions. However, it is important that the Council recognises the risks to incentivised income areas outside of the budget itself, and does not become over reliant on these sources to both balance the budget and to finance its longer-term ambitions. It is imperative that the Council's commitment to strong financial governance is maintained and strengthened.

7. Covid-19, Going Concern Issues, and Looking Forward

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

As a result of the final version of these statements being approved in September 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Suffolk Coastal DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

Covid-19 Impact (as at 17 July 2020)

General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

STATEMENT OF RESPONSIBILITIES

<u>The Council's Responsibilities</u>

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 Geoff Lynch
Chairman of Audit & Governance Committee, East Suffolk Council – 29th July 2019

<u>The Chief Finance Officer's Responsibilities</u>

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 2018/19* (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.

<u>Certificate by the Chief Finance Officer</u>

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 2019 and its income and expenditure for the year ending on that date.

Simon Taylor (CPFA)
Chief Finance Officer and S151 Officer, East Suffolk Council – 31st May 2019

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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 & Expenditure Statement	**2018/19 (Note 7)** Adjustments between the Funding & Accounting Basis				**Net Expenditure Chargeable to General Fund Balance**		**Net Expenditure in the Comprehensive Income & Expenditure Statement**	**2017/18 (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**
10	-	113	-	113	123	Communities	222	-	124	-	124	346
601	-	81	-	81	682	Customer Services	429	-	65	-	65	494
1,192	(238)	95	-	(143)	1,049	Economic Development and Regeneration	2,243	(1,731)	81	-	(1,650)	593
(61)	(10)	533	-	523	462	Environmental Services and Port Health	(282)	-	516	-	516	234
711	(159)	1,376	-	1,217	1,928	Financial Services, Corporate Performance and Risk Management	181	(7)	1,474	-	1,467	1,648
813	(123)	103	-	(20)	793	Housing Operations and Landlord Services	614	(46)	87	-	41	655
1,287	(156)	94	-	(62)	1,225	ICT Services	1,348	(151)	90	-	(61)	1,287
301	-	75	-	75	376	Internal Audit	283	-	71	-	71	354
1,413	(1)	109	-	108	1,521	Legal and Democratic Services	1,153	(2)	94	-	92	1,245
6,599	(1,492)	38	-	(1,454)	5,145	Operations	9,154	(3,198)	24	-	(3,174)	5,980
1,716	(740)	337	-	(403)	1,313	Planning and Coastal Management	1,282	(743)	315	-	(428)	854
667	-	184	-	184	851	Revenue and Benefits	500	(2)	191	-	189	689
1,193	-	193	-	193	1,386	Senior and Corporate Management	1,204	-	165	-	165	1,369
16,442	**(2,919)**	**3,331**	**-**	**412**	**16,854**	**Cost of Services**	**18,331**	**(5,880)**	**3,297**	**-**	**(2,583)**	**15,748**
4,557	(1,329)	-	-	(1,329)	3,228	Other Operating Expenditure	3,435	(378)	-	-	(378)	3,057
424	7,566	(4,479)	(72)	3,015	3,439	Financing and Investment Income and Expenditure	674	3,048	(4,333)	-	(1,285)	(611)
(32,369)	3,565	-	2,809	6,374	(25,995)	Taxation and Non-Specific Grant Income	(26,900)	3,657	-	644	4,301	(22,599)
(10,946)	**6,883**	**(1,148)**	**2,737**	**8,472**	**(2,474)**	**(Surplus) on Provision of Services**	**(4,460)**	**447**	**(1,036)**	**644**	**55**	**(4,405)**
					(34,672)	Opening General Fund Balance						(30,267)
					(2,474)	Plus (Surplus) on General Fund Balance in Year						(4,405)
					(37,146)	Closing General Fund Balance at 31 March						**(34,672)**

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	
	2018/19			2017/18			2018/19	2017/18
	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	1,729	(1,719)	**10**	3,004	(2,782)	**222**	**10**	**222**
Customer Services	612	(11)	**601**	454	(25)	**429**	**601**	**429**
Economic Development and Regeneration	1,760	(568)	**1,192**	3,007	(764)	**2,243**	**1,192**	**2,243**
Environmental Services and Port Health	5,646	(5,707)	**(61)**	5,206	(5,488)	**(282)**	**(61)**	**(282)**
Financial Services, Corporate Performance and Risk Management	1,124	(413)	**711**	666	(485)	**181**	**711**	**181**
Housing Operations and Landlord Services	2,239	(1,426)	**813**	1,978	(1,364)	**614**	**813**	**614**
ICT Services	1,318	(31)	**1,287**	1,417	(69)	**1,348**	**1,287**	**1,348**
Internal Audit	511	(210)	**301**	499	(216)	**283**	**301**	**283**
Legal and Democratic Services	1,727	(314)	**1,413**	1,464	(311)	**1,153**	**1,413**	**1,153**
Operations	12,517	(5,918)	**6,599**	13,363	(4,209)	**9,154**	**6,599**	**9,154**
Planning and Coastal Management	4,179	(2,463)	**1,716**	3,910	(2,628)	**1,282**	**1,716**	**1,282**
Revenue and Benefits	25,665	(24,998)	**667**	26,891	(26,391)	**500**	**667**	**500**
Senior and Corporate Management	1,729	(536)	**1,193**	1,235	(31)	**1,204**	**1,193**	**1,204**
Total Cost of Services	**60,756**	**(44,314)**	**16,442**	**63,094**	**(44,763)**	**18,331**	**16,442**	**18,331**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
		2018/19			2017/18		2018/19	2017/18
	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	60,756	(44,314)	16,442	63,094	(44,763)	18,331	16,442	18,331
Other Operating Expenditure (note 11)			4,557			3,435	4,557	3,435
Financing and Investment Income and Expenditure			424			674	424	674
Taxation and Non-Specific Grant Income (note 12)			(32,369)			(26,900)	(32,369)	(26,900)
(Surplus) or Deficit on Provision of Services			(10,946)			(4,460)	(10,946)	(4,460)
Share of (Surplus) / Deficit on the Provision of services by Associate (note 29)			-			-	(1)	(2)
Tax expenses of Associate (note 29)			-			-	2	4
(Surplus) / Deficit			(10,946)			(4,460)	(10,945)	(4,458)
(Surplus) or deficit on revaluation of non-current assets (note 20)			(2,604)			(1,644)	(2,604)	(1,644)
(Surplus) or deficit on revaluation of available for sale financial assets			(109)			109	(109)	109
Remeasurement of the net defined benefit liability / (asset) (note 20)			3,860			(3,695)	3,860	(3,695)
Other Comprehensive Income and Expenditure			1,147			(5,230)	1,147	(5,230)
Total Comprehensive Income and Expenditure			(9,799)			(9,690)	(9,798)	(9,688)

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 2017	**(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	(4,460)	-	-	-	**(4,460)**	-	**(4,460)**	-	**(4,460)**
Other Comprehensive Expenditure and Income	-	-	-	-	**-**	(5,230)	**(5,230)**	-	**(5,230)**
Total Comprehensive Expenditure and Income	**(4,460)**	**-**	**-**	**-**	**(4,460)**	**(5,230)**	**(9,690)**	**-**	**(9,690)**
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 29)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**2**
- Share of Actuarial Gains/Losses (note 29)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(96)**	**(96)**
Net (Increase) / Decrease before Transfers	**(4,460)**	**-**	**-**	**-**	**(4,460)**	**(5,230)**	**(9,690)**	**(94)**	**(9,784)**
Adjustments between accounting basis and funding basis under regulations (note 9)	56	-	424	(2,636)	**(2,156)**	2,156	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(4,404)**	**-**	**424**	**(2,636)**	**(6,616)**	**(3,074)**	**(9,690)**	**(94)**	**(9,784)**
Transfer to / from Earmarked Reserves (note 10)	4,599	(4,599)	-	-	**-**	-	**-**	-	**-**
(Increase) / Decrease in Year	**195**	**(4,599)**	**424**	**(2,636)**	**(6,616)**	**(3,074)**	**(9,690)**	**(94)**	**(9,784)**
Balance at 31 March 2017 carried forward	**(4,000)**	**(30,671)**	**-**	**(7,292)**	**(41,963)**	**(28,868)**	**(70,831)**	**129**	**(70,702)**
Balance at 31 March 2017 brought forward	**(4,000)**	**(30,671)**	**-**	**(7,292)**	**(41,963)**	**(28,868)**	**(70,831)**	**129**	**(70,702)**

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**
Movement in reserves during 2018/19									
(Surplus) or deficit on provision of services	(10,946)	-	-	-	**(10,946)**	-	**(10,946)**	-	**(10,946)**
Other Comprehensive Expenditure and Income	-		-	-	**-**	1,147	**1,147**	**-**	**1,147**
Total Comprehensive Expenditure and Income	**(10,946)**	**-**	**-**	**-**	**(10,946)**	**1,147**	**(9,799)**	**-**	**(9,799)**
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 29)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**
- Share of Actuarial Gains/Losses (note 29)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**214**	**214**
Net (Increase) / Decrease before Transfers	**(10,946)**	**-**	**-**	**-**	**(10,946)**	**1,147**	**(9,799)**	**215**	**(9,584)**
Adjustments between accounting basis and funding basis under regulations (note 9)	8,473		(50)	(3,994)	**4,429**	(4,429)	**-**	**-**	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(2,473)**	**-**	**(50)**	**(3,994)**	**(6,517)**	**(3,282)**	**(9,799)**	**215**	**(9,584)**
Transfer to / from Earmarked Reserves (note 10)	2,474	(2,474)	-	-	**-**	-	**-**	**-**	**-**
(Increase) / Decrease in Year	**1**	**(2,474)**	**(50)**	**(3,994)**	**(6,517)**	**(3,282)**	**(9,799)**	**215**	**(9,584)**
Balance at 31 March 2019 carried forward	**(3,999)**	**(33,145)**	**(50)**	**(11,286)**	**(48,480)**	**(32,150)**	**(80,630)**	**344**	**(80,286)**

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	2018/19	2017/18	2018/19	2017/18
		£'000	£'000	£'000	£'000
Property, Plant and Equipment	13	60,007	54,462	60,007	54,462
Heritage Assets		353	353	353	353
Intangible Assets		187	288	187	288
Long Term Investments	14 + 31	7,429	2,401	7,429	2,401
Investment in Associate	29	-	-	(344)	(129)
Long Term Debtors	30	1,093	1,904	1,093	1,904
Long Term Assets		**69,069**	**59,408**	**68,725**	**59,279**
Short Term Investments	14	50,646	44,116	50,646	44,116
Current Assets held for sale	16	2,144	2,144	2,144	2,144
Inventories		-	-	-	-
Short Term Debtors	15	13,870	9,798	13,870	9,798
Cash and Cash Equivalents	Cash Flow	13,600	7,583	13,600	7,583
Current Assets		**80,260**	**63,641**	**80,260**	**63,641**
Short Term Creditors	17	(27,996)	(18,287)	(27,996)	(18,287)
Short Term Capital Grants Receipts in Advance	19	(298)	(245)	(298)	(245)
Current Liabilities		**(28,294)**	**(18,532)**	**(28,294)**	**(18,532)**
Long Term Creditors	14	(288)	(96)	(288)	(96)
Long Term Provisions	18	(4,135)	(2,709)	(4,135)	(2,709)
Long Term Capital Grants Receipts in Advance	19	(2,592)	(2,500)	(2,592)	(2,500)
Other Long Term Liabilities - Pension Liability	27	(33,389)	(28,380)	(33,389)	(28,380)
Long Term Liabilities		**(40,404)**	**(33,685)**	**(40,404)**	**(33,685)**
Net Assets		**80,631**	**70,832**	**80,287**	**70,703**
Capital Reserves					
Capital Receipts Reserve		(50)	-	(50)	-
Capital Grants Unapplied Reserve		(11,286)	(7,292)	(11,286)	(7,292)
Earmarked Reserves	10	(2,361)	(275)	(2,361)	(275)
Share of Reserves of Associate	29	-	-	344	129
Revenue Reserves					
General Fund		(3,999)	(4,000)	(3,999)	(4,000)
Earmarked Reserves	10	(30,784)	(30,396)	(30,784)	(30,396)
Total usable reserves		**(48,480)**	**(41,963)**	**(48,136)**	**(41,834)**
Unusable reserves	20	(32,150)	(28,869)	(32,150)	(28,869)
Total Reserves		**(80,630)**	**(70,832)**	**(80,286)**	**(70,703)**

Simon Taylor (CPFA)
Chief Finance Officer

31st May 2019

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.

	2018/19 £'000		2017/18 £'000	
Net (surplus) or deficit on the provision of services		**(10,946)**		**(4,460)**
Adjust net surplus or deficit on the provision of services for non cash movements:				
- Depreciation and Amortisation	**(2,573)**		(3,030)	
- Impairment and Downward valuations	**159**		(2,556)	
- Impairment For Bad Debts	**8**		-	
- Change in Creditors	**(3,056)**		(721)	
- Change in Debtors	**4,127**		2,655	
- Change in Inventory			-	
- Pension Liability	**(1,149)**		(1,037)	
- Other non-cash items charged to Surplus / Deficit on Provision of Services	**(1,608)**		(239)	
- Carrying value of Non-Current Assets disposed	**(1,379)**		(435)	
		(5,471)		**(5,363)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**5,262**		**5,030**
Net cash flows from Operating Activities		**(11,155)**		**(4,793)**
Investing Activities:				
- Purchase of property, plant and equipment, and intangible assets	**5,797**		3,659	
- Purchase of short-term and long-term investments	**259,500**		74,000	
- Other payments for investing activities	**2**		3	
- Proceeds from the sale of property, plant and equipment, and intangible assets	**(50)**		(102)	
- Proceeds from short-term and long-term investments	(248,000)		(50,500)	
- Other receipts from investing activities	(5,254)		(5,472)	
		11,995		**21,588**
Financing Activities:				
- Other receipts from financing activities	(6,893)		(2,556)	
- Other payments from financing activities	36		37	
		(6,857)		**(2,519)**
Net increase or decrease in cash and cash equivalents		**(6,017)**		**14,276**
Cash and cash equivalents at the beginning of the reporting period		**(7,583)**		**(21,859)**
Cash and cash equivalents at the end of the reporting period (See below)		**(13,600)**		**(7,583)**
- Bank account		4,597		1,575
- Short-term deposits		9,003		6,008
Cash and cash equivalents at the end of the reporting period		**13,600**		**7,583**
The cashflows for operating activities include the following items:				
- Interest received		426		240
- Dividends received		108		10

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19*, 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).

Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

As a result of the final version of these statements being approved in September 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Suffolk Coastal DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

Covid-19 Impact (as at 17 July 2020) General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

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 2018/19 accounts is 2.4% 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 are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss; and
- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 financial assets held by the Council, 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.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the 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 2018/19, 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 2019. 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 2018/19 is:

- 31st December 2018 for assets measured at current value;
- 31st December 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.

Contingent liability

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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.

<u>Accounting for council tax and NDR</u>

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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

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 2018/19 Code:

- *IFRS 9 Financial Instruments: prepayment features with negative compensation*, amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.
- *IAS 40 Investment Property: transfers of investment property,* provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it does not have any investment properties.
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*, clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.

- *IFRIC 23 Uncertainty over Income Tax Treatments,* provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- *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). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1st April 2020.

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 2018/19. 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 2018, the Council had to estimate the business rates income expected to be received in 2018/19 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.

  For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. A provision of 4.04% has been calculated for the two large hereditaments within the Council’s valuation list and then for the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 4.04% trend analysis and then finally take 25% of the value 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 £245k 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 2019, the Council had a balance of sundry debtors of £8.390m. A review of significant balances suggested that an impairment allowance for doubtful debts of £2.022m 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 £23.399 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 is one item to disclose for 2018/19 (which was the same one item disclosed in 2017/18).

The Council is the lead authority hosting Suffolk Sports – The County Sports Partnership for Suffolk. As Suffolk Sports is not a legal entity, all income and expenditure goes through the Statement of Accounts for the Council, but is identifiable through the use of its own department codes. Suffolk Sports has its own independent Board made up of 12 individuals who shall direct the affairs of Suffolk Sport in accordance with its objectives and Rules. It will be responsible for maintaining the focus of Suffolk Sport and driving the business forward.

Suffolk Sports is funded through grant funding provided by Sports England and contributions from each of the Suffolk Local Authorities. The Council does not make any decisions of how this funding is spent, it is the responsible of the Suffolk Sports Board.

Within the Council's Comprehensive Income and Expenditure Account (CIES), Suffolk Sports income and expenditure is included within the Communities service line. Of the £1.719 million (£2.782 million in 2017/18) of Gross Income for Communities in the CIES, Suffolk Sports gross income for 2018/19 equates to £1.012 million (£2.021 million in 2017/18). Of the £1.729 million (£3.004 million in 2017/18) of Gross Expenditure for Communities in the CIES, Suffolk Sports gross expenditure for 2018/19 equates to £0.957 million (£1.316 million for 2017/18). A breakdown of the income and expenditure is provided below, along with the amount of surplus transferred to earmarked reserves (Note 10):

	2018/19 £,000	2017/18 £,000
Income:		
Educational Courses	(21)	(3)
Leisure Activity Fees	(6)	(23)
Contributions from Local Authorities	(92)	(861)
Contributions from NHS	(39)	-
Contributions from other entities	(854)	(1,134)
	(1,012)	**(2,021)**
Expenditure:		
Employee expenses	761	704
Transport costs	4	4
Supplies and services	116	167
Grants and subscriptions	76	441
	957	**1,316**
(Surplus) transferred to earmarked reserves	**(55)**	**(705)**

6. Events after the reporting period

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2019. 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 2019, 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 2018/19 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 are three non-adjusted Post Balance Sheet Events to disclose. The first is 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 entered into a shadow period, in which the Shadow Authority and Shadow Executive made decisions on behalf of East Suffolk Council until it came into effect on 1st April 2019.

On the 1st April 2019, the Suffolk Coastal and Waveney districts were abolished as local government areas and the District Councils were wounded up and dissolved. All functions and duties have transferred across to East Suffolk Council, which commenced as a new non-metropolitan district council and is responsible for the preparation and approval of the predecessor Councils accounts.

The second note relates to the former Council offices at Melton Hill, Woodbridge. These were classified in the balance sheet as an Asset Held for Sale as at 31st March 2019. However, disposal of the offices did not take place and in February 2020 they were reclassified as a Surplus Asset in the East Suffolk Council balance sheet.

The third note relates to the impact of the Covid-19 pandemic and the lockdown measures announced on 23 March 2020, which effectively closed down a significant part of the economy. These measures gradually began to be eased from June 2020 onwards, but the full economic, financial, and social outcomes of the pandemic and the resulting economic recession are yet to be ascertained. It is anticipated that there will be significant impacts upon both the UK and global economy in at least the short to medium term. The financial impact for 2020/21 and subsequent financial years may be greater than currently forecast and there could be further implications and considerations for East Suffolk Council's Balance Sheet in relation to asset impairments and pension fund liability valuations.

Following a review of the Balance Sheet as at 31 March 2019, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

• Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.

• Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 28. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

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

	2018/19	2017/18
	£'000	£'000
Expenditure		
Employee benefits expenses	14,702	13,915
Other service expenses	43,642	43,592
Depreciation, amortisation, impairment	2,414	5,586
Interest payments	851	952
Net (gains)/losses on financial assets at fair value through profit and loss	72	-
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	54	-
Precepts and levies	3,235	3,061
Share of deficit on collection fund	-	426
Business rates tariff payment and levy	44,478	18,374
Gain or loss on the disposal of assets	1,322	375
Total expenditure	**110,770**	**86,281**
Income		
Fees, Charges and other service income	(44,313)	(44,764)
Interest and investment income	(554)	(278)
Income from council tax, non-domestic rates, district rate income	(66,205)	(36,777)
Government grants and contributions	(10,644)	(8,922)
Total income	**(121,716)**	**(90,741)**
Surplus or deficit on the provision of services	**(10,946)**	**(4,460)**

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.co

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	(2,556)	-	-	**(2,556)**	2,556
- 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	(722)	-	-	**(722)**	722
- 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:					
- Capital expenditure charged against the General Fund balance	3,048	-	-	**3,048**	(3,048)
Adjustment involving the Capital Grants Unapplied Account:					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4,274	-	(4,274)	**-**	-
- Application of grants to capital financing	-	-	1,638	**1,638**	(1,638)
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)

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 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	**56**	**424**	**(2,636)**	**(2,156)**	**2,156**

2018/19	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	(2,431)	-	-	**(2,431)**	2,431
- Revaluation losses on Property, Plant and Equipment	159	-	-	**159**	(159)
- Amortisation of intangible assets	(141)	-	-	**(141)**	141
Expenditure capitalised under Approvals					
- Capital grants and contributions that have been applied to capital financing	90	-	-	**90**	(90)
- Revenue expenditure funded from capital under statute	(795)	-	-	**(795)**	795
- Revenue expenditure funded from community infrastructure levies	(152)	-	-	**(152)**	152
- Revenue expenditure funded from section 106 receipts	(214)	-	-	**(214)**	214
- 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	(1,379)	-	-	**(1,379)**	1,379
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	6,657	-	-	**6,657**	(6,657)
Adjustment involving the Capital Grants Unapplied Account					
- Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	5,041	-	(5,041)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	1,047	**1,047**	(1,047)
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	50	(50)	-	**-**	-

2018/19	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 Pooled Investments Adjustment Account:					
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride	(72)	-	-	**(72)**	72
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	(4,479)	-	-	**(4,479)**	4,479
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,330	-	-	**3,330**	(3,330)
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	2,809	-	-	**2,809**	(2,809)
Total Adjustments	**8,473**	**(50)**	**(3,994)**	**4,429**	**(4,429)**

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 2017/18 and 2018/19.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Actuarial Contributions	**221**	(32)	161	**350**	-	-	**350**	To meet the cost of lump sum payments to the Pension Fund and redundancy costs.
Air Quality	**76**	-	21	**97**	-	-	**97**	To provide a source of finance for Air Quality Management Areas.
Benefit Verification	**313**	(37)	31	**307**	(95)	-	**212**	To provide a source of finance to implement legislative changes, transformation and other service improvement including the roll out of Universal Credit.
Better Broadband Suffolk	**-**	-	36	**36**	-	-	**36**	To provide funding support toward the Better Broadband project across the district.
Brexit	**-**	-	-	**-**	-	17	**17**	External funding recevied for expenditure incurred as a result of Brexit.
Business Incentive	**116**	(38)	-	**78**	(25)	45	**98**	To support economic development throughout the district.
Business Rate Equalisation	**12,706**	(3,123)	2,942	**12,525**	(5,980)	1,130	**7,675**	To provide a source of finance to equalise the effect of changes in Business Rate income.
Business Rate Pilot	**-**	-	-	**-**	(717)	2,297	**1,580**	Income from the Business Rate Retention Pilot, set aside to support identified projects.
Capital	**24**	-	231	**255**	-	2,086	**2,341**	To provide an additional source of finance for unspecified capital investment plans.
Carry Forwards	**232**	(152)	193	**273**	(210)	48	**111**	Budget carry forward requests.
Climate Change (includes Suffolk Energy Link)	**40**	(3)	-	**37**	(2)	22	**57**	To provide an additional source of finance for initiatives to reduce climate change and to promote energy efficiency.
Coastal Protection	**175**	(155)	-	**20**	-	-	**20**	To provide a source of finance to fund capital expenditure on coastal defences in the district.
Coastal Management	**94**	-	41	**135**	-	70	**205**	To provide a source of finance to fund revenue expenditure on coastal defences in the district.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Community Health	**40**	(20)	-	**20**	(10)	2	**12**	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	**1,525**	(10)	-	**1,515**	(7)	-	**1,508**	To enable local community groups to deliver affordable housing units.
Community Safety	**66**	(5)	2	**63**	(39)	773	**797**	To provide a source of finance to support anti-social behaviour and crime reduction initiatives.
Domestic Violence	**-**	-	53	**53**	-	-	**53**	Funding received to provide support to schemes supporting those affected by domestic violence.
Economic Development	**39**	-	-	**39**	(11)	71	**99**	Funding provided to support the delivery of Economic Development projects.
Elections	**53**	-	30	**83**	-	30	**113**	To provide a source of finance for the Council to meet the cost of District elections which take place every four years.
Empty Property	**190**	-	-	**190**	(1)	-	**189**	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**	(84)	-	**234**	-	-	**234**	To facilitate the delivery of the Council's Business Plan including any emerging priorities.
Felixstowe Forwards	**-**	-	-	**-**	-	33	**33**	External funding received to fund projects in Felixstowe.
Growth Programme	**-**	-	-	**-**	-	184	**184**	External funding recevied to fund work on Suffolk Desing Concepts.
Homelessness Prevention	**109**	(2)	99	**206**	(59)	42	**189**	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Housing and Planning Delivery	**182**	-	-	**182**	-	-	**182**	To provide a source of finance to fund service improvements in these service areas.
Housing Condition Survey	**67**	(18)	-	**49**	-	18	**67**	To meet the cost of the periodic survey of private sector housing within the district.
HCA Development Grant	**-**	-	75	**75**	-	-	**75**	Funding received for the Adastral Park development.
Individual Electoral Registration	**97**	-	-	**97**	-	15	**112**	To meet the additional cost for administration of Individual Electoral Registration.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
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	**1,850**	-	718	**2,568**	-	2,026	**4,594**	In-Year savings set aside to support future year budget gaps.
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**	-	20	**147**	To provide a source of finance to implement service enhancements.
Local Development Framework	**455**	-	48	**503**	(76)	50	**477**	To meet the costs arising from the periodic preparation and adoption of the Local Development Framework.
New Homes Bonus	**2,115**	-	926	**3,041**	-	474	**3,515**	To provide a source of finance to fund specific initiatives including the delivery of the Council's Business Plan.
Planning & Building Control	**-**	(3)	15	**12**	(4)	29	**37**	To provide a source of finance for professional training and development needs of the service.
Port Health	**3,694**	-	788	**4,482**	(134)	275	**4,623**	To provide a source of finance to support the future investment and development of the Authority's infrastructure at the Port of Felixstowe.
Private Sector Housing Renovation Grants	**83**	-	655	**738**	(6)	140	**872**	Grants repaid set aside to fund future Renovation works.
Transformation	**457**	(57)	270	**670**	(156)	192	**706**	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**	(21)	9	**66**	(31)	69	**104**	To provide a source of finance to fund grants towards heating of homes.
Youth Leisure	**-**	-	10	**10**	-	-	**10**	Project funding received to support Active Leisure for young people.

	Balance 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance 31 March 2018	Transfers Out 2018/19	Transfers in 2018/19	Balance 31 March 2019	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
General Fund:								
County Sports Partnership	-	-	705	**705**	(82)	137	**760**	Funding received to support the delivery of the County Sports Partnership.
East Suffolk Partnership	-	-	300	**300**	(177)	-	**123**	Funding received to support the delivery of projects and initiatives of the East Suffolk Partnership.
Total	**26,072**	**(3,760)**	**8,359**	**30,671**	**(7,822)**	**10,296**	**33,145**	

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2018/19 £'000	2017/18 £'000
Parish Council precepts	3,128	2,967
Gains/losses on the disposal of non current assets	1,322	375
Levies	107	93
Total	**4,557**	**3,435**

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

	2018/19 £'000	2017/18 £'000
Council tax income	(11,306)	(10,871)
Non domestic rates	(48,964)	(24,740)
Tariff payment to Suffolk County Council	30,734	13,775
Share of (surplus)/deficit on NDR collection fund	(2,323)	426
Share of pooling benefit with other Suffolk Councils	(1,314)	(1,166)
Levy to Central Government for Business Rates	5,131	4,598
Share of Pilot Pooling Benefit with other Suffolk Councils	(2,297)	-
Pilot Gross Payment to Pool	8,614	-
Non-ring fenced government grants	(6,080)	(4,640)
Capital grant and contributions	(4,564)	(4,282)
Total	**(32,369)**	**(26,900)**

13. Comprehensive Income and Expenditure Statement – Financing and investment income and expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	110	173
Pensions interest cost and expected return on pensions assets	741	779
Net (gains)/losses on financial assets at fair value through profit and loss	72	-
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	54	-
Interest receivable and similar income (note 34)	(445)	(268)
Other Investment Income	(108)	(10)
Total	**424**	**674**

14. Property, plant and equipment

Movements in 2018/19:	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2018	35,001	6,481	23,984	174	331	3,359	**69,330**
Additions	815	1,162	91	-	102	4,425	**6,595**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,635	-	-	-	273	-	**1,908**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(256)	-	-	-	112	-	**(144)**
Derecognition - Disposals	(1,310)	-	-	-	(1)	-	**(1,311)**
Derecognition - Other	(38)	(737)	(95)	-	(36)	-	**(906)**
Other movements in Cost or Valuation	3,667	-	-	-	-	(3,672)	**(5)**
At 31 March 2019	**39,514**	**6,906**	**23,980**	**174**	**781**	**4,112**	**75,467**
Accumulated Depreciation and Impairment							
At 1 April 2018	430	4,397	9,863	-	13	165	**14,868**
Depreciation charge	1,261	359	804	-	7	-	**2,431**
Depreciation written out to the Revaluation Reserve	(688)	-	-	-	(4)	-	**(692)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(306)	-	-	-	(1)	-	**(307)**
Derecognition - Disposals	(6)	-	-	-	-	-	**(6)**
Derecognition - Other	(1)	(737)	(95)	-	-	-	**(833)**
Other movements in Depreciation and Impairment	122	-	1	-	-	(124)	**(1)**
At 31 March 2019	**812**	**4,019**	**10,573**	**-**	**15**	**41**	**15,460**
Net Book Value							
At 31 March 2019	**38,702**	**2,887**	**13,407**	**174**	**766**	**4,071**	**60,007**
At 31 March 2018	**34,571**	**2,084**	**14,121**	**174**	**318**	**3,194**	**54,462**

Comparative Movements in 2017/18:

	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
Cost or Valuation								
At 1 April 2017	37,341	6,760	22,728	987	349	24	808	**68,997**
Additions	566	35	168	-	-	2,750	122	**3,641**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	175	-	-	-	(13)	-	-	**162**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(2,989)	-	-	-	(5)	-	-	**(2,994)**
Derecognition - Disposals	(57)	-	-	-	-	-	-	**(57)**
Derecognition - Other	(379)	(39)	-	-	-	-	-	**(418)**
Other movements in Cost or Valuation	344	-	-	-	-	585	(930)	**(1)**
At 31 March 2018	**35,001**	**6,756**	**22,896**	**987**	**331**	**3,359**	**-**	**69,330**
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	**34,571**	**2,300**	**13,274**	**805**	**318**	**3,194**	**-**	**54,462**
At 1 April 2017	**36,570**	**2,608**	**13,829**	**876**	**338**	**24**	**808**	**55,053**

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 2019. 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 2019 was £766k (31st March 2018 was £318k).

Capital Commitments - At 31st March 2019, the Council has no capital commitments in 2018/19.

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 2018/19 was 31st December 2018 for assets measured at current value, assets measured at fair value and those assets at risk of material movements in their valuation during the year.

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	6,906	23,980	174	-	4,112	35,172
Value at current value as at:							
31 March 2019	18,863	-	-	-	781	-	19,644
31 March 2018	9,218	-	-	-	-	-	9,218
31 March 2017	7,848	-	-	-	-	-	7,848
31 March 2016	1,622	-	-	-	-	-	1,622
31 March 2015	1,963	-	-	-	-	-	1,963
Total Cost or Valuation	**39,514**	**6,906**	**23,980**	**174**	**781**	**4,112**	**75,467**

15. Financial instruments

Classification

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft with Lloyds bank;
- lease payables; and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:
  - cash in hand;
  - bank current and deposit accounts with Lloyds and Santander banks;
  - fixed term deposits with banks and building societies;
  - loans to other local authorities;
  - lease receivables; and
  - trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising the pooled property fund managed by CCLA fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s
Liabilities at amortised cost:				
Creditors	-	(96)	(3,095)	(2,169)
Finance leases	-	-	-	(36)
Financial Liabilities in Creditors	**-**	**(96)**	**(3,095)**	**(2,205)**
Non Financial Liabilities	**(40,404)**	**(33,589)**	**(25,029)**	**(16,327)**
Total Financial Liabilities	**(40,404)**	**(33,685)**	**(28,124)**	**(18,532)**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term 31/03/2019 £000s	Long Term 31/03/2018 £000s	Short Term 31/03/2019 £000s	Short Term 31/03/2018 £000s
At amortised cost:				
Principal	-	-	55,500	44,000
Accrued Interest	-	-	146	116
At fair value through profit & loss:				
Principal	2,429	2,401	-	-
Total Investments	**2,429**	**2,401**	**55,646**	**44,116**
At amortised cost:				
Principal	-	-	13,597	7,575
Accrued Interest	-	-	3	8
Total Cash & Cash Equivalents	**-**	**-**	**13,600**	**7,583**
At amortised cost:				
Debtors	18	24	2,094	651
Lease Receivables	4	4	-	-
Loss Allowance	-	-	(94)	(40)
Financial Assets in Debtors	**22**	**28**	**2,000**	**611**
Non Financial Assets	**1,071**	**1,876**	**12,878**	**11,331**
Total Financial Assets	**3,522**	**4,305**	**84,124**	**63,641**

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31/03/2019			31/03/2018		
	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s
Bank accounts in credit	50,222	-	50,222	52,621	-	52,621
Bank overdrafts	-	(45,625)	(45,625)	-	(51,047)	(51,047)
Total Financial Assets/Liabilities			**4,597**			**1,574**

Gains and losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2018/19			2017/18		
	Amortised cost **2018/19 £'000**	Fair value through profit and loss **2018/19 £'000**	**Total 2018/19 £'000**	Amortised cost **2017/18 £'000**	Fair value through profit and loss **2017/18 £'000**	**Total 2017/18 £'000**
Interest expense	110	-	**110**	173	-	173
Losses from change in fair value	-	72	**72**	-	-	-
Impairment losses	54	-	**54**	-	-	-
Interest and investment income	**164**	**72**	**236**	**173**	**-**	**173**
Interest income	(445)	-	**(445)**	(268)	-	(268)
Interest and investment income	**(445)**	**-**	**(445)**	**(268)**	**-**	**(268)**
Net (gain) / loss for the year	**(281)**	**72**	**(209)**	**(95)**	**-**	**(95)**

Fair values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled property funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

Recurring Fair Value Measurement	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2018 Fair Value £000	31/03/2019 Fair Value £000
Fair Value through Profit and Loss				
CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	2,401	2,429

Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

<u>Credit Risk: Treasury Investments</u>

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £9m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £9m applies. The Council also sets limits on investments in certain sectors. No more than £5m total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31/03/2019		31/03/2018	
	Long-term £000s	Short-term £000s	Long-term £000s	Short-term £000s
AAA	2,429	-	2,391	-
AA+	-	-	-	-
AA	-	-	-	11,000
AA-	-	-	-	-
A+	-	-	-	10,000
A	-	-	-	18,000
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	-	55,500	-	5,000
Total Investments	**2,429**	**55,500**	**2,391**	**44,000**

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019 Debtors £000s	31.3.2018 Debtors £000s
Past due < 3 months	1,765	1,678
Past due 3-6 months	142	156
Past due 6-12 months	120	19
Past due 12+ months	76	21
Total Receivables	2,103	1,873

Loss allowances on trade receivables and contract assets have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 90 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of allowances set aside	31.3.2019		31.3.2018	
		Gross Receivables	Loss Allowance	Gross Receivables	Loss Allowance
Trade receivables	10%-100%	1,590	(94)	1,386	(40)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are three years past due and all recovery action has been taken.

Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2.43m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.12m (2018: £0.12m) charge to [Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31/03/2018 £000s	Reclassification £000s	IFRS 9 01/04/2019 £000s
Financial Assets			
Investments			
Loans & Receivables / Amortised cost	44,116	-	**44,116**
Available for sale	2,401	(2,401)	**-**
Fair value through profit or loss	-	2,401	**2,401**
Total Investments	**46,517**	-	**46,517**
Debtors			
Loans & Receivables / Amortised cost	639	-	**639**
Total Debtors	**639**	-	**639**
Cash & cash equivalents			
Loans & Receivables / Amortised cost	7,583	-	**7,583**
Total cash & cash equivalents	**7,583**	-	**7,583**
Total Financial Assets	**54,739**	-	**54,739**
Financial Liabilities			
Creditors			
Amortised cost	(2,301)	-	**(2,301)**
Total Financial Liabilities	**(2,301)**	-	**(2,301)**
Net Financial Assets	**52,438**	**-**	**52,438**

	IAS 39 31/03/2018 £000s	Reclassification £000s	IFRS 9 01/04/2019 £000s
Reserves			
Usable Reserves			
General Fund	(4,000)	-	(4,000)
Other usable reserves	(37,963)	-	(37,963)
Total usable reserves	(41,963)	-	(41,963)
Unusable Reserves			
Available for sale reserve	109	-	109
Capital adjustment account	(39,695)	-	(39,695)
Deferred capital receipts	(4)	-	(4)
FI adjustment account	-	-	-
FI revaluation reserve	(17,556)	-	(17,556)
Other unusable reserves	28,277	-	28,277
Total unusable reserves	**(28,869)**	-	**(28,869)**
Total Reserves	**(70,832)**	-	**(70,832)**

16. Debtors

	2018/19 £'000	2017/18 £'000
Central Government bodies	1,271	2,377
Other Local Authorities	4,448	1,889
NHS	1	
Public Corporations and trading funds	-	2
Council Taxpayers	801	885
Other entities and individuals	9,526	6,321
Prepayments	159	333
Total	**16,206**	**11,807**
less Bad Debt Impairment Provisions		
Council Taxpayers	(314)	(380)
Other service debtors	(2,022)	(1,629)
Total	**13,870**	**9,798**

Debtors for local taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2018/19 £'000	2017/18 £'000
Less than 12 months	1,337	466
More than one year	1,138	936
	2,475	1,402

17. 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 2019. 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.

18. Creditors

	2018/19	2017/18
	£'000	£'000
Central Government bodies	472	5,187
Other Local Authorities	19,890	8,697
Other entities and individuals	6,015	3,562
Receipts in Advance	1,618	841
Total	**27,995**	**18,287**

19. Provisions

	Other	Business Rates Appeals	Total
	£'000	£'000	£'000
Long Term Provisions			
Balance at 1 April 2018	**5**	**2,704**	**2,709**
100% Pilot Provision Movement		**2,704**	**2,704**
Movement in Provision in 2018/19	**-**	**(829)**	**(829)**
Amounts used in 2018/19	**-**	**(110)**	**(110)**
Unused amounts reversed in 2018/19	**-**	**(339)**	**(339)**
Balance at 31 March 2019	**5**	**4,130**	**4,135**

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 £5.163m, of which the Council's share is 80% for 2018/19 due to the Council being part of the Suffolk 100% Business Rates pilot, which is why an additional line has been added this year entitled '100% Pilot Provision Movement.

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 2019 and an element for 2017/18 and 2018/19 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 2018/19.

20. Grant income

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

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income		
Non-ringfenced grants:		
Revenue Support Grant	-	(598)
New Homes Bonus	(1,844)	(2,077)
Business Rates Reliefs	(4,144)	(1,345)
Other non-ringfenced grants	(92)	(620)
Capital grant and contributions:		
Community Infrastructure Levy	(3,976)	(4,279)
S106 contributions	(88)	21
Other capital grants and contributions	(500)	(24)
Total	**(10,644)**	**(8,922)**
Credited to Services		
Housing Benefits Subsidy	(23,127)	(24,374)
County Sports Partnership	-	(418)
Benefits Administration Grant	(376)	(402)
Disabled Facilities Grants	(657)	(624)
Discretionary Housing Payments	(163)	(163)
Other Grants	(484)	(418)
Total	**(24,807)**	**(26,399)**

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:

	2018/19 £'000	2017/18 £'000
Capital Grants Receipts in Advance (Short-Term)		
Other grants	62	1
S106 Contributions	236	182
Coast Protection	-	62
Total	**298**	**245**
Capital Grants Receipts in Advance (Long-Term)		
S106 Contributions	2,592	2,500
Total	**2,592**	**2,500**

21. Balance Sheet – Unusable Reserves

	2018/19	2017/18
	£'000	£'000
Revaluation Reserve	(18,376)	(17,556)
Available for Sale Financial Instruments Reserve	-	109
Capital Adjustment Account	(44,319)	(39,695)
Pooled Investment Funds Adjustment Account	72	-
Deferred Capital Receipts Reserve	(4)	(4)
Pensions Reserve	33,389	28,380
Collection Fund Adjustment Account	(2,912)	(103)
Total Unusable Reserves	**(32,150)**	**(28,869)**

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.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	**(17,556)**	**(16,755)**
Upward revaluation of assets	(3,253)	(2,464)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	649	820
Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	**(2,604)**	**(1,644)**
Difference between fair value depreciation and historical cost depreciation	483	495
Accumulated gains on assets sold or scrapped	1,301	348
Amount written off to the Capital Adjustment Account	**1,784**	**843**
Balance at 31 March	**(18,376)**	**(17,556)**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**(39,695)**	**(40,617)**
Non material prior year adjustment	-	(603)
	(39,695)	**(41,220)**
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	2,431	2,886
- Revaluation losses on Property, Plant and Equipment	(159)	2,556
- Amortisation of intangible assets	141	144
- Revenue expenditure funded from capital under statute	796	723
- Revenue expenditure funded from section 106 receipts	214	194
- Revenue expenditure funded from community infrastructure levies	152	-
- 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	1,379	435
Adjusting amounts written out of the Revaluation Reserve:		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(483)	(495)
- Amounts written out on disposal of assets	(1,301)	(348)
Net written out amount of the cost of non current assets consumed in the year	**3,170**	**6,095**
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	-	(481)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	(24)
- Application of grants to capital financing from the Capital Grants Unapplied Account	(1,047)	(804)
- Application of grants to capital financing from Receipts in Advance	(90)	18
- Capital expenditure charged against the General Fund balance	(6,657)	(3,279)
Balance at 31 March	**(44,319)**	**(39,695)**

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. With the adoption of IFRS 9 this has been replaced by the 'Pooled Investment Funds Adjustment Account'.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	109	**-**
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	109
Reverse Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(109)	-
Transfer of Revaluations under IFRS 9	109	-
Transfer of Avaialable for Sale Opening Balance to Pooled Investment Funds Adjustment Account	(109)	-
Balance at 31 March	**-**	**109**

Pooled Investment Funds Adjustment Account

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Instruments Reserve' category is no longer available and has been replaced with the 'Pooled Investment Funds Adjustment Account'. The new standard requires that where the relevant criteria are met for fair value gains and losses on a pooled investment fund, the charge must be applied to an account established, charged and used solely for the purpose of recognising fair value gains and losses, this being the 'Pooled Investment Funds Adjustment Account'.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	-	**-**
Transfer in from Financial Instruments Available for Sale Reserve	109	-
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	(37)	-
Balance at 31 March	**72**	**-**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**28,380**	**31,038**
Actuarial gains or losses on pensions assets and liabilities	3,860	(3,695)
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	4,479	4,333
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,330)	(3,296)
Balance at 31 March	**33,389**	**28,380**

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.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**(103)**	**542**
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.	(2,809)	(645)
Balance at 31 March	**(2,912)**	**(103)**

22. Members' allowances

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

	2018/19 £'000	2017/18 £'000
Basic, Attendance and Special Responsibility Allowances	345	342
Subsistence and Expenses	21	21
Total	**366**	**363**

23. 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.

	2018/19 £'000	2017/18 £'000
Fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	39	50
Additional fees payable to Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	6	2
Fees payable to Ernst and Young LLP for the certification of grant claims and returns for the year	25	16
Additional fees payable to Ernst and Young LLP for the certification of grant claims and returns for the previous year	6	7
Total	**76**	**75**

24. 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 2019 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 £1.310m with a year-end debtor of £0.103m (2017/18 £1.337m with a year-end debtor of £0.161m).

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 2018/19 is shown in Note 21. During 2018/19, the Council made payments totalling £0.161m (£0.122m in 2017/18) 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 £0.106m (£0.093m in 2017/18).

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 2018/19 due to their representation of the Council's interests through the Partnership Board.

25. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2018/19 or 2017/18.

		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	**2018/19**	**146,572**	-	-	**146,572**	**33,272**	**179,844**	-
	2017/18	130,634	-	-	130,634	29,654	160,288	-
Strategic Director	**2018/19**	**95,800**	-	-	**95,800**	**22,084**	**117,884**	-
	2017/18	91,115	-	-	91,115	21,021	112,136	-
Chief Finance Officer*	**2018/19**	**38,766**	-	-	**38,766**	**8,800**	**47,566**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Chief Finance Officer**	**2018/19**	**37,145**	-	-	**37,145**	**8,583**	**45,728**	-
	2017/18	-	-	-	-	-	-	-
Head of Internal Audit	**2018/19**	**66,330**	-	-	**66,330**	**15,057**	**81,387**	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-
Head of Planning Services & Coastal Management	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Legal and Democratic Services	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Environmental Services and Port Health	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Economic Development and Economic Services	**2018/19**	**66,330**	-	-	**66,330**	**15,057**	**81,387**	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-

* postholder left employment at the end of September 2018.

** postholder was Interim Chief Finance Officer from October 2018 and then appointed permanently from January 2019.

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	2018/19		2017/18	
	Number of employees		Number of employees	
	Total	Left in Year	Total	Left in Year
£50,000 - £54,999	8	-	7	-
£55,000 - £59,999	3	-	3	-
£60,000 - £64,999	-	-	1	-
£65,000 - £69,999	1	-	-	-
	12	**-**	**11**	**-**

The above numbers include officers who were made redundant voluntarily during the 2018/19 and 2017/18 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 25 of Waveney District Council's 2018/19 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 (2017/18 Part Year)	**2018/19**	**94,555**	**-**	**-**	**94,555**	**24,433**	**118,988**	**-**
	2017/18	71,540	-	-	71,540	14,551	86,091	-
Head of Housing Operations & Landlord Services (2017/18 Part Year)	**2018/19**	**-**	**-**		**-**	**-**	**-**	**-**
	2017/18	67,269	-	30,780	98,049	14,991	113,040	-
Head of ICT Services	**2018/19**	**63,330**	**-**	**-**	**63,330**	**15,190**	**78,520**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Customer Services (2018/19 Part Year)	**2018/19**	**35,979**	**-**	**-**	**35,979**	**8,239**	**44,218**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Communities	**2018/19**	**66,330**	**-**	**-**	**66,330**	**15,190**	**81,520**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Operations	**2018/19**	**66,330**	**-**	**-**	**66,330**	**15,190**	**81,520**	**-**
	2017/18	62,430	-	-	62,430	5,957	68,387	-

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	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19** £	2017/18 £
£0 - £20,000	-	1	1	-	1	1	17,321	5,061
£20,001 - £40,000	-	-	1	1	1	1	34,117	32,023
£40,001 - £60,000	-	-	1	-	1	-	54,039	-
TOTAL	**-**	1	**3**	1	**3**	2	**105,477**	37,084

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 2018/19 (2017/18 – none)), as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

26. 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.

	2018/19 £'000	2017/18 £'000
Opening Capital Financing Requirement	**(1)**	**(45)**
Capital investment		
Property, Plant and Equipment*	6,595	3,641
Intangible Assets	37	53
Revenue Expenditure Funded from Capital under Statute	1,162	917
Total Capital Investment	**7,794**	**4,611**
Sources of finance		
Capital receipts	-	(481)
Government grants and other contributions	(1,137)	(810)
Direct revenue contributions	(6,657)	(3,276)
	(7,794)	**(4,567)**
Closing Capital Financing Requirement	**(1)**	**(1)**

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

27. 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:

	2018/19 £'000	2017/18 £'000
Not later than one year	575	218
Later than one year and not later than five years	1,018	773
Later than five years	1,120	1,971
	2,713	**2,962**

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 2018/19 and 2017/18.

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

28. 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 £33.389m in 2018/19 (2017/18 was £28.380m). 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.

The Suffolk Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Suffolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Head of Finance (S151 Officer) of Suffolk County Council and Investment Fund managers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

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 2018/19 £'000	2017/18 £'000
Cost of Services:		
- Current service cost	3,686	3,554
- Past Service cost	52	-
Financing and investment income and expenditure:		
- Net interest expense	741	779
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,479	4,333
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)	(3,621)	(1,392)
- Actuarial gains and losses arising on changes in financial assumptions	7,545	(2,319)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	3,924	(3,711)
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	(4,479)	(4,333)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	3,394	3,280

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 2018/19 £'000	2017/18 £'000
Present value of the defined benefit obligation	(139,827)	(128,435)
Fair value of plan assets	106,438	100,055
Net liability arising from defined benefit obligation	**(33,389)**	**(28,380)**

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

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£'000	**£'000**
Opening fair value of scheme assets	100,055	96,206
Interest Income	2,602	2,404
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	3,621	1,392
- Other		
Contributions from employer	3,394	3,280
Contributions by employees into the scheme	604	561
Benefits paid	(3,838)	(3,788)
Closing fair value of scheme assets	**106,438**	**100,055**

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

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£'000	**£'000**
Opening balance 1 April	128,435	127,244
Current service cost	3,686	3,554
Interest cost	3,343	3,183
Contributions from scheme participants	604	561
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in financial assumptions	7,545	(2,319)
Past service costs	52	-
Benefits paid	(3,838)	(3,788)
Closing balance at 31 March	**139,827**	**128,435**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	**Fair Value of Scheme Assets**	
	2018/19	**2017/18**
	£'000	**£'000**
Equity Instruments:		
Consumer	6,944	7,248
Manufacturing	3,233	2,570
Energy and Utilities	1,689	1,515
Financial Institutions	3,176	3,338
Health and Care	1,827	1,551
Information Technology	3,320	2,925
Other	927	1,045
	21,116	20,192
Debt Securities:		
Corporate (Investment Grade)	23,968	24,255
UK Government	-	3,804
	23,968	28,059
Private Equity (Non-active Market 2018/19 - 3,293 (2017/18 - 3,606))	4,382	3,606
Real Estate:		
UK Property	10,862	9,700
Investment Funds & Unit Trusts:		
Equities	23,364	23,199
Bonds	4,142	-
Hedge Funds	10,211	4,080
Infrastructure (Non-active Market)	4,735	2,609
Other (Non-active Market 2018/19 - 2,106 (2017/18 - 2,004))	2,106	7,575
	44,558	37,463
Derivatives:		
Foreign exchange	52	(4)
Cash and Cash Equivalents	1,500	1,039
Total Assets (Non-active Market 2018/19 - 10,134 (2017/18 - 8,219))	106,438	100,054

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	
	2018/19	**2017/18**
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	**2.5%**	**2.4%**
Rate of increase in salaries	**2.8%**	**2.7%**
Rate of increase in pensions	**2.5%**	**2.4%**
Rate for discounting scheme liabilities	**2.4%**	**2.6%**

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 2019	**Approx.**	**Approx. £,000**
0.5% decrease in Real Discount Rate	10%	13,727
1 year increase in member life expectancy		
0.5% increase in the Salary Increase Rate	1%	2,013
0.5% increase in the Pension Increase Rate	8%	11,483

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 £3.221m in contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16.9 years in 2018/19 (16.9 years 2017/18).

29. Contingent liabilities

At 31st March 2019, the Council has two contingent liabilities to disclose:

- Guaranteed Minimum Pension (GMP) - relates to, in summary, situations where a pension scheme was 'contracted out' of additional state pension arrangements. If the contracted out pensions benefits are less than the pensioner would have received if the contracting out had not applied the pension scheme would be required to increase the pension paid to reach the GMP.

  We expect the GMP equalisation impact to be shown as a 'past service cost' in the Council. However, key points for discussion are (i) when the 'past service cost' will be triggered and fed into the accounts, and (ii) how material any impact may be.

  The general expectation is that a 'trigger event' is yet to occur in the Local Government Pension Scheme and the Actuaries' default approach was to ignore any GMP equalisation impact in the Council's 31st March 2019 IAS19 report.

- McCloud judgement – the Council has noted that a legal ruling has been made regarding age discrimination arising from pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals.

  The ruling may have implications for other pension schemes which have implemented transitional arrangements for benefit changes. As a consequence the government has paused the 'cost cap' arrangements for a number of schemes.

  Given the uncertainty around this judgement and with the government awaiting news of its right to an appeal, it is too early to know what the likely impact may be on Local Government Pension Scheme members' benefits. As a default approach, the Actuary has not making any allowance within the Council's 31st March 2019 IAS19 report for potential outcomes of this judgement.

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 (Ltd) since 1st April 2009. Suffolk Coastal Norse Ltd provides a package of services including Refuse, Cleansing and Maintenance.

Group accounts have been prepared as Suffolk Coastal District 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 Suffolk Coastal District Council's share of the net assets and surplus of Suffolk Coastal Norse Ltd as an Associate, using the Equity method.

Suffolk Coastal Norse Ltd prepared its accounts for 1st April 2019, a day after Suffolk Coastal District 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 Suffolk Coastal Norse Ltd to make it co-terminus with Suffolk Coastal District Council. The Group Accounts are included in this document as additional columns to Suffolk Coastal District Council's primary statements, showing the extent of the Council's 20% interest in Suffolk Coastal Norse Ltd.

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 Suffolk Coastal District 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 Suffolk Coastal Norse Ltd 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) Suffolk Coastal Norse Ltd's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share in Norse Group Limited;

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

g) Payments made to Suffolk Coastal Norse Ltd in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of Suffolk Coastal District Council. Total payments to Suffolk Norse Ltd were £8.514m in 2018/19 (£8.183m in 2017/18) and included as follows:

	2018/19	2017/18
	£'000	£'000
Economic Development	-	133
Legal & Democratic Services	2	2
Housing Operations & Landlord services	1	-
Operations	8,511	8,048
	8,514	**8,183**

i) Details of Suffolk Coastal Norse Limited's draft annual financial results to 1st April 2019 are set out below. Previous year's figures are based on audited accounts.

	2019 Suffolk Coastal Norse Ltd £'000	**2019 Council Investment (20%) £'000**	2018 Suffolk Coastal Norse Ltd £'000	2018 Council Investment (20%) £'000
Current Assets				
Stock	458	92	196	39
Debtors	4,829	966	4,498	900
Cash at Bank	430	86	21	4
	5,717	**1,144**	**4,715**	**943**
Creditors falling due within one year	(1,920)	(384)	(1,499)	(300)
Defined Benefit Pension Scheme Liability	(5,369)	(1,074)	(3,859)	(772)
Net Assets / Shareholder's funds	**(1,572)**	**(314)**	**(643)**	**(129)**
Share of Actuarial Gains/(Losses)	(1,069)	(214)	482	96
Turnover	14,584	2,917	12,463	2,493
Profit on ordinary activity before taxation	4	1	12	2
Tax on profit on ordinary activity	(11)	(2)	(17)	(4)
Profit for the Financial Period	(7)	(1)	(5)	(2)
Tax components included in the above figures are as follows:	**£'000**	**£'000**	**£'000**	**£'000**
Debtors				
- Deferred Tax asset	926	185	673	135
Creditors falling due within one year				
- Corporation Tax	(77)	(15)	(84)	(17)
Tax on profit on ordinary activity				
- Current Tax	75	15	84	17
- Deferred Tax	(64)	(13)	(67)	(13)
	11	2	17	4

31. Long term debtors

	2018/19 £'000	**2017/18 £'000**
Reimbursement Arrangements	-	21
Finance Leases	4	4
Other entities and individuals	1,089	1,879
	1,093	**1,904**

32. Long term investments

During the 2017/18 financial year, the Council invested £2.5m in the CCLA LAMIT Property Fund. As part of the investment, an element was used to fund legal costs and Stamp Duty Land Tax, which equated to £109k and could been seen on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets), reducing the investment to £2.391m on the Balance Sheet.

With the introduction of IFRS 9 – Financial Instruments, the 'available for sale' category of financial instruments is no longer allowed, which is why the £109k has been reversed on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets).

The £109k has now been charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement to ensure the long term investment on the Balance Sheet remains as £2.391m as at 31st March 2018.

During 2018/19, the Council has receives dividend on the investment and the principal invested has also appreciated in value by £38k, which was also charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance increasing to £2.429m.

The Council also had £10k invested in ARP Trading Ltd, which was the only long term investment during 2017/18, but during 2018/19 the decision was taken to make the company dormant and the investment was returned.

33. Prior period adjustment

During an Asset Management review, it was identified that a assets previously classified as a Vehicles, Plant & Equipment and Community Assets should be classified as Infrastructure Assets. All of these are carried at Historic Cost so there is no change to the total Property, Plant & Equipment value but Infrastructure Assets have increased by £1.088m and Vehicles, Plant & Equipment and Community Assets have decreased by £0.275m and £0.813m respectively.

Reclassification of Assets within Property, Plant & Equipment

The adjustments that have been made to the 2017/18 Statement of Accounts over the version published are as follows:

Property, Plant & Equipment	Vehicles, Plant & Equipment			Infrastructure Assets			Community Assets			Total		
	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)
Cost or Valuation												
At 1 April 2017	6,760	(275)	6,485	22,728	1,088	23,816	987	(813)	174	68,997	-	68,997
Additions	35	-	35	168	-	168	-	-	-	3,641	-	3,641
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-	162	-	162
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	-	(2,994)	-	(2,994)
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	(57)	-	(57)
Derecognition - Other	(39)	-	(39)	-	-	-	-	-	-	(418)	-	(418)
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-	-	(1)	-	(1)
At 31 March 2018	**6,756**	**(275)**	**6,481**	**22,896**	**1,088**	**23,984**	**987**	**(813)**	**174**	**69,330**	**-**	**69,330**
Accumulated Depreciation and Impairment												
At 1 April 2017	4,152	(36)	4,116	8,899	147	9,046	111	(111)	-	13,944	-	13,944
Depreciation charge	342	(23)	319	724	94	818	71	(71)	-	2,885	-	2,885
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	(1,482)	-	(1,482)
Depreciation written out to the Surplus/Deficit on the	-	-	-	-	-	-	-	-	-	(437)	-	(437)
Derecognition - Disposals	-	-	-	-	-	-	-	-	-	(4)	-	(4)
Derecognition - Other	(38)	-	(38)	-	-	-	-	-	-	(38)	-	(38)
Other movements in Depreciation and Impairment	-		-	(1)	-	(1)	-	-	-	-	-	-
At 31 March 2018	**4,456**	**(59)**	**4,397**	**9,622**	**241**	**9,863**	**182**	**(182)**	**-**	**14,868**	**-**	**14,868**
Net Book Value at 31 March 2018	**2,300**	**(216)**	**2,084**	**13,274**	**847**	**14,121**	**805**	**(631)**	**174**	**54,462**	**-**	**54,462**

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	2018/19		2017/18	
		Business rates	Council tax	Business rates	Council tax
		£'000	£'000	£'000	£'000
Income					
Income from council tax	1		(83,648)	-	(78,618)
Transfer from General Fund - council tax benefits			8	-	16
Income from business rates	2	(69,427)		(68,954)	-
Transitional protection payments from Central Government		(1,639)		(2,433)	-
		(71,066)	**(83,641)**	**(71,387)**	**(78,602)**
Expenditure					
Precepts, demands and shares:					
- Central Government				30,739	-
- Suffolk County Council		12,206	61,381	6,148	57,668
- Police and Crime Commissioner for Suffolk			9,328	-	8,617
- Suffolk Coastal District Council		48,965	11,144	24,740	10,633
Transitional protection payments to Central Government		7,886		9,797	-
Charges to Collection Fund					-
- Write offs of uncollectable amounts		374	1,029	21	1
- Increase / (decrease) in allowance for impairment		62	(460)	142	(55)
- Increase / (decrease) in provision for appeals		(1,596)		596	-
- Cost of collection allowance		266		270	-
Apportionment of previous years surplus / (deficit)					-
- Central Government		(621)		(1,411)	-
- Suffolk County Council		(124)	852	(282)	1,316
- Police and Crime Commissioner for Suffolk			127	-	199
- Suffolk Coastal District Council		(497)	157	(1,129)	242
		66,921	**83,558**	**69,631**	**78,621**
(Surplus) / deficit for year		**(4,145)**	**(83)**	**(1,756)**	**19**
Balance brought forward - (surplus) / deficit		514	(2,030)	2,270	(2,049)
Balance carry forward - (surplus) / deficit	3	**(3,631)**	**(2,113)**	**514**	**(2,030)**

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.

	2018/19	2017/18
	£	£
The average Band D Council Tax set was:	1,656.96	1,578.56

The Council estimated its Tax Base for 2018/19 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	6,578	4,444
B	13,078	10,202
C	10,721	9,616
D	10,285	10,391
E	7,349	9,084
F	3,916	5,696
G	2,099	3,514
H	159	322
	54,185	53,269
Less: local council tax reduction scheme		(3,560)
provision for bad and doubtful debts (1%)		(497)
Add: Ministry of Defence properties		187
Tax Base 2018/19 (Band D equivalents)		**49,399**

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.

	2018/19	2017/18
The rateable value at 31 March was	**£152.5m**	£152.2m
The multiplier was	**49.3p**	47.9p

3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2018/19 £,000	2017/18 £,000
Council Tax		
Suffolk County Council	(66)	14
Police and Crime Commissioner for Suffolk	(12)	2
Suffolk Coastal District Council	(5)	3
Total Council Tax	(83)	19
Business Rates		
Central Government	(621)	(878)
Suffolk County Council	(705)	(176)
Suffolk Coastal District Council	(2,819)	(702)
Total Business Rates	(4,145)	(1,756)

Audit Opinion to be inserted once audit completed.

Audit Opinion to be inserted once audit completed.

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

Audit Opinion to be inserted once audit completed.

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

Agenda Item 9

ES/0500

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

WAVENEY DISTRICT COUNCIL AUDIT RESULTS REPORT 2018/19

EXECUTIVE SUMMARY

1. The Comptroller and Auditor General's Code of Audit Practice requires Ernst and Young LLP (EY) to report to this Committee on the work they have carried out in respect of Waveney District Council to discharge their statutory audit responsibilities together with any governance issues identified.

2. EY expect to issue an unqualified audit opinion and conclude that Waveney DC made appropriate arrangements to secure economy, efficiency, and effectiveness in the use of resources

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Audit Results Report (Appendix A) produced by the External Auditor, EY, summarises the findings from the 2018/19 audit which is substantially complete. The report includes the messages arising from the audit of the financial statements and the results of the work they have undertaken to assess arrangements to secure value for money in the use of resources.

2 AUDIT FINDINGS

2.1 EY expect to issue an unqualified audit opinion and conclude that Waveney DC made appropriate arrangements to secure economy, efficiency, and effectiveness in the use of resources.

2.2 The audit has identified a number of adjusted and unadjusted differences, which are detailed within Section 4 of Appendix A. EY have requested that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Committee and provided within the Letter of Representation.

2.3 EY state within Section 7 of Appendix A that they have not identified any significant weaknesses in the design or operation of Waveney DC's internal controls that might result in a material error within the financial statements.

2.4 Regarding Value for Money, EY have judged within Section 5 of Appendix A that they expect to have no matters to report about arrangements to secure economy, efficiency, and effectiveness in the use of resources.

3 CONSULTATION

3.1 There have been ongoing updates during the financial year with the Audit team and key stakeholders.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The Audit Results Report is a statutory requirement by the Local Audit and Accountability Act 2014. The Audit Results Report does not link directly to the Vision of the Strategic Plan, but through securing external assurance over the Council's governance, financial statements and value for money, this will help to achieve the critical success factors and planned actions set out in the Strategic Plan.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 There have been a limited number of material issues raised from the audit and none of these have an impact on the financial position of Waveney DC as at 31 March 2019.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration of the External Auditors report is a statutory requirement under the Local Audit and Accountability Act 2014.

RECOMMENDATIONS
1. That the Committee notes the findings within the Audit Results report in respect of Waveney District Council for 2018/19. 2. That the Committee considers its response to the uncorrected misstatements referred to in paragraph 2.2 and Section 4 of Appendix A.

APPENDICES	
Appendix A	Waveney DC Audit Results Report 2018/19

BACKGROUND PAPERS
None

Waveney District Council

Audit results report

Year ended 31 March 2019

September 2020

Dear Audit and Governance Committee Members

10 September 2020

We are pleased to attach our Audit Results Report for the forthcoming meeting of the Audit and Governance Committee. This report finalises our audit conclusions in relation to the audit of Waveney District Council for 2018/19.

We have substantially completed our audit of Waveney District Council for the year ended 31 March 2019.

We planned to complete the audit by 31 July 2019. Unfortunately this was not possible due to our own resourcing difficulties. We have taken these resourcing difficulties into account when estimating the additional fee we propose for completing the audit outlined in Section 8. Our ability to issue an opinion in a timely manner was further delayed as we agreed with management to move the start date from October 2019 to late January 2020 in order to bring forward Housing Benefit work; and further due to the impact of Covid-19.

In completing the audit, we have considered the impact that Covid-19, as a post balance sheet event for 2018/19, has had on the certainty of future local government funding. We sought evidence from the Council regarding its assessment on its future financial resilience and the impact this may have on the disclosures in the 2018/19 accounts. As a result of the uncertainties faced, we have included an emphasis of matter paragraph in the auditor's report which draws the readers' attention to relevant disclosures made by the Council. Our opinion is not modified in this respect.

A further consequence of Covid-19 is additional quality assurance that EY has introduced in the form of an internal consultation process for our proposed auditor's report. This aims to ensure that we provide the appropriate assurance to the Council and its stakeholders. Subject to concluding the outstanding matters listed in our report, we confirm that we anticipate issuing an unqualified audit opinion on the financial statements.

We have no matters to include in the auditor's report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement and welcome the opportunity to discuss the contents of this report with members of the Audit and Governance Committee on 22 September 2020.

Yours sincerely

Debbie Hanson

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The 'Terms of Appointment (updated April 2018)' issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Governance Committee, the Authority and management of Waveney District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, the Authority and management of Waveney District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee, the Authority and management of Waveney District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our Provisional Audit Planning Report presented at the 17 January 2019 Waveney District Council's Audit and Governance Committee meeting, we provided members with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan subject to the modifications noted below.

Changes in materiality:

In our Provisional Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £1.551 million, with performance materiality, at 75% of overall materiality, of £1.163 million, and a threshold for reporting misstatements of £77,500.

We updated our materiality and reconsidered our risk assessment using the draft accounts. Based on our materiality measure of gross expenditure on the provision of services, we have updated our overall materiality assessment to £1.523 million. This results in updated performance materiality, at 75% of overall materiality, of £1.142 million and reporting threshold of £76,000. The basis of our assessment remains 2% of gross expenditure on provision of services.

Other scope changes:

- We were required to undertake additional procedures in relation to the impact of the Covid-19 pandemic on the disclosures in the Council's financial statements
- The Council restated valuations of some of its land and buildings in the prior year. We are required to consult internally when amounts previously audited are restated.

Status of the audit

We have substantially completed our audit of the Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Provisional Audit Planning Report. Subject to satisfactory completion of the outstanding matters set out below and correction of the material differences we have identified, we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Review of Authority's responses to our Covid-19 related queries and revised proposed disclosures
- Final Associate Partner review of the audit work undertaken
- Completion of our internal consultation requirements relating to the impact of Covid-19
- Completion of our review of and internal consultation on the prior period adjustments
- Review of the final amended financial statements
- Review of subsequent events up to the date of the opinion
- Receipt of the signed management representation letter and financial statements

We expect to issue the audit certificate at the same time as the audit opinion.

Executive Summary

Status of the audit

Impact of Covid-19

A number of audit procedures were in progress when the government introduced lockdown measures in late March. Since then we have been working closely with the Finance team to undertake the remaining audit procedures whilst working remotely.

Specific to the financial statements, Covid-19 has had three main impacts:

1. Financial resilience and going concern

There is presumption that the Council is a going concern due to the continuation of services through the successor body East Suffolk Council. However, the uncertainty over future government funding and other sources of revenue as a result of Covid-19 means that the Authority needs to undertake a more detailed assessment to support the presumption that the accounts are prepared on a going concern basis and evaluate its financial resilience. From an audit report perspective, the going concern concept covers a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for the 2018/19 statements, for example, we need to see evidence of an assessment up to and including September 2021, which therefore includes information relevant to the 2021/22 financial year. We have requested information about the Council's latest financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions, and are currently reviewing the responses which have recently been provided. We also discussed with management the need to make specific disclosures in the 2018/19 statements on going concern and financial resilience including any material uncertainties identified.

2. Accounts and disclosures

For the 2018/19 statements, Covid-19 impacts disclosures only, however it will impact a number of accounting judgements and disclosures in 2019/20.

3. Auditor's report consultation

Following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

Executive Summary

Audit differences

Unadjusted audit differences

We have identified four audit differences in the financial statements which management chose not to adjust. In addition we identified two disclosure related audit differences which management has chosen not to adjust.

We ask that these audit differences be corrected or a rationale as to why they are not corrected be approved by the Audit and Governance Committee and included in the Letter of Representation. The aggregated impact of unadjusted audit differences is £988,000. There would be an £80,000 reduction in the general fund/earmarked reserves if these differences were corrected.

Adjusted audit differences

There was one audit difference in relation to the Community Infrastructure Levy with a gross total of £70,000 which has been adjusted by management. This had no impact on the Council's general fund.

We also identified some disclosure differences which have been adjusted by management.

Details of the adjusted and unadjusted audit differences can be found in Section 4 Audit Differences.

Areas of audit focus

Our Provisional Audit Planning Report identified key areas of focus for our audit of Waveney District Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues
- You agree with the resolution of the issue
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Governance Committee.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

No weaknesses of internal control have come to light from our work that we wish to bring to your attention.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Provisional Audit Planning Report we did not identify any significant value for money risks.

Our work in this regard is complete, subject to final review. We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

The Council is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We have no matters to report.

Independence

Please refer to Section 8 for our update on Independence.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- Assessed fraud risks during the planning stages of our audit.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including:
    - Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
    - Assessed accounting estimates for evidence of management bias, and
    - Evaluated the business rationale for significant unusual transactions.

What are our conclusions?

We have not identified any

- material weaknesses in controls or evidence of material management override;
- instances of inappropriate judgements being applied; or
- other transactions during our audit which appeared unusual or outside the Authority's normal course of business

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

What judgements are we focused on?

We focussed on the testing capital expenditure and obtaining evidence that additions have been correctly classified as capital expenditure.

What did we do?

We undertook a substantive approach to respond to this risk, undertaking the following procedures:

- Sample testing on additions to property, plant and equipment to ensure that they have been correctly classified as capital, and included at the correct value, to identify any revenue items that have been inappropriately capitalised.
- Identification of the controls the Authority has in place to prevent incorrect capitalisation of revenue expenditure.
- Consideration of the effectiveness of management's controls designed to address the risk.
- Testing year end journals which move expenditure from revenue to capital.

What are our conclusions?

Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.

Other Areas of Audit Focus

Valuation of land and buildings

What is the risk?

Land and buildings represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the valuations which could have a material impact on the financial statements, primarily:

- any significant changes in the asset base;
- the assumptions and estimates used to calculate the valuation; and
- changes to the basis for valuing the assets.

What did we do?

- Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample tested key asset information used by the valuers in performing their valuation (for example size of the asset area to support valuations based on price per square metres);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties;
- Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considered any changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

Our work on the valuation of land and buildings is substantially complete, subject to final review.

Officer's identified that various assets had been misclassified in earlier years as community assets rather than other land an buildings. Community assets are valued on the basis of historic cost and had been included in the accounts at a value of £617,000. Other land and buildings are valued on an existing use basis. On an existing use basis these assets have a valuation of £0.

Officers treated this as a prior period adjustment. Although we agreed the nature of the error it does not meet the definition of a prior period adjustment as the error was immaterial. The correct approach would have been to account for the error in the current year. Management determined not to amend the statements for this issue. We have not included this as an audit difference in Section 4 of this report as the balance at 31 March 2019 is correctly stated

We have asked in future that management inform us in advance of any proposed prior period adjustments.

Other Areas of Audit Focus

Pension liability valuation

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Authority's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £28.38 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What judgements are we focused on?

We focused on aspects of the pension liability, which could have a material impact on the financial statements, primarily:

- The reasonableness of the underlying assumptions used by the Authority's expert;
- Ensuring the information supplied to the actuary in relation to Waveney District Council was complete and accurate;
- Considering the reasonableness of any significant changes in assumptions made by the actuary;
- Considering the assessments of the actuary undertaken by PWC and the EY actuarial team.

What did we do?

- Liaised with the auditors of the administering authority (Suffolk Pension Fund), to obtain assurances over the information supplied to the actuary in relation to Waveney District Council;
- Assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team;
- Compared the year end asset values with the estimate used by the actuary in producing the Authority's IAS 19 report and considered the impact on he Authority's pension fund liability and IAS19 disclosures;
- Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

What are our conclusions?

Our work is complete in this area subject to final review. We wish to report the following:

- The Authority re-engaged the actuary to estimate the impact of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. The total estimated increase in the liability as a result of these rulings was £245,000 for McCloud and £173,000 for GMP.
- We also noted a £410,000 drop in value of Authority's share of the year-end actual value of pension fund assets compared with the estimate used to inform the actuary's assessment of the IAS 19 liability.

The net defined pension liability would increase by £908,000 if these differences were corrected. Management have decided not to amend the statements and they are therefore shown as uncorrected audit differences in Section 4.

Areas of Audit Focus

Other areas of audit focus

We identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

Financial statement area	What we did	What we concluded
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 CIFPA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.	▸ Assessed the Authority's implementation arrangements; ▸ Considered the classification and valuation of financial instrument assets; ▸ Reviewed new expected credit loss model impairment calculations for assets; and ▸ Checked additional disclosure requirements.	We noted that the Authority incorrectly showed a £109,000 valuation increase in respect of Available for Sale Financial Assets. This classification no longer exists under IFRS 9 ad should not therefore have appeared in the CIES. Management have not corrected this audit difference which can be seen in Section 4.
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 CIPFA Code of practice on local authority accounting provided guidance on the application of IFRS 15 and included a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	▸ Assessed the Authority's implementation arrangements; ▸ Considered application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▸ Checked additional disclosure requirements	Having reviewed the Authority's analysis of the impact of IFRS 15 on their financial statements, we agreed with their conclusion that this standard does not have a material impact on their disclosures. The Authority should keep this under review.

03 Audit Report

Revised audit report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVENEY DISTRICT COUNCIL

Opinion

We have audited the financial statements of Waveney District Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement
- Related notes 1 to 34 and Expenditure and Funding Analysis on page 22
- Housing Revenue Account and related notes 1 to 9
- Collection Fund Income and Expenditure Account and related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Waveney District Council at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Disclosure in relation to the effects of COVID-19

We draw attention to Note 1 Accounting Policies; policy a) General principles and Note 6 Events after the reporting period, which describe the financial and operational consequences the Council and Group is facing as a result of COVID-19 and the additional pressure that this presents to expenditure and funding. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, we are satisfied that, in all significant respects, Waveney District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of Responsibilities the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Authority's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the C&AG in November 2017, as to whether Waveney District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Waveney District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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

Our opinion on the financial statements

Certificate

We certify that we have completed the audit of the accounts of Waveney District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Waveney District Council , as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Waveney District Council and the Waveney District Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
Date:

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £972,000 which have been corrected by management that were identified during the course of our audit:

Adjusted Disclosure Differences (no impact on general fund or earmarked reserves)

1. Future minimum lease payments receivable under operating leases were understated by £4 million.
2. We identified three inconsistencies between the capital expenditure and financing note and equivalent notes in the financial statements, Most significant was the omission of the contribution from the major repairs reserve of £2.525 million. The capital expenditure and financing note has been amended.
3. The application of grants from the capital grants unapplied account disclosed in the adjustments under accounting and funding basis Note 9 differed by £1.37 million from the same disclosure in the Capital Adjustment Account. The Capital Adjustment Account was restated.
4. We noted differences in the Officers Remuneration and Exit Packages Note 25 which resulted in the following amendments:
    1. The compulsory redundancy of £77,980, included in the £60,001 to £80,000 cost band, was removed and the total number of compulsory redundancies reduced to 6 as this was a duplicate of disclosure from the prior year. The total cost of exit packages in the band £0 to £20,000 was increased by £520. The total of all exit packages was reduced by £77,460 as a result.
    2. The narrative disclosure below the table re payments made for ill-health retirements was increased by £65,000 to £239,000.
5. Note 1 Accounting Policies a) General principles and Note 6 Events after the Reporting Period were amended to include Covid-19 related disclosures.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Civic Affairs Committee and provided within the Letter of Representation:

Uncorrected misstatements Council and Group 31 March 2019	Effect on the current period:	Balance Sheet (Decrease)/Increase			
	Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
	£'000	£'000	£'000	£'000	£'000
Other Long Term Liabilities – Pension Liability					(908)
Remeasurement of the net defined liability - change in year-end actual value of pension fund assets compared with the estimate used to inform the actuary's assessment of the IAS 19 liability	490				
Past Service Cost – estimated for McCloud and GMP legal rulings	418				
Understated housing benefit bad debt impairment provision	80	(80)			
Surplus on available for sale financial assets	109				
Financing and Investment Income and Expenditure	(109)				
Total uncorrected audit differences	**988**	**(80)**	**-**	**-**	**(908)**

Management have determined not to amend the statements for these audit differences as they are individually and cumulatively immaterial.

Audit Differences

Summary of unadjusted differences (continued)

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Civic Affairs Committee and provided within the Letter of Representation:

Uncorrected misstatements in the statement of cash flows

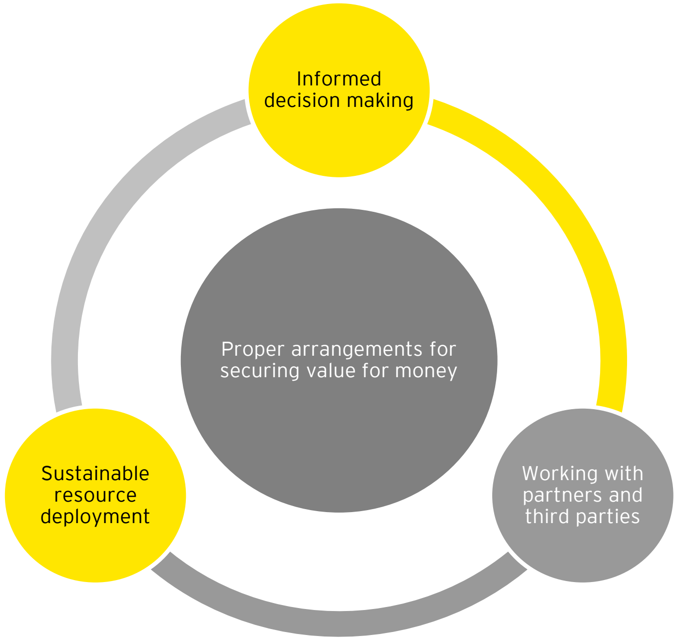
We have not identified any audit differences in respect of the cash flow statements which management have not agreed to correct.

Uncorrected disclosure misstatements

1. Following the introduction of IFRS 9, the category of 'available for sale financial assets' was removed. Any reclassifications required as a result of the transition to IFRS 9 should have been accounted for as transfers between reserves as at 1 April 2018. There should be no gains/losses on available for sale financial assets in 2018/19. The Authority incorrectly recognised £109,000 as a surplus on revaluation of available for sale financial assets in other comprehensive income. As a consequence the disclosures in relation to the Available for Sale Financial Instruments Reserve in Note 21 contain inappropriate entries.

05 Value for Money Risks

Value for Money



Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

In our Provisional Audit Plan we identified no significant value for money risks around these criteria. We have not identified any additional risks during our audit. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Authority is below the threshold set by the National Audit Office (NAO) for the Whole of Government Accounts submission. Therefore we do not have any procedures to undertake and have no issues to report.

We submitted the return to confirm this based on the draft statement of accounts.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

Other reporting issues

Other matters
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the [Authority]'s financial reporting process. They include the following: • Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Any significant difficulties encountered during the audit; • Any significant matters arising from the audit that were discussed with management; • Written representations we have requested; • Expected modifications to the audit report; • Any other matters significant to overseeing the financial reporting process; • Related parties; • External confirmations; • Going concern; and • Consideration of laws and regulations. We have no issues to report

07 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have no matters we wish to bring to your attention.

08 Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning report dated January 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Governance Committee on 22 September 2020.

We confirm we have undertaken non-audit work outside the NAO Code requirements.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2019 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included below.

We confirm that none of the services listed below have been provided on a contingent fee basis.

As at the date of this report, future non-audit services are limited to reasonable assurance engagement for the housing subsidy grant claim and, if appointed, for the pooling of housing capital receipts return.

There are no other future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have undertaken non-audit work outside the NAO Code requirements in relation to the housing subsidy grant claim. Non-audit work is work not carried out under the Code. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Total Audit Fee – Code work (Note 1)	47,406	41,406	41,406	59,220
Housing subsidy grant claim (Note 2)	25,935	17,530	n/a	20,884
Pooling of Housing Capital Receipts Return (Note 3)	-	-	n/a	3,500
Total non-audit work	**25,935**	**17,530**	**n/a**	**24,384**
Total Fees	**66,024**	**58,936**	**n/a**	**83,604**

Note 1 - The 2018/19 final fee includes an estimated fee variation of £6,000 due to additional work required to consider the prior period adjustments and the impact of the Covid-19 pandemic. The final fee for Code work in 2017/18 included a scale fee variation of £5,446.

Note 2 - The 2018/19 planned fee assumed testing levels required will be similar to 2017/18. The final fee for the 2017/18 housing benefits work included a scale fee variation of £9,869.

Note 3 – we did not undertake this work in 2018/19.

9 Appendices

Required communications with the Audit and Governance Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit planning report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	No conditions or events were identified, either individually or together to raise any doubt about the Council's ability to continue for the 12 months from the date of our report.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report
Subsequent events	▸ Enquiry of the Audit and Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit results report
Fraud	▸ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility.	Audit results report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the Authority's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the Authority	Audit results report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.	Audit planning report and Audit results report

Appendix A

Required communications	What is reported?	Our Reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▸ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▸ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report

Appendix A

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit planning report and Audit results report
Written representations we are requesting from management and/or those charged with governance	▸ Written representations we are requesting from management and those charged with governance	Audit results report
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▸ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	▸ Breakdown of fee information when the audit planning report is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit planning report and Audit results report
Certification work	▸ Summary of certification work	Annual Audit Letter

Agenda Item 10
ES/0497

EAST SUFFOLK COUNCIL

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

WAVENEY DISTRICT COUNCIL AUDITED STATEMENT OF ACCOUNTS 2018/19

EXECUTIVE SUMMARY

1. The Accounts and Audit Regulations 2015 require the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2019 and of its income and expenditure for the year ending on that date".
2. The external auditors try to issue their audit opinion by 31st July. However, the audit of accounts was not completed by 31st July 2019, because of lack of external audit resources and staff turnover. Completion was then further delayed by the Covid-19 pandemic. The Council has put out a notice of late publication of the audited accounts on its website to this effect.
3. The audit work has now been concluded, and EY are finalising their Partner review before issuing an unqualified Value for Money opinion for the year, and an unqualified audit opinion on the Waveney 2018/19 Statement of Accounts.
4. The Audit & Governance Committee is requested to approve the Waveney District Council Audited Statement of Accounts for 2018/19.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Accounts and Audit Regulations 2015 require the Council's Chief Finance Officer to sign the Accounts by no later than 31st May following the end of the financial year, certifying that they "present a true and fair view of the financial position of the Council at 31st March 2019 and of its income and expenditure for the year ending on that date".

1.2 The Council's accounts for the year ended 31st March 2019 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003

1.3 The audit of accounts was not completed by 31st July 2019, because of lack of external audit resources and staff turnover. Completion was then further delayed by the Covid-19 pandemic. The Council has put out a notice of late publication of the audited accounts on its website to this effect

1.4 The audit work has now been concluded, and EY are finalising their Partner review before issuing an unqualified Value for Money opinion for the year, and an unqualified audit opinion on the Waveney 2018/19 Statement of Accounts.

2 WAVENEY DC FINANCIAL PERFORMANCE 2018/19

2.1 Cabinet on 8th July 2019 received a Draft Outturn report providing an overview of the Council's financial performance for 2018/19 in respect of the General Fund, reserves, the capital programme and the Collection Fund.

2.2 Key financial information to highlight from the Draft Outturn report was:

- The General Fund outturn position was a surplus of £94k and this was transferred to the in-year savings reserve.
- The total balance on the Council's General Fund earmarked reserves increased by £0.7m to £12.2m and the General Fund balance was maintained at £4m.
- The capital programme expenditure for the General Fund and the HRA was £3.2m and £7m respectively, showing year end underspends mainly due to project delays.
- The Housing Revenue Account (HRA) ended 2018/19 with a healthy HRA working balance of £4.8m, a decrease of £0.3m on the previous year.

3 AUDITED STATEMENT OF ACCOUNTS 2018/19

3.1 The Waveney Audited Statement of Accounts 2018/19 is attached as Appendix A.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 The publication of Audited Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015 and the Local Audit and Accountability Act 2014.
The Statement of Accounts demonstrates the Council's governance and value for money,

helping to achieve the critical success factors and planned actions set out in the Strategic Plan, and the audit process provides external assurance of this.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 Included in Sections 2 and 3.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 The consideration and approval of the Statement of Accounts is a statutory requirement under the Accounts and Audit Regulations 2015.

RECOMMENDATIONS

1. That the Committee review and approve the Waveney DC Audited Statement of Accounts for 2018/19.
2. That should any further minor amendments be required the Chief Finance Officer, in consultation with the Chairman of the Audit & Governance Committee, be given delegated authority to make these changes.

APPENDICES	
Appendix A	Waveney DC Audited Statement of Accounts for 2018/19

BACKGROUND PAPERS - none

Agenda Item 10

ES/0497

Waveney District Council

Statement of Accounts

2018-19

Waveney
District Council

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CONTENTS

FOREWORD BY THE CHIEF FINANCE OFFICER

I am pleased to present the Council's Statement of Accounts (the Accounts) for the financial year ended 31st March 2019. These are the final set of Accounts for Waveney District Council, as from 1st April 2019 the Council will merge with Suffolk Coastal District Council to become East Suffolk Council. The Accounts inform readers as to the financial performance of the Council during the financial year and are an important element of demonstrating sound financial stewardship of taxpayers' money.

The Council's External Auditors, Ernst and Young LLP, are due to commence their audit of the Accounts July 2019.

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 2018/19 financial year, the inspection period must include the first ten working days of June and therefore the period will commence on 3rd June 2019 and finish on 12th July 2019. From the 31st May 2019, the unaudited Accounts were available to the public on the Council's website.

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).

Simon Taylor (CPFA)
Chief Finance Officer
S151 Officer

1. Introduction

This document presents the statutory financial statements (the "Statement of Accounts") for Waveney District Council for the period 1st April 2018 to 31st March 2019 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 2018/19 (the Code).

The Narrative Report, which is not formally part of the Statement of Accounts, follows the reporting principles established by the International Integrated Reporting Council (IIRC) and 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 Council originally entered into a shared services partnership with Suffolk Coastal District Council in 2008 and the long-term success of that arrangement has led to a full merger of the two councils with effect from 1st April 2019, creating East Suffolk Council. The Narrative Report has therefore been prepared in that context, reflecting the outcomes for Waveney District Council in 2018/19 and then looking forward from 2019/20 as East Suffolk Council. The following topics are covered: The following topics are covered:

- **Introducing Waveney 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 Suffolk Coastal District Council.
- **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 2018/19** – financial performance for the year both in revenue and capital terms and non-financial performance during the year. 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 corporate risks and opportunities faced by the East Suffolk Council from 1st April 2019 and the way in which they are being managed and explored; and
- **Looking Forward** – East Suffolk Council from 1st April 2019, including a high level overview of the financial picture in terms of revenue and capital.

2. Introducing Waveney District Council

Suffolk has a two-tier system of local government, comprising Suffolk County Council and seven district councils, reducing to five from 2019/20 due to the creation of East and West Suffolk Councils from 1st April 2019. The County Council administers services such as education, waste disposal and social services across the whole of Suffolk, whereas locally, Waveney 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 Waveney sits in the north-east of the County, has a population of 117,897 (ONS, 2017) and covers an area of 37,041 hectares (370km2), has 26km of coastline and comprises a mix of urban and rural areas with Lowestoft being the largest town. There are also four other historic towns (Beccles, Bungay, Halesworth and Southwold) and a number of villages.

Waveney as a whole is in the top third of the most deprived local authorities nationally; nine neighbourhoods in Lowestoft are within the 10% most deprived in the country and unemployment levels in two wards are double the regional average. However, it is also an area of great potential with significant growth expected in available jobs in the medium-term due to available development land, and onshore infrastructure developments driven by a rapidly growing offshore energy sector.

Political Leadership

In 2018/19 the Council was governed by 48 Councillors, covering 23 electoral wards. The make up of the Council for 2018/19 was:

Conservative Party	24 Councillors
Labour Party	13 Councillors
Independent	5 Councillors
Green Party	2 Councillors
Liberal Democrat Party	1 Councillor
Unaffiliated	1 Councillor

There were also two vacant seats.

Executive Leadership

In 2008 Waveney entered a "shared services" partnership with neighbouring local authority, Suffolk Coastal District Council, initially through the appointment of a joint Chief Executive. The partnership extended to a shared senior management team in 2010 with the majority of services now jointly delivered. 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.

A Shared Vision for East Suffolk Council

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. This led to the development of "East Suffolk Means Business" (2015 – 2023), a combined Business Plan, setting 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".

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 £22m since 2008 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 Waveney Norse Limited) and Leisure (through Sentinel Leisure Trust); 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 31st March 2019, there were 412.3 full-time equivalent staff employed by Waveney; 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

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 the Council services means that training and development has to be carefully tailored. Professionals from many different fields are employed, for example Accountancy, Legal, Human Resources, Environmental Services and Planning. Professional staff are required to complete continuous professional development, which needs to be factored in alongside personal and organisational development. 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.

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.

<u>Local Government: the funding shift</u>

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 to core funding for the Council. The Government's aim is to phase out non-specific grant funding completely, e.g. Revenue Support Grant (RSG), and to support local authorities generating additional income locally via council tax, retaining a higher proportion of business rates and fees and charges.

New Homes Bonus (NHB) funding was introduced in 2011 to provide an incentive for local authorities to encourage housing growth, including bringing empty homes back into use. NHB has become an extremely important source of funding to support the annual budget requirement for the Council. The Government modified the scheme from 2017/18, which saw 'legacy payments' reduce from five to four years in 2018/19 and the introduction of a baseline for housing growth (currently 0.4%). The Government has retained the option to review and make adjustments to NHB in future years to consider how to effectively incentivise housing growth.

<u>Changing Demographics: the impact on services</u>

Commenting on the draft local government finance settlement for 2019/20 announced in December 2018, the Institute for Fiscal Studies said that the Government's plans meant that funding per person will be 4% lower per person in real terms in 2019/20 compared to 2015/16, and approximately 25% lower than in 2010/11. By common consensus, the pressure is 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 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's Performance

Achievements in 2018/19

The Council's Performance Report is reported quarterly to the Council's Cabinet Committee. The report captures how the Council is performing against the strategic deliverables within the East Suffolk Business Plan, Key Performance Indicators (KPI's), financial updates, corporate risks, corporate projects, corporate activities and performance of partners. Achievements to highlight:

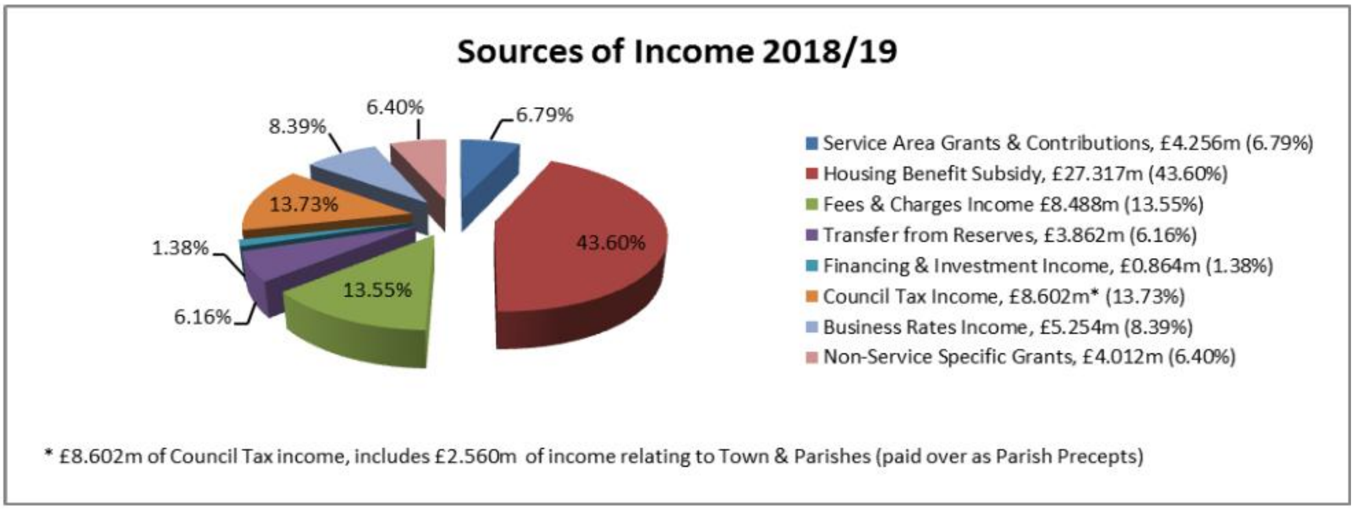
- ☑ In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £1.479m. This is to provide funding towards projects with a strong commitment to a range of actions across economic development, housing, leisure and communities.
- ☑ £1.138m of income was generated through project work and external funding.

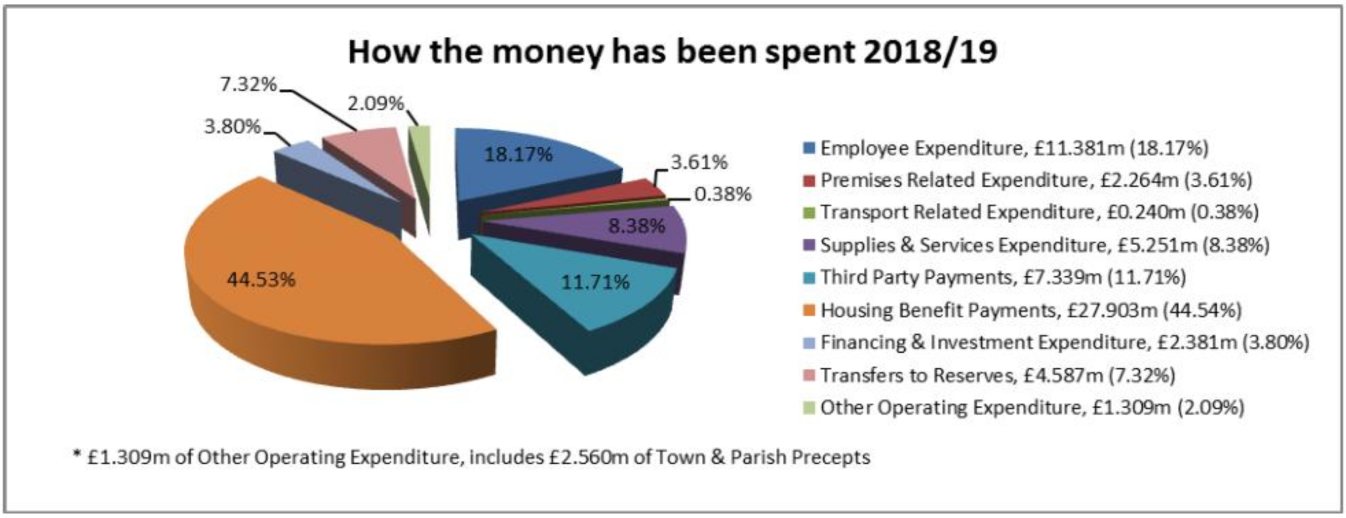
- ☑ Funding of £0.065m has been awarded from the Coastal Revival Fund. Funding to the Lowestoft Coastal Community Team is to support feasibility and design options for the East Point Pavilion and a seafront public realm strategy. The Sole Bay Arts CIO (as part of Southwold Coastal Community Team) was also awarded funding towards activities that will strengthen and enhance Southwold Arts Centre as a visitor and community attraction.
- ☑ The inaugural meeting of Renaissance of East Anglian Fisheries (REAF) Steering Group was held on 18th January 2019 attended by representatives from the Fishing Industry as well as VIVID Economics. The objectives of this group are to explore how economic and social benefits of the fishing industry can be captured and optimized locally and regionally. This follows the successful application to Marine Management Organisation and local council partners for £0.143m to support this area of research and development.
- ☑ Following discussions with BT Outreach Educational Team at Adastral Park members of the ED Team supported the co-ordination and delivery of an online coding practical task with 85 Primary School pupils drawn from five schools in Waveney. This has led to BT actively pursuing the delivery of a computer science workshop in Lowestoft to become a regular feature in the curriculum.
- ☑ Screen Suffolk developed a new interactive map for all their locations with each one listed by the type of building or period making it easier to see what is available in the County. The district has seen close to 60 days of filming throughout 2018/19 on Council land and property or at private locations.
- ☑ The Council's Cabinet agreed to extend the period of rate relief on Enterprise Zones, meaning businesses who are in occupation of new premises by 31st March 2020 can now receive up to three years rate relief.
- ☑ In January 2019 the Council purchased a neglected property in Lowestoft which has been empty for more than 20 years. Following repair and refurbish of the property by the Council, it will be available for local housing.
- ☑ Ongoing support is being given to the Connected Towns Pilot project which is bringing together a number of different, but complementary, initiatives and projects seeking to improve the viability and sustainability of towns across the district. The pilot is currently underway in Framlingham and includes providing enhanced broadband and Wi-Fi infrastructure and business support measures around the use of cashless technology and digital marketing.
- ☑ £0.110m of East Suffolk Partnership (ESP) funding was made available to tackle social isolation amongst older people and families on low income in 'hot spot' areas identified through the ESP Hidden Needs mapping, which is being used as an example of good practice at a county level.
- ☑ The Council has worked with Suffolk County Council and the Clinical Commissioning Group (CCG) to develop and promote a £0.075m dementia grant scheme for the district. Twelve applications were received and half of these will be funded, including dementia friendly performances at the Seagull Theatre and a project with GP practices in the district to raise awareness amongst staff of the needs of people with dementia and their carers.
- ☑ Waveney Youth Council decided that the theme of Youth Take Over Day in November 2018 would be Mental Health, which is one of its priorities for this year (along with young family carers). The event was a big success with inspirational and hard hitting speakers (including the Lowestoft Mental Health Ambassador). The focus for 2019 continues to be health related with an emphasis on wellbeing.
- ☑ 300 new homes (net dwellings) completed.

5. Financial Performance

General Fund Revenue Income and Expenditure

The following two charts show the sources of income to the Council during the year and how the income has been spent (excluding accounting adjustments required by Internal Financial Reporting Standards).





The table below provides the revenue outturn position for the Council for 2018/19, compared to the In-Year forecast position. The original budget position was approved by Full Council on 22nd February 2018. The Surplus/Deficit on the Provision of Services represents the net movement on the Council's reserves for the year (Note 8 to the Financial Statements). The sub-totals in the table cross reference to the Expenditure and Funding Analysis (EFA) in the Financial Statements. However, within the Net Cost of Service, the total by Service Area will differ to those shown in the EFA. This is due to The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities, and some transactions have to be analysed differently in the Financial Statement than when they are reported in the budget and for the purpose of internal financial management reporting.

Service Area	Original Budget £	In-Year Forecast £	Actual £	Variance £
Communities	378	305	249	(56)
Customer Services	1,329	1,464	1,358	(106)
Economic Development and Regeneration	1,273	808	1,109	301
Environmental Services and Port Health	728	751	699	(52)
Financial Services, Corporate Performance and Risk Management	126	(80)	(95)	(15)
Housing Operations and Landlord Services (General Fund)	720	837	762	(75)
Housing Revenue Account (HRA)	(9,050)	(8,580)	(8,862)	(282)
ICT Services	802	903	883	(20)
Internal Audit	229	266	226	(40)
Legal and Democratic Services	970	1,046	986	(60)
Operations	3,107	3,869	4,121	252
Planning and Coastal Management	1,274	1,093	1,027	(66)
Revenue and Benefits	935	981	865	(116)
Senior and Corporate Management	597	668	618	(50)
	3,418	**4,331**	**3,946**	**(385)**
Pension Backfunding	1,500	1,500	1,500	0
Accounting Adjustment (Pension Adjustment IAS19)	0	0	4,237	4,237
Accounting Adjustment (Impairment Loss)	0	0	(159)	**(159)**
Net Cost of Service	**4,918**	**5,831**	**9,524**	**3,693**
Other Operating Expenditure				
Parish Precepts	2,559	2,559	2,560	1
Levies	25	30	28	(2)
Accounting Adjustment (Housing Pooling Payment)	0	0	318	318
Other Operating Expenditure	0	0	(25)	(25)
Other Operating Expenditure	**2,584**	**2,589**	**2,881**	**292**
Financing and Investment Income and Expenditure				
Direct Revenue Financing	6,154	5,571	4,780	(791)
Interest payable and Similar Charges	2,967	2,967	2,987	20
Minimum Revenue Provision	637	637	805	168
Other Financing Charges	35	35	85	50
Accounting Adjustment (Impairment Loss)	0	0	159	159
Accounting Adjustment (Housing Pooling Payment)	0	0	(318)	318
Interest Receivable and Similar Income	(140)	(285)	(308)	(23)
Income and Expenditure in Relation to Investment Properties	(233)	(233)	(328)	(95)
Other Investment Income	0	0	(103)	(103)
Accounting Adjustment (Pension Adjustment IAS19)	0	0	(4,237)	(4,237)
	9,420	**8,692**	**3,522**	**(4,534)**
Taxation and Non-Specific Grant Income				
Council Tax Income	(8,602)	(8,602)	(8,602)	0
Business Rates Income	(3,764)	(6,101)	(5,254)	847
New Homes Bonus Grant	(635)	(635)	(635)	0
S 31 Grant Business Rates	(1,070)	(2,914)	(3,267)	(353)
Other Non-Specific Grants	(500)	0	(110)	(110)
Revenue Support Grant	(836)	0	0	0
Taxation and Non-Specific Grant Income	**(15,407)**	**(18,252)**	**(17,868)**	**384**
(Surplus) or Deficit on Provision of Services	**1,515**	**(1,140)**	**(1,941)**	**(165)**
Net Transfer to/(from) Earmarked Reserves in the Year:				
General Fund	(591)	1,967	725	(1,242)
HRA	(924)	(827)	1,216	2,043
	(1,515)	**1,140**	**1,941**	**801**

The £0.847m unfavourable variance on Business Rates income for the year is due to a higher than expected Levy payment to the Suffolk Pool, of £1.319m. This is the result of a decrease in the provision for appeals. Due to accounting timing differences, the impact on the Collection Fund deficit/surplus will not be reflected in the General Fund until two years time (2021). A transfer from the Business Rates Equalisation Reserve has been made in 2018/19 to finance this temporary shortfall in Business Rates income. The reason for the decrease to the appeals provision is explained further in this report under 'Provisions and Contingencies'.

An outturn report, providing further details of variances to budget, will be presented to the East Suffolk Council's Cabinet meeting on 8th July 2019.

Housing Revenue Account (HRA)

The HRA is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income.

The Self-Financing regime was introduced in April 2012 and the Council had to take on a significant amount of debt (£68m) in exchange for not paying future Housing Subsidy. The total debt for the Council's HRA is currently at £76m (£68m from the self-financing settlement and £8m pre Self-Financing).

The Council's housing stock totalled 4,446 dwellings as at 31st March 2019 (4,435 as at 31st March 2018). During 2018/19 the Council added 26 newly built properties to its housing stock. The remaining net movement in-year was due to properties sold through the Right to Buy Scheme, additional purchases and properties lost/gained through conversions and transfers.

Total Rent arrears as at 31st March 2019 was £1.119m (£0.936m as at 31st March 2018) and represented 5.7% of the HRA's gross collectable income. Universal Credit has had a negative impact on rent arrears and through the Council's Digital Transformation Programme measures are being explored to provide greater assistance to tenants. For example, text messaging services to tenants and new online portals for tenants to manage their rent accounts.

As illustrated in the table below and in the HRA section of the Statement of Accounts, the in-year movement on the HRA working balance was a deficit position of £0.284m, decreasing the HRA working balance to £4.859m as at 31st March 2019. The HRA also holds Earmarked Reserves which are set out in Note 8 to the Statement of Accounts. As at 31st March 2019 the total balance on the HRA Earmarked Reserves was £12.322m. £10m of this relates to the HRA Debt Repayment Reserve which is to provide funding for future liabilities for repaying the self-financing debt.

Housing Revenue Account Outturn Summary	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Outturn £'000	2018/19 Variance £'000
Income				
Dwelling Rent	(18,709)	(18,596)	(18,730)	(134)
Non-Dwelling Rents	(183)	(177)	(168)	9
Service Charges and Facilities	(1,283)	(1,225)	(1,276)	(51)
Leaseholders Charges for Services	(10)	9	2	(7)
Contributions towards Expenditure	(32)	(39)	(41)	(2)
Reimbursement of Costs	(74)	(255)	(382)	(127)
Interest Income	(93)	(100)	(138)	(38)
Total Income	**(20,384)**	**(20,383)**	**(20,733)**	**(350)**
Expenditure				
Repairs & Maintenance	3,765	3,925	4,270	345
Supervision and Management	3,195	3,069	2,960	(109)
Special Services	1,539	1,705	1,711	6
Rents, Rates and other Charges	84	33	42	9
Movement in Bad Debt Provision	(8)	165	131	(34)
Contribution to CDC* and Pension Backfunding	616	595	594	(1)
Capital Charges	3,466	3,460	3,066	(394)
Prior Year Adjustment - Depreciation	0	0	207	207
Interest Charges	2,270	2,270	2,300	30
Revenue Contribution to Capital	5,381	4,988	4,236	(752)
Transfers to Earmarked Reserves	1,000	1,000	1,500	500
Total Expenditure	**21,308**	**21,210**	**21,017**	**(193)**
Net movement on the HRA for the year	**924**	**827**	**284**	**(543)**

** Corporate and Democratic Core (CDC)*

The HRA capital programme consists of capital budgets for housing repairs, project development and the housing development programme. In 2018/19 the HRA capital programme totalled £10.405m, which consisted of £4.442m for the new build programme, £2.866m on the Housing Project Development and £3.097m for housing repairs and improvements.

The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources, with no requirement for additional borrowing during 2018/19.

Further details on the HRA's outturn position for 2018/19 will be reported in the outturn report to Cabinet on 8th July 2019.

General Fund Capital Programme

The successful delivery of many of the 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.

Capital budgets are approved for the life of the project which can span more than one financial year. Any capital budgets for a project that remain unspent at the end of the financial year are carried forward to the following year. Similarly, with projects that are ahead of the original profile, budgets can be brought forward.

The table below summarises the General Fund Capital Programme outturn for the year. £2.4m of the variance at the end of the year is due to projects being rephrased to 2019/20 and the budgets will be carried forward accordingly.

The outturn report to Cabinet on 8th July 2019 will provide further information on the Capital Programme performance in 2018/19.

Service Area	2018/19 Original Budget £'000	2018/19 In-Year Forecast £'000	2018/19 Outturn £'000	2018/19 Variance £'000
ICT Services	43	317	91	(226)
Operations	5,485	2,090	926	(1,164)
Planning & Coastal Management	10,486	1,992	1,423	(569)
Financial Services,Corporate Performance and Risk Management	2,700	1,508	691	(817)
Economic Development	870	40	58	18
Total General Fund Capital Expenditure	**19,584**	**5,947**	**3,189**	**(2,758)**
Financed By:				
Borrowing	7,986	2,555	744	(1,811)
Government Grants and Third Party Contributions	10,495	1,957	1,398	(559)
Revenue/Revenue Reserves	773	583	541	(42)
Capital Receipts	330	852	506	(346)
Total General Fund Capital Financing	**19,584**	**5,947**	**3,189**	**(2,758)**

Reserves and Balances

The careful management of reserves and balances sits at the heart of the Council's strategic financial planning process. The Council has a policy of maintain the level of General Fund balance at around 3% to 5% of its budgeted gross expenditure. The General Fund 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. No movements to or from the General Fund balance have been made in 2018/19 and as at 31st March 2019 the balance is held at £4.00m.

The Council holds a number of Earmarked Revenue Reserves which have been established to meet known or predicted liabilities and to hold balances of grants and external funding which is committed to future year spend. The Council reviews these reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund. As at the 31st March 2019 the total balance on Earmarked Reserves stood at £12.227m, an increase of £0.725m on the previous year. Earmarked Reserves to highlight include:

- **Business Rates Equalisation Reserve (Balance as at 31st March 2019, £0.803m)** – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in particular in relation to Business Rates appeals and for year-end surpluses/deficits needing to be estimated in advance.
- **In-Year Savings Reserve (Balance as at 31st March 2019, £1.009m)** – This is prior year savings set-aside to support future year budget pressures. Use of this reserve is planned in 2019/20 as presented in the East Suffolk Council Budget for 2019/20 (Shadow Council meeting on 28th February 2019).
- **Business Rate Pilot Reserve (Balance as at 31st March 2019, £1.431m)** – In 2018/19, Suffolk was successful with its bid to pilot 100% Business Rates Retention Scheme. The Council's share of the additional retained Business Rates income was £1.479m. This income has been transferred to this reserve and is to be used to provide funding for agreed projects (£0.048m used in 2018/19).

Movements on all Earmarked Reserves are set out in Note 8 to the Statement of Accounts.

Interests in Companies and Other Entities

In 2008/09 Waveney District Council entered into an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including refuse, cleansing and maintenance. Waveney District Council holds a 19.9% share of Waveney Norse Limited (Ltd). Payments made to Waveney Norse Ltd in respect of the services provided are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of the Council's Statement of Accounts. Total payments to Suffolk Norse Ltd were £7.068 m in 2018/19 (£6.721m in 2017/18).

Pension Liabilities

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.

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 £42.004m in 2018/19 (£36.093m for 2017/18). However statutory arrangements for funding the deficit mean the financial position of the Council is not adversely affected. The overall increase of £5.911m in the liability is primarily due to financial assumptions at 31st March 2019 being less favourable than at 31st March 2018.

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.

Provisions and Contingencies

As part of the National Non Domestic Rates (NNDR1) return in January 2018, the Council had to estimate the business rates income expected to be received in 2018/19 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.

For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. A provision of 4.04% has been calculated for the two large hereditaments within the Council's valuation list. For the remaining liabilities, this has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 4.04% trend analysis and then finally take 25% of the value as the provision. The provision for Business Rates appeals has decreased by £1.417m, as shown in the Collection Fund Note to the Financial Statements.

6. Risks and Opportunities

Risks

The Council does have a Corporate Risk Management Strategy which has been adopted for East Suffolk Council from 1st April 2019. The Council's approach to risk management is to embed risk management into the organisation so that it is the responsibility of all managers and teams. A detailed review of all corporate risks is undertaken quarterly by Corporate Management Team at Corporate Governance Days and the Corporate Risk Management Group is held every six months to manage, monitor and consider risks including the management of the risk process. All Corporate Risks, significant for the Council, are reported to the Audit and Governance Committee in March. The high level details as at 31st March 2019 are:

Corporate Risk	Current rating	Target rating	Projected Direction
Medium Term Overview	Amber	Green	→
Asset Management Strategy	Amber	Green	↑
ICT (including Disaster Recovery for ICT)	Amber	Amber	→
Programme and Project Delivery	Amber	Green	↑
Digital Transformational Services	Amber	Green	↑
Welfare Reform (Universal Credit) Impact	Amber	Green	→
Housing Development Programme	Amber	Green	↑
Safeguarding	Amber	Green	→
General Data Protection Regulation	Amber	Green	→
Brexit	Amber	Green	→
Service Delivery Contracts / Partnerships (*large/'significant)*	Amber	Green	↑
Service Delivery Contracts / Partnerships *'other')*	Green	Green	↑
'One Council' East Suffolk Council	Green	Green	↑
Ethical Standards (maintain and promote)	Green	Green	→
Service Planning	Green	Green	↑
East Suffolk Business Plan	Green	Green	↑
Capital Programme	Green	Green	↑

Action plans are in place to continue to improve mitigation for cyber threats and risks.

The impact of Brexit is as yet uncertain, but is likely to affect interest and inflation rates, labour costs and property and rental values, as well as the business and tourist economies. A Suffolk wide Brexit group has been set-up at which the Council is represented.

Opportunities

Looking forward to East Suffolk Council from 1st April 2019 will provide further opportunities for cash savings and non-cash efficiency savings. It will place the Council in the best position to take advantage of opportunities - ensuring value for money for residents and become more financially resilient.

East Suffolk is recognised by many as an economic powerhouse area, with many major assets located in the district such as Felixstowe Port, BT's global Research and Development Head Quarters, offshore wind sector and nuclear energy (Sizewell Power Plant). Developments likely to bring significant economic and employment opportunities for the district include:

- The Port of Felixstowe is now the largest container port in the UK and further expansion (especially in supporting infrastructure) is planned; and
- Sizewell Power Plant major expansion - development of "Sizewell C", a third Nuclear Power Station on the site.

Lowestoft, along with neighbouring Great Yarmouth Borough Council, are one of only six locations in England that have been designated as a Centre for Offshore Renewable Engineering (CORE) status by the Government. CORE status is awarded through recognising the existing port infrastructure, skills, supply chain and Local Government support to enable rapid growth within the offshore wind sector.

Tourism is an important part of the Council's economy. Visitors are attracted by the character, culture, festivals, music, art, food, drink, clean beaches and spectacular coastline, with areas of the district designated as Areas of Outstanding Natural Beauty (AONB).

The Council will also be able to increase its ability to extend social housing, with the Housing Revenue Account (formerly part of Waveney District Council) being able to operate in the new East Suffolk district from 1st April 2019.

7. Looking Forward

Since the two Councils started working in partnership in 2008, over £22m of efficiency savings have been made whilst maintaining a reputation for delivering a high standard of service. With the creation of a single council from 1st April 2019, it will provide opportunities for East Suffolk Council to realise further cost savings through a reduction in external costs whilst operating as two separate legal entities and being able to renegotiate contracts.

Additional non-cashable savings will be achievable due to the removal of duplication of time and effort by officers, with capacity and resources being released to deliver more for the residents. With a combined population of almost 247,000 and covering an area of 487 square miles, East Suffolk Council will be the largest district council in the country and will be able to develop a stronger voice to represent its residents, businesses and communities.

The East Suffolk General Fund budget for 2019/20 was approved by Shadow Council on 28th February 2019 and presented the Medium Term Financial Strategy (MTFS) through to 2022/23. To deliver a balanced budget for 2019/20, £3.019m is planned to be used from the In-Year Savings Reserve. Going forward, the MTFS for 2020/21 currently reports a budget gap of £3.841m, increasing to £3.872m by 2022/23.

Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally-generated resources, with an accompanying transfer of both risk and opportunity. The Government is working towards significant reform of the local government finance system from 2020/21, which creates uncertainty for the Council going forward. In the current MTFS the Council has assumed no core funding from 2020/21 onwards in the form of RSG and Rural Services Delivery Grant (total of £0.571m in 2019/20).

Also, due to the high degree of uncertainty regarding the future reform of the local government financing system, business rates income above baseline has not been included in the East Suffolk Council MTFS from 2020/21.

In January 2019 a General Fund Capital Programme of £153m was approved for East Suffolk Council for the period 2019/20 to 2022/23, including:

- Redevelopment of Leiston Leisure Centre – continuing to build on the Council's commitment to improve leisure facilities in the district and to encourage active lifestyles for residents,
- Flood Risk Management/Tidal Barrier – Lowestoft tidal barrier is a major project to construct a permanent tidal wall to protect Lowestoft from future tidal surges,
- Normanston Footbridge (£1.7m) – a new pedestrian/cycle bridge over the railway adjacent to the existing Network Rail bridge,
- Commercial Investment – £5m has been set aside for East Suffolk Council to deliver commercial investment plans. The Council's Commercial Investment Strategy has now been developed into a business case advocating a wide ranging commercial investment and trading delivery approach, including the creation of a Local Authority Trading Company (LATCO). This is due to be progressively phased in during 2019/20; and
- Land Acquisitions – £5m has been allocated to finance strategic land acquisitions, aimed at advancing the Council's housing and regeneration priorities.

The capital expenditure is financed from a combination of external grants and contributions, borrowing and the Council's own financial resources.

East Suffolk Council is faced with exciting opportunities but also some challenges, from a national and local level. At a national level it is the financial uncertainty surrounding the Government's reform of the local government financing system and the impact of Brexit. At a local level, the district has areas presenting economic challenges and it will be imperative for the Council to ensure that its planning policies continue to support a proportionate and sustainable growth in employment, the local economy, housing and transport and communications infrastructure.

The Council will need to respond in increasingly innovative ways to support its communities and maintain the momentum of improvement over the medium and longer term. Overall, the Council's budget is robust, and it has sufficient earmarked and general balances to manage key risks and challenges and deliver on a range of ambitions. However, it is important that the Council recognises the risks to incentivised income areas outside of the budget itself, and does not become over reliant on these sources to both balance the budget and to finance its longer-term ambitions. It is imperative that the Council's commitment to strong financial governance is maintained and strengthened.

8. Covid-19, Going Concern Issues, and Looking Forward

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

As a result of the final version of these statements being approved in September 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Waveney DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

Covid-19 Impact (as at 17 July 2020)						
General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council’s General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council’s own income sources, especially car parking and planning, whereas next year’s estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council’s General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

The Housing Revenue Account (HRA) is generally less exposed to the financial impacts of the pandemic than the General Fund, although rent income will be affected to a degree.

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 Geoff Lynch
Chairman of Audit & Governance Committee, East Suffolk Council – 29th July 2019

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 2018/19* (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 2019 and its income and expenditure for the year ending on that date.

Simon Taylor (CPFA)
Chief Finance Officer and S151 Officer, East Suffolk Council – 31st May 2019

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 & Expenditure Statement	2018/19 (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to GF & HRA Balances		Net Expenditure in the Comprehensive Income & Expenditure Statement	2017/18 (Restated)** (Note 7) Adjustments between the Funding & Accounting Basis				Net Expenditure Chargeable to GF & HRA Balances
	Capital	Pensions	Other	Total Adj				Capital	Pensions	Other	Total Adj	
£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000
283	-	42		42	325	Communities	431	-	34	-	34	465
1,253	(2)	163		161	1,414	Customer Services	985	(2)	141	-	139	1,124
1,324	(280)	79		(201)	1,123	Economic Development and Regeneration	1,036	(71)	80	-	9	1,045
755	-	102		102	857	Environmental Services and Port Health	743	-	103	-	103	846
393	(7)	1,569		1,562	1,955	Financial Services, Corporate Performance and Risk Management	(42)	(7)	1,667	-	1,660	1,618
830	25	104		129	959	Housing Operations and Landlord Services	377	253	79	-	332	709
(7,422)	(265)	837		572	(6,850)	Housing Revenue Account	(16,952)	8,638	790	-	9,428	(7,524)
804	(108)	92		(16)	788	ICT Services	780	(133)	85	-	(48)	732
191	-	13		13	204	Internal Audit	197	-	4	-	4	201
962	(1)	74		73	1,035	Legal and Democratic Services	932	(1)	68	-	67	999
4,566	(789)	145		(644)	3,922	Operations	5,660	(4,154)	142	-	(4,012)	1,648
1,994	(905)	256		(649)	1,345	Planning and Coastal Management	1,806	(843)	237	-	(606)	1,200
1,042	-	225		225	1,267	Revenue and Benefits	673	-	210	-	210	883
1,025	-	156		156	1,181	Senior and Corporate Management	649	-	139	-	139	788
8,000	**(2,332)**	**3,857**	**-**	**1,525**	**9,525**	**Cost of Services**	**(2,725)**	**3,680**	**3,779**	**-**	**7,459**	**4,734**
3,317	(436)	-	-	(436)	2,881	Other Operating Expenditure	9,194	(5,605)	-	-	(5,605)	3,589
3,422	5,351	(5,179)	(73)	99	3,521	Financing and Investment Income and Expenditure	3,402	4,215	(5,103)	-	(888)	2,514
(22,694)	3,204	-	1,620	4,824	(17,870)	Taxation and Non-Specific Grant Income	(17,690)	2,254	-	(186)	2,068	(15,622)
(7,955)	**5,787**	**(1,322)**	**1,547**	**6,012**	**(1,943)**	**(Surplus) or Deficit on Provision of Services**	**(7,819)**	**4,544**	**(1,324)**	**(186)**	**3,034**	**(4,785)**
					(31,466)	Opening General Fund and HRA Balance						(26,681)
					(1,943)	Less/Plus Surplus of (Deficit) on General Fund and HRA Balance in Year						(4,785)
					(33,409)	Closing General Fund and HRA Balance at 31 March*						**(31,466)**

* For a split of this balance between the General Fund and the HRA - see Movement in Reserves Statement

** Reason for restatement can be found in Note 34 – Prior period adjustment

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 Waveney Norse Ltd profits and tax expenses.

	Authority						Group	
	2018/19			2017/18 (Restated)*			2018/19	*2017/18 (Restated)
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
Cost of Services								
Communities	596	(313)	**283**	469	(38)	**431**	**283**	**431**
Customer Services	1,281	(28)	**1,253**	1,128	(143)	**985**	**1,253**	**985**
Economic Development and Regeneration	1,665	(341)	**1,324**	1,161	(125)	**1,036**	**1,324**	**1,036**
Environmental Services and Port Health	790	(35)	**755**	799	(56)	**743**	**755**	**743**
Financial Services, Corporate Performance and Risk Management	702	(309)	**393**	581	(623)	**(42)**	**393**	**(42)**
Housing Operations and Landlord Services	2,498	(1,668)	**830**	1,855	(1,478)	**377**	**830**	**377**
Housing Revenue Account	13,172	(20,594)	**(7,422)**	3,732	(20,684)	**(16,952)**	**(7,422)**	**(16,952)**
ICT Services	804	-	**804**	780	-	**780**	**804**	**780**
Internal Audit	236	(45)	**191**	208	(11)	**197**	**191**	**197**
Legal and Democratic Services	1,281	(319)	**962**	1,224	(292)	**932**	**962**	**932**
Operations	11,481	(6,915)	**4,566**	12,603	(6,943)	**5,660**	**4,566**	**5,660**
Planning and Coastal Management	3,528	(1,534)	**1,994**	3,057	(1,251)	**1,806**	**1,994**	**1,806**
Revenue and Benefits	30,465	(29,423)	**1,042**	33,851	(33,178)	**673**	**1,042**	**673**
Senior and Corporate Management	1,091	(66)	**1,025**	690	(41)	**649**	**1,025**	**649**
Total Cost of Services	**69,590**	**(61,590)**	**8,000**	**62,138**	**(64,863)**	**(2,725)**	**8,000**	**(2,725)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Authority						Group	
	2018/19			2017/18 (Restated)*			2018/19	*2017/18 (Restated)
	Gross Expenditure	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Net Expenditure £'000	Net Expenditure £'000
Other Operating Expenditure (note 11)			3,317			9,194	3,317	9,194
Financing and Investment Income and Expenditure (note 12)			3,422			3,402	3,422	3,402
Taxation and Non-Specific Grant Income (note 13)			(22,694)			(17,690)	(22,694)	(17,690)
(Surplus) or Deficit on Provision of Services			(7,955)			(7,819)	(7,955)	(7,819)
Share of (Surplus)/Deficit on the Provision of services by Associate (note 31)			-			-	(60)	(73)
Tax expenses of Associate (note 31)			-			-	10	12
(Surplus)/Deficit			(7,955)			(7,819)	(8,005)	(7,880)
Surplus or deficit on revaluation of non-current assets (note 21)			(2,904)			(8,051)	(2,904)	(8,051)
(Surplus) or deficit on revaluation of available for sale financial assets			(109)			109	(109)	109
Remeasurement of the net defined benefit liability / (asset) (note 21)			4,587			(4,593)	4,587	(4,593)
Other Comprehensive Income and Expenditure			1,574			(12,535)	1,574	(12,535)
Total Comprehensive Income and Expenditure			(6,381)			(20,354)	(6,431)	(20,415)

* Reason for restatement can be found in Note 34 – Prior period adjustment

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 Waveney 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	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs 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 Group Reserves £'000**
Balance at 31 March 2017	**(4,160)**	**(9,142)**	**(7,247)**	**(6,132)**	**(15,787)**	**(3,617)**	**(52,957)**	**(120,936)**	**(173,893)**	**(322)**	**(174,215)**
Movement in reserves during 2017/18											
(Surplus) or deficit on provision of services (restated*)	7,401	-	(15,220)	-	-	-	(7,819)	-	**(7,819)**	-	**(7,819)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(12,535)	**(12,535)**	-	**(12,535)**
Total Comprehensive Income and Expenditure*	**7,401**	**-**	**(15,220)**	**-**	**-**	**-**	**(7,819)**	**(12,535)**	**(20,354)**	**-**	**(20,354)**
Adjustment between Group and Authority Accounts:											
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-	-	-	(61)	**(61)**
Net (Increase) / Decrease before Transfers*	**7,401**	**-**	**(15,220)**	**-**	**-**	**-**	**(7,819)**	**(12,535)**	**(20,354)**	**(61)**	**(20,415)**
Adjustments between accounting basis and funding basis under regulations (note 9) (restated*)	(9,600)	-	12,634	-	(3,105)	(1,858)	(1,567)	1,566	**(1)**	-	**(1)**
Net (Increase) / Decrease before Transfers to Earmarked Reserves*	**(2,199)**	**-**	**(2,586)**	**-**	**(3,105)**	**(1,858)**	**(9,386)**	**(10,969)**	**(20,355)**	**(61)**	**(20,416)**
Transfer to / from Earmarked Reserves (note 10)	2,360	(2,360)	4,690	(4,690)	-	-	-	-	-	-	-
(Increase) / Decrease in Year*	**161**	**(2,360)**	**2,104**	**(4,690)**	**(3,105)**	**(1,858)**	**(9,386)**	**(10,969)**	**(20,355)**	**(61)**	**(20,416)**
Balance at 31 March 2018 carry forward*	**(3,999)**	**(11,502)**	**(5,143)**	**(10,822)**	**(18,892)**	**(5,475)**	**(62,343)**	**(131,905)**	**(194,248)**	**(383)**	**(194,631)**

* Reason for restatement can be found in Note 34 – Prior period adjustment

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked Housing Revenue Account Reserves £'000	Major Repairs 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 Group Reserves £'000**
Balance at 31 March 2018 brought forward	**(3,999)**	**(11,502)**	**(5,143)**	**(10,822)**	**(18,892)**	**(5,475)**	**(62,343)**	**(131,905)**	**(194,248)**	**(383)**	**(194,631)**
Movement in reserves during 2018/19											
(Surplus) or deficit on provision of services	(3,181)	-	(4,774)	-	-	-	(7,955)	-	**(7,955)**	-	**(7,955)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	1,574	**1,574**	-	**1,574**
Total Comprehensive Income and Expenditure	**(3,181)**	**-**	**(4,774)**	**-**	**-**	**-**	**(7,955)**	**1,574**	**(6,381)**	**-**	**(6,381)**
Adjustment between Group and Authority Accounts:											
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-	-	**-**	(50)	**(50)**
Net (Increase) / Decrease before Transfers	**(3,181)**	**-**	**(4,774)**	**-**	**-**	**-**	**(7,955)**	**1,574**	**(6,381)**	**(50)**	**(6,431)**
Adjustments between accounting basis and funding basis under regulations (note 9)	2,453	-	3,558	-	(737)	(1,673)	5,702	(5,702)	**-**	-	**-**
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(728)**	**-**	**(1,216)**	**-**	**(737)**	**(1,673)**	**(2,253)**	**(4,128)**	**(6,381)**	**(50)**	**(6,431)**
Transfer to / from Earmarked Reserves (note 10)	727	(727)	1,500	(1,500)	-	-	-	-	**-**	-	**-**
(Increase) / Decrease in Year	**(1)**	**(727)**	**284**	**(1,500)**	**(737)**	**(1,673)**	**(2,253)**	**(4,128)**	**(6,381)**	**(50)**	**(6,431)**
Balance at 31 March 2019 carried forward	**(4,000)**	**(12,229)**	**(4,859)**	**(12,322)**	**(19,629)**	**(7,148)**	**(64,596)**	**(136,033)**	**(200,629)**	**(433)**	**(201,062)**

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 21 to the Council's Core Financial Statements.

	Note	Authority		Group	
		2018/19	***2017/18 (Restated)**	**2018/19**	***2017/18 (Restated)**
		£'000	**£'000**	**£'000**	**£'000**
Property, Plant and Equipment	14	**289,773**	281,664	**289,773**	281,664
Investment Property	15	**2,882**	2,882	**2,882**	2,882
Heritage Assets		**223**	223	**223**	223
Intangible Assets		**165**	176	**165**	176
Long Term Investments	16 + 33	**2,428**	2,401	**2,428**	2,401
Investment in Associate	31	**-**	-	**433**	383
Long Term Debtors	16	**651**	786	**651**	786
Long Term Assets		**296,122**	**288,132**	**296,555**	**288,515**
Short Term Investments	16	**31,099**	34,087	**31,099**	34,087
Current Assets held for sale		**4**	4	**4**	4
Inventories		**84**	72	**84**	72
Short Term Debtors	17	**9,326**	7,092	**9,326**	7,092
Cash and Cash Equivalents	Cash Flow	**15,143**	8,189	**15,143**	8,189
Current Assets		**55,656**	**49,444**	**55,656**	**49,444**
Short Term Creditors	18	**(11,071)**	(9,686)	**(11,071)**	(9,686)
Short Term Capital Grants Receipts in Advance	20	**(787)**	(865)	**(787)**	(865)
Current Liabilities		**(11,858)**	**(10,551)**	**(11,858)**	**(10,551)**
Long Term Creditors	32	**(6,733)**	(6,697)	**(6,733)**	(6,697)
Long Term Provisions	19	**(1,987)**	(1,576)	**(1,987)**	(1,576)
Long Term Borrowing	16	**(87,574)**	(87,734)	**(87,574)**	(87,734)
Long Term Capital Grants Receipts in Advance	20	**(992)**	(677)	**(992)**	(677)
Other Long Term Liabilities - Pension Liability	28	**(42,004)**	(36,093)	**(42,004)**	(36,093)
Long Term Liabilities		**(139,290)**	**(132,777)**	**(139,290)**	**(132,777)**
Net Assets		**200,630**	**194,248**	**201,063**	**194,631**
Capital Reserves					
Capital Receipts Reserve		**(4,409)**	(6,510)	**(4,409)**	(6,510)
Capital Grants Unapplied		**(7,148)**	(5,475)	**(7,148)**	(5,475)
Major Repairs Reserve		**(19,629)**	(18,892)	**(19,629)**	(18,892)
Share of Reserves of Associate	31	**-**	-	**(433)**	(383)
Revenue Reserves					
General Fund					
- Fund Balance		**(4,000)**	(3,999)	**(4,000)**	(3,999)
- Earmarked Reserves		**(12,229)**	(11,502)	**(12,229)**	(11,502)
Housing Revenue Account					
- Fund Balance		**(4,859)**	(5,143)	**(4,859)**	(5,143)
- Earmarked Reserves		**(12,322)**	(10,822)	**(12,322)**	(10,822)
Usable reserves		**(64,596)**	**(62,343)**	**(65,029)**	**(62,726)**
Unusable reserves	21	(136,033)	(131,905)	**(136,033)**	(131,905)
Total Reserves		**(200,629)**	**(194,248)**	**(201,062)**	**(194,631)**

* Reason for restatement can be found in Note 34 – Prior period adjustment

Simon Taylor (CPFA)
Chief Finance Officer

31st May 2019

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.

	2018/19 £'000		2017/18 (Restated) £'000	
Net (surplus) or deficit on the provision of services		**(7,955)**		**(7,819)**
Adjust net surplus or deficit on the provision of services for non cash movements:				
- Depreciation and Amortisation of Non Current Assets	(5,889)		(5,996)	
- Impairment and Downward valuations	645		7,565	
Impairment for Bad Debts	(170)		-	
- Change in Creditors	(1,630)		1,090	
- Change in Debtors	1,715		419	
- Change in Inventory	8		4	
- Pension Liability	(1,324)		(1,323)	
- Other non-cash items charged to Surplus / Deficit on Provision of Services	(484)		(315)	
- Carrying value of Non-Current Assets disposed	(1,892)		(8,877)	
- Movement in Investment Property Values			(1)	
		(9,021)		**(7,434)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		5,587		5,611
Net cash flows from Operating Activities		**(11,389)**		**(9,642)**
Investing Activities:				
- Purchase of property, plant and equipment, investment property and intangible assets	12,498		7,794	
- Purchase of short-term and long-term investments	85,500		55,500	
- Other payments for investing activities	34		3	
- Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,456)		(2,387)	
- Proceeds from short-term and long-term investments	(88,500)		(43,000)	
- Other receipts from investing activities	(4,799)		(3,007)	
		3,277		**14,903**
Financing Activities:				
- Other receipts from financing activities	(38)		(327)	
- Cash payments for the reduction of the outstanding liabilities relating to finance leases	245		231	
- Repayments of short- and long-term borrowing	160		3,161	
- Other payments for financing activities	791		-	
		1,158		3,065
Net increase or decrease in cash and cash equivalents		**(6,954)**		**8,326**
Cash and cash equivalents at the beginning of the reporting period		(8,189)		(16,515)
Cash and cash equivalents at the end of the reporting period		**(15,143)**		**(8,189)**
- Cash held by officers		1		1
- Short-term deposits		13,006		5,009
- Bank current account		2,136		3,179
Cash and cash equivalents at the end of the reporting period		**15,143**		**8,189**
The cashflows for operating activities include the following items:				
- Interest received		311		258
- Interest paid		(2,985)		(2,942)
- Dividends received		103		10

1. Accounting policies

a) General principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19*, 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 £1.398m 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 23) and Officers Remuneration (Note 26).

Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

As a result of the final version of these statements being approved in September 2020, East Suffolk Council has considered the impact of the Covid-19 pandemic on its financial position, liquidity and performance during 2020/21 and beyond. This is included in Note 1 Accounting Policies, part (a) General Principles. The assessment has included modelling scenarios that consider the impact on:

- Reductions in income
- Increased expenditure
- Cashflow and liquidity
- General fund balances and reserves

The Council has also considered known and expected government funding and determined that it has sufficient liquidity from its ability to access short term investments and sufficient general fund balances and reserves to continue to deliver services. As a result, the Council is satisfied that it can prepare the accounts of Suffolk Coastal DC on a going concern basis.

The Council has also considered the impact as an event after the balance sheet date in Note 6 to the accounts.

The restrictions in place within the United Kingdom in response to Covid-19 in the early part of 2020/21, and the resulting economic recession, have created significant issues for many businesses and residents. From April 2020 onwards, Council income was affected detrimentally in a range of areas such as car parking and planning, where these services were unable to function normally and generate income from fees and charges. In addition, the Council incurred significant additional costs in the provision of relief efforts in respect of the pandemic, such as the administration of business support and the management of community hubs. Moving into 2021/22, the most significant financial impacts on the Council are expected to be the effect on the collection fund and the council tax base from the awarding of more council tax reduction scheme reliefs, and the potential impact on business rates income. The government has provided some support for lost income and additional costs borne by authorities because of the crisis and the Council has received just over £2.6 million in this regard. In addition, in early July 2020, the Government announced a scheme for reimbursement of lost income, which will significantly assist the financial position in 2020/21.

The Council's Cabinet received a comprehensive report on the financial implications of Covid-19 at its meeting on 7 July 2020. In addition to detailing the various Government support measures to businesses and the community, this report outlined the actual and potential financial impacts on the Council itself. The table below summarises these impacts over the MTFS period of 2019/20 to 2024/25.

Covid-19 Impact (as at 17 July 2020)

General Fund	Actual 2019/20 £'000	Estimated 2020/21 £'000	Estimated 2021/22 £'000	Estimated 2022/23 £'000	Estimated 2023/24 £'000	Estimated 2024/25 £'000
Total Cost Pressure	**43**	**1,356**	**0**	**0**	**0**	**0**
Income Pressures:						
Sales, Fees & Charges Losses	363	5,169	396	2	2	2
Other Income	0	3,819	2,854	1,150	650	150
Total Income Pressure	**363**	**8,988**	**3,250**	**1,152**	**652**	**152**
Net Impact (before Government Funding)	**406**	**10,344**	**3,250**	**1,152**	**652**	**152**
Government Funding Received & Forecast	**(122)**	**(6,323)**	**0**	**0**	**0**	**0**
Net Impact (before Government Funding) *	**284**	**4,021**	**3,250**	**1,152**	**652**	**152**

** Subject to continuous review and therefore change*

The situation on local government and the impact of the Covid-19 pandemic is currently developing rapidly. As shown above, after taking Government funding into account, the net impacts on the Council's General Fund are currently estimated to be £4m in 2020/21, and £3.2m in 2021/22, with reduced and very uncertain impacts over the rest of the MTFS period. These impacts are dependent on the scale and duration of the economic recession, and the speed and nature of economic recovery.

The financial impacts estimated in the current year primarily concern the Council's own income sources, especially car parking and planning, whereas next year's estimated impacts primarily concern council tax as a key external income stream. There will inevitably be an impact on Council Tax income arising primarily from an increase in the number of Local Council Tax Reduction Scheme (LCTRS) claims related to increasing unemployment, but these forecasts are obviously very uncertain.

These estimates do not take into account any impacts on business rates at this stage, other than potential loss of the Pooling Benefit from the Suffolk Business Rates Pool. The position on Business Rates is very uncertain and will also be dependent on recession and recovery impacts, together with Government policy.

Overall, the current estimated net impacts on the Council's General Fund over the Medium Term Financial Strategy (MTFS) period are as shown below in addition to the budget gaps currently forecast in the MTFS:

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Gap February 2020	0	5,350	6,163	6,676	6,676
Deferral of changes to the Business Rates system until 2022/23	**0**	**(4,884)**	**0**	**0**	**0**
Covid-19 Net Impact (before Government Funding) *	4,021	3,250	1,152	652	152
Forecast Budget Gap (17 July 2020)	**4,021**	**3,716**	**7,315**	**7,328**	**6,828**

** See previous table for Covid-19 impact*

Reforms to the local government finance system have been deferred until 2022/23 at the earliest and the planned national business rates revaluation exercise has also been postponed. The continuation of the current arrangements into 2021/22 is of significant financial benefit to the Council, given its advantageous position under the current system.

As at 31 March 2020, the Council had the following Earmarked Reserves available to largely enable it to absorb this shock to its income streams in the short term:

In Year Savings Reserve £4.925m

Busines Rates Equalisation Reserve £6.296m

However, a prolonged and sustained recession, combined with the need to close the already forecast budget gap could put pressure on other earmarked reserves and Council projects and services. There is a need for the Council to work up a savings plan to deliver a sustainable financial position and replenish reserves enabling key recovery projects to be undertaken.

The Housing Revenue Account (HRA) is generally less exposed to the financial impacts of the pandemic than the General Fund, although rent income will be affected to a degree.

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 payable on borrowings and receivable on investments 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. Accrued interest is accounted for in the Balance Sheet as part of the carrying value of the financial instrument.
- 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 (MRP)), 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 that fall 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, bonuses 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. The 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 2018/19 accounts is 2.4% 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.
- Re-measurements 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets

Financial assets are classified are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost;
- fair value through profit or loss; and
- fair value through other comprehensive income.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 financial assets held by the Council, 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.

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

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at Fair Value through Profit or Loss are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the 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

In May 2008, the Council signed an agreement with Norse Commercial Services Limited (NCS). A new company, Waveney Norse Limited was incorporated on 23rd May 2008 and began trading on 1st July 2008, with the Council having a 19.9% share in the Company. The Council transferred the responsibility for the delivery of the refuse, cleansing and maintenance services to Waveney Norse Limited. Profits and losses are shared 50%/50% with NCS.

Following a review of the Group Accounting requirements in the 2018/19 Code of Practice on Local Authority Accounting (the Code), and a review of the Norse Agreement in conjunction with NCS, the Council's accounting relationship with Waveney Norse Limited was determined as an Associate. In the Council's own single-entity accounts, the interest in Waveney Norse Limited is recorded as a financial asset at cost, less any provision for losses.

The Group Accounting information for Waveney Norse Limited is based on their financial results at their accounting date of 1st April 2019. Further detailed information regarding the agreement is set out in the Notes to the Core Financial Statements (Interests in Companies and Other Entities).

k) Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

l) 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.

<u>The Council as Lessee</u>

Finance leases

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

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

The 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.

m) Overheads and support services

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

n) Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as Public Work Loans Board borrowing 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 the 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 ort 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.

o) 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;
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH);
- 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 2018/19 is:

- 31st December 2018 for assets measured at current value;
- 31st December 2018 for assets measured at fair value and those assets at risk of material movements in their valuation during the year; and
- 31st March 2019 for assets measured at social housing discount.

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 to 60 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. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of 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.

p) 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.

Contingent liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent assets

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

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

q) 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 or Housing Revenue Account 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 or Housing Revenue Account 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.

r) Council 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

s) 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 2018/19 Code:

- *IFRS 9 Financial Instruments: prepayment features with negative compensation*, amends IFRS 9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

- *IAS 40 Investment Property: transfers of investment property,* provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact on the Council as it does not have any investment properties.
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration*, clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods. The Council does not have any material transactions within the scope of the amendment.
- *IFRIC 23 Uncertainty over Income Tax Treatments,* provides additional guidance on income tax treatment where there is uncertainty. This will have no impact on the single entity accounts and minimal impact on the group accounts.
- *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). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1st April 2020.

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.
- 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.
- Waveney Norse Limited continues to be recognised as an Associate in the Council's financial statements and Group Accounts have been prepared in 2018/19. The Council's arrangement which commenced in 2011/12 for leisure services provision with Sentinel Leisure Trust has been assessed as not requiring Group Accounting, following a review against the guidance in the CIPFA Code. The position will be reviewed annually and other areas potentially requiring Group Accounts will be kept under review.
- The nature of the accounting treatment in respect of the use of the Council's assets by Waveney Norse Limited has not been considered an embedded lease under IFRIC 4 as the Council retains ultimate control over those assets.
- 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.
- As part of the National Non Domestic Rates (NNDR1) return in January 2018, the Council had to estimate the business rates income expected to be received in 2018/19 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 3.28% 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.

  For 2017/18 and 2018/19 liabilities created through the issuing of bills, with the new check, challenge, appeal process, there has been a significant reduction in appeals, so a new methodology has been adopted. The provision has been based on all those appeals that were successful in relation to the 2010 valuation list, by taking the rateable value of the successful appeals, multiplying this by the business rates multiplier to get the income due, apply the 3.28% trend analysis and then finally take 25% of the value 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 & 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 £117k (£70k council dwellings) 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 2019, the Council had a balance of sundry debtors of £7.698m. A review of significant balances suggested that an impairment allowance for doubtful debts of £3.680m 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 £27.696 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 appeals	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 notes 14 and 15 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.

For 2018/19, there are no material items of income and expense to disclose separately.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 31st May 2019. 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 2019, 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 2018/19 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 are two non-adjusted Post Balance Sheet Events to disclose. The first is in relation to the decision made by Full Council at its 25th January 2017 meeting, along with Suffolk Coastal District Council at its 26th 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 24th May 2018 the Order and Regulations 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 entered into a shadow period, in which a Shadow Authority and Shadow Executive make decisions on behalf of East Suffolk Council until it came into effect on 1st April 2019.

On the 1st April 2019, the Suffolk Coastal and Waveney districts were abolished as local government areas and the District Councils were wounded up and dissolved. All functions and duties have transferred across to East Suffolk Council, which commenced as a new non-metropolitan district council and is responsible for the preparation and approval of the predecessor Councils accounts.

The second note relates to the impact of the Covid-19 pandemic and the lockdown measures announced on 23 March 2020, which effectively closed down a significant part of the economy. These measures gradually began to be eased from June 2020 onwards, but the full economic, financial, and social outcomes of the pandemic and the resulting economic recession are yet to be ascertained. It is anticipated that there will be significant impacts upon both the UK and global economy in at least the short to medium term. The financial impact for 2020/21 and subsequent financial years may be greater than currently forecast and there could be further implications and considerations for East Suffolk Council's Balance Sheet in relation to asset impairments and pension fund liability valuations.

Following a review of the Balance Sheet as at 31 March 2019, the following areas have been identified where asset or liability values are likely to be impacted materially by COVID-19:

• Property, plant and equipment and investment property – It is likely that property assets held at current value and fair value will experience significant downwards revaluations. Valuations tend to be based upon the level of income generated by the property, either through rental income or provision of services (e.g. car park charges), and both of these are likely to be negatively impacted by the current situation.

• Pension fund liability – The value of the liability is highly sensitive to the actuarial assumptions used in its calculation, as set out at note 28. On 11 March 2020, the Bank of England lowered its base rate by 0.50% to 0.25%. The rate was then further reduced to 0.10% on 19 March 2020. Any corresponding decrease in the discount rate applied to the pension fund would result in a significant increase in the liability. Conversely, changes to mortality assumptions could result in a decrease in the liability.

At the present time, the level of uncertainty is such that it is not possible to reliably quantify the impact on the above areas, although it should be noted that whilst any future financial implications of such valuation movements would be recognised within the comprehensive income and expenditure statement in the year to which they relate, in accordance with proper accounting practice, they would be adjusted for within the Movement in Reserve Statement - Adjustments between Accounting Basis & Funding Basis under Regulations, to negate any financial impact on the Council tax payer.

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 pensions 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

	2018/19 £'000	2017/18 (Restated) £'000
Expenditure		
Employee benefits expenses	14,175	13,368
Other service expenses	50,174	50,338
Dereciation, amortisation, impairment	5,532	(1,496)
Interest payments	4,054	4,059
Net (gains)/losses on financial assets at fair value through profit and loss	73	-
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	159	-
Precepts and levies	2,588	2,331
Council tax support grant to parish councils	318	318
Business rates tariff payment and levy	18,133	8,087
Gain or loss on the disposal of assets	411	6,545
Total expenditure	**95,617**	**83,550**
Income		
Fees, Charges and other service income	(62,046)	(65,261)
Interest and investment income	(699)	(332)
Income from council tax, non-domestic rates, district rate income	(33,609)	(19,626)
Government grants and contributions	(7,217)	(6,151)
Total income	**(103,571)**	**(91,370)**
Surplus or deficit on the provision of services	**(7,954)**	**(7,820)**

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. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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.

2017/18 (Restated)	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'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	(2,818)	-	(3,099)	-	-	**(5,917)**	5,917
- Revaluation losses on Property, Plant and Equipment	(1,074)	8,638	-	-	-	**7,564**	(7,564)
- Movements in the market value of Investment Properties	(1)	-	-	-	-	**(1)**	1
- Amortisation of intangible assets	(72)	-	(6)	-	-	**(78)**	78
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	340	47	-	-	-	**387**	(387)
- Revenue expenditure funded from capital under statute	(770)	-	-	-	-	**(770)**	770
- Revenue expenditure funded from capital under statute	(253)	-	-	-	-	**(253)**	253
- 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	(7,253)	(1,623)	-	-	-	**(8,876)**	8,876
Other Movements	(57)	-	-	-	-	**(57)**	57
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
- Statutory provision for the financing of capital investment	334	-	-	-	-	**334**	(334)
- Capital expenditure charged against the General Fund and HRA balances	478	3,636	-	-	-	**4,114**	(4,114)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,620	225	-	-	(2,845)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	987	**987**	(987)

2017/18 (Restated)	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'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	-	2,379	-	(2,379)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	2,423	-	**2,423**	(2,423)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(318)	-	-	318	-	**-**	-
Adjustments involving the Financial Instruments Adjustment Account:							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	85	-	-	-	-	**85**	(85)
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	(3,645)	(1,457)	-	-	-	**(5,102)**	5,102
- Employer's pensions contributions and direct payments to pensioners payable in the year	2,989	790	-	-	-	**3,779**	(3,779)
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	(185)	-	-	-	-	**(185)**	185
Total Adjustments	**(9,600)**	**12,634**	**(3,105)**	**362**	**(1,858)**	**(1,566)**	**1,566**

2018/19	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'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	(2,564)	-	(3,242)	-	-	**(5,806)**	5,806
- Revaluation losses on Property, Plant and Equipment	910	(265)	-	-	-	**645**	(645)
- Movements in the market value of Investment Properties	-	-	-	-	-	**-**	-
- Amortisation of intangible assets	(63)	-	(20)	-	-	**(83)**	83
Expenditure capitalised under Approvals:							
- Capital grants and contributions that have been applied to capital financing	33	-	-	-	-	**33**	(33)
- Revenue expenditure funded from capital under statute	(1,035)	-	-	-	-	**(1,035)**	1,035
- Revenue expenditure funded from community infrastructure levies	(154)	-	-	-	-	**(154)**	154
- Revenue expenditure funded from section 106 receipts	(95)					**(95)**	95
- 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	(720)	(1,172)	-	-	-	**(1,892)**	1,892
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
- Statutory provision for the financing of capital investment	805	-	-	-	-	**805**	(805)
- Capital expenditure charged against the General Fund and HRA balances	541	4,237	-	-	-	**4,778**	(4,778)
Adjustment involving the Capital Grants Unapplied Account:							
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	4,105	-	-	-	(4,105)	**-**	-
- Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,432	**2,432**	(2,432)

2018/19	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'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	47	1,409	-	(1,456)	-	**-**	-
- Use of the Capital Receipts Reserve to finance new capital	-	-	-	3,239	-	**3,239**	(3,239)
- Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(318)	-	-	318	-	**-**	-
Adjustments involving the Major Repairs Reserve							
Use of the Major Repairs Reserve to fund new capital expenditure	-	-	2,525	-	-	**2,525**	(2,525)
Adjustments involving the Financial Instruments Adjustment Account:							
- Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	85	-	-	-	-	**85**	(85)
Adjustments involving the Pooled Investments Adjustment Account:							
- Amount by which Financial Instruments held under Fair Value through Profit and Loss are subject to MHCLG statutory over-ride Income and Expenditure Statement are different from finance	(72)	-	-	-	-	**(72)**	72
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	(3,691)	(1,488)	-	-	-	**(5,179)**	5,179
- Employer's pensions contributions and direct payments to pensioners payable in the year	3,019	837	-	-	-	**3,856**	(3,856)
Adjustments involving the Collection Fund Adjustment Account:							
- 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.	1,620	-	-	-	-	**1,620**	(1,620)
Total Adjustments	**2,453**	**3,558**	**(737)**	**2,101**	**(1,673)**	**5,702**	**(5,702)**

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

This note sets out the amounts set aside from the General Fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2017/18 and 2018/19.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Actuarial Adjustments	**173**	(146)	323	**350**	(64)	-	**286**	To support any pressure on finances for redundancies / capital contributions to the Pension Fund as a result of the Council's progress with the Shared Services agenda.
Area Action Plan (AAP)	**263**	(96)	-	**167**	(5)	-	**162**	To Fund land investigative works covering the Area Action Plan in Lowestoft.
Business Rates Equalisation	**1,476**	-	274	**1,750**	(947)	-	**803**	To provide a source of finance to equalise the effect of changes in Business Rate income.
Business Rates Pilot	**-**	-	-	**-**	(48)	1,479	**1,431**	Income from the Business Rate Retention Pilot, set aside to support identified projects.
Backlog Repairs and Maintenance Reserve	**80**	-	-	**80**	(80)		**-**	To meet maintenance demands for corporate buildings.
Brexit	**-**	-	-	**-**	-	17	**17**	External funding received for expenditure incurred as a result of Brexit.
Capital Reserve	**-**	-	-	**-**	-	1,420	**1,420**	To provide an additional source of finance for unspecified capital investment plans.
Coastal Protection	**156**	-	-	**156**	-	-	**156**	To fund future Lowestoft coastal defence works.
Coastal Management	**-**	-	-	**-**	-	16	**16**	To provide a source of finance to fund revenue expenditure on coastal defences in the district.
Carry Forwards	**35**	(25)	169	**179**	(163)	85	**101**	Budget carry forward requests.
Community Development & Safety	**98**	(15)	19	**102**	(14)	15	**103**	Funding secured for prevention and activities work.
Community Health	**37**	(9)	-	**28**	(5)	-	**23**	Funding provided to support the delivery of Community Health projects.
Community Housing Fund	**685**	(1)	-	**684**	(1)	-	**682**	To enable local community groups to deliver affordable housing units.
Conservation, Planning & Building Control	**467**	-	31	**498**	-	21	**519**	A statutory fund to ensure Building Control expenditure works on a break even basis over a rolling annual period.
Customer Services	**34**	-	122	**156**	-	-	**156**	To support projects requiring post implementation review which may incur consultancy fees and service review costs.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Deployment of Flood Barrier	**-**	-	-	**-**	-	88	**88**	To providing funding towards the cost of deployment of the flood barrier in Lowestoft.
District Elections	**200**	-	60	**260**	-	30	**290**	To support costs of future elections.
Domestic Violence	**-**	-	49	**49**	(49)	-	**-**	Funding received to provide support to schemes supporting those affected by domestic violence.
Economic Regeneration	**108**	(74)	80	**114**	(28)	67	**153**	Funding to support business activities and the recovery of the Lowestoft Seafront following the December 2013 floods.
Enterprise Zone	**607**	(175)	161	**593**	(241)	332	**684**	Enterprise Zone income is generated through business rates from development which occurs within each zone. Waveney District Council is the collecting authority and by default the administrators of the funds.
Flood Prevention	**21**	-	-	**21**	(9)	-	**12**	Following the Tidal Surge of 2013, this reserve has been established and provides a source of finance for flood prevention assistance.
Great Places	**41**	(14)	-	**27**	(14)	-	**13**	To fund new ways of working, building capacity, research, consultations and developing partnerships within Lowestoft.
Homelessness Prevention	**87**	(31)	117	**173**	(110)	62	**125**	To match homelessness prevention revenue grants received in advance with its related expenditure in subsequent years.
Housing Benefits Administration	**145**	-	46	**191**	-	-	**191**	To support Housing Benefits adminstration costs.
Housing Benefits Verification	**253**	(56)	-	**197**	(56)	-	**141**	To provide a source of finance to implement Government legislative changes, including the roll out of Universal Credit.
Housing Condition Survey	**30**	-	-	**30**	-	-	**30**	To meet the cost of the periodic survey of Private Sector Housing within the district.
Individual Electoral Registration	**140**	-	-	**140**	-	14	**154**	To meet the additional cost for administration of Individual Electoral Registration.
In-Year Contingency	**-**	-	200	**200**	-	-	**200**	To provide in-year contingency provision.
In-Year Savings	**1,300**	-	844	**2,144**	(1,229)	96	**1,011**	In-Year savings set aside to support future year budget gaps.
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	**135**	-	73	**208**	-	17	**225**	To support the General Fund from losses in future Land Charges income.
Lowestoft Ogogo	**30**	-	40	**70**	(70)	-	**-**	Funding received to delivered the Lowestoft Ogogo project. The project ended in 2018/19.

	Balance 1 April 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance 31 March 2018 £'000	Transfers Out 2018/19 £'000	Transfers in 2018/19 £'000	Balance 31 March 2019 £'000	Purpose of the Earmarked Reserve
General Fund:								
Lowestoft Rising	**-**	-	-	**-**	-	90	**90**	Funding received to deliver earmarked work under the Lowestoft Rising project.
Major Projects	**16**	(16)	-	**-**	-	-	**-**	Funding to support projects and initiatives for the Area Action Plan in the Lake Lothing and outer harbour area.
MMI Reserve	**56**	-	-	**56**	-	-	**56**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
New Homes Bonus	**1,079**	-	-	**1,079**	-	-	**1,079**	To support economic development and business growth initiatives.
Planning Policy	**281**	-	-	**281**	(27)	-	**254**	To support development work and audit of the Local Plan.
Planning & Building Control	**-**	-	15	**15**	-	-	**15**	To provide a source of finance for professional training and development needs of the service.
Private Sector Housing	**36**	-	8	**44**	(3)	-	**41**	Grants repaid to be set aside for Empty Property/Home Improvement Initiatives.
Additional Disabled Facilities Grant (DFG) funding	**-**	-	-	**-**	-	8	**8**	To support additional DFG works above the standard DFG grant.
Rent Guarantee Scheme	**30**	(20)	-	**10**	-	5	**15**	To provide a source of finance for landlord claims.
Short Life Assets	**342**	(458)	621	**505**	(542)	625	**588**	To fund the purchase of short life assets. In order to maintain the level of the Reserve any capital funding will be repaid from revenue budgets.
Southwold Beach Hut	**175**	-	-	**175**	-	-	**175**	Receipt of monies from letting of new Beach Hut sites in Southwold in 2014/15 approved to be used within Southwold.
Transformation	**526**	(130)	274	**670**	(156)	102	**616**	To provide seed funding for efficiency (invest to save) initiatives that will produce savings in future revenue budgets.
Total General Fund	**9,142**	**(1,266)**	**3,626**	**11,502**	**(3,861)**	**4,589**	**12,229**	

	Balance 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance 31 March 2018	Transfers Out 2018/19	Transfers in 2018/19	Balance 31 March 2019	Purpose of the Earmarked Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Housing Revenue Account:								
Hardship Reserve	**500**	-	-	**500**	-	-	**500**	Recognising the need to provide financial help to tenants who find themselves in financial hardship due to the welfare reforms.
Debt Repayment Reserve	**5,310**	-	3,690	**9,000**	-	1,000	**10,000**	To set aside funds to meet future liabilities for repaying the Self-Financing debt.
Impairment/Revaluation Reserve	**256**	-	-	**256**	-	-	**256**	To provide for potential impairment and revaluation losses to HRA assets due to current and future changes in Accounts and Audit Regulations.
Municipal Mutual Insurance Limited (MMI) Reserve	**66**	-	-	**66**	-	-	**66**	To provide for potential liabilities relating to Municipal Mutual Insurance Limited (MMI).
Acquisition & Development Reserve	**-**	-	1,000	**1,000**	-	500	**1,500**	To fund Housing development programme that has reprogrammed for later years
Total Housing Revenue Account	**6,132**	**-**	**4,690**	**10,822**	**-**	**1,500**	**12,322**	
Total	**15,274**	**(1,266)**	**8,316**	**22,324**	**(3,861)**	**6,089**	**24,551**	

11. Comprehensive Income and Expenditure Statement - other operating expenditure

	2018/19 £'000	2017/18 *£'000 (restated)
Parish Council precepts	2,560	2,307
Payments to the Government Housing Capital Receipts Pool	318	318
Gains/losses on the disposal of non current assets	411	6,545
Levies	28	24
Total	**3,317**	**9,194**

* Reason for restatement can be found in Note 34 – Prior period adjustment

12. Comprehensive Income and Expenditure Statement - financing and investment income and expenditure

	2018/19 £'000	2017/18 £'000
Interest payable and similar charges	2,987	2,942
Net interest on the net defined benefit liability	942	986
Interest receivable and similar income	(308)	(250)
Net (gains)/losses on financial assets at fair value through profit and loss	73	-
Impairment Losses including Reversals of Impairment Losses or Impairment Gains	159	-
Income and expenditure in relation to investment properties and changes in their fair value	(328)	(266)
Other Investment Income	(103)	(10)
Total	**3,422**	**3,402**

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

	2018/19 £'000	2017/18 £'000
Council tax income	(8,515)	(8,054)
Non domestic rates	(22,092)	(11,259)
Tariff payment to Suffolk County Council	17,372	6,950
Share of (surplus)/deficit on collection fund	(1,566)	1,083
Share of pooling benefit with other Suffolk Councils	(548)	(313)
Levy payment to Suffolk Business Rates Pool	896	54
Share of Pilot Pooling Benefit with other Suffolk Councils	(1,479)	-
Pilot Gross Payment to Pool	456	-
Non-ring fenced government grants	(4,012)	(3,897)
Capital grant and contributions	(3,206)	(2,254)
Total	**(22,694)**	**(17,690)**

14. Property, plant and equipment

Movements in 2018/19:

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction		Total PPE £'000
							Construction £'000	Land £'000	
Cost or Valuation									
At 1 April 2018	199,667	52,616	11,671	30,458	1,588	719	4,978	2,733	**304,430**
Additions	2,575	782	675	82	36	3	6,801	1,531	**12,485**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,273	(577)	-	-	-	(7)	-	-	**689**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,796)	768	-	-	-	56	-	-	**(972)**
Derecognition - Disposals	(1,077)	-	(260)	-	-	-	-	-	**(1,337)**
Derecognition - Other	(64)	(175)	(2,646)	-	(14)	-	(227)	-	**(3,126)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	**-**
Other movements in Cost or Valuation	3,181	72	21	(33)	-	(28)	(2,653)	(574)	**(14)**
At 31 March 2019	**203,759**	**53,486**	**9,461**	**30,507**	**1,610**	**743**	**8,899**	**3,690**	**312,155**
Accumulated Depreciation and Impairment									
At 1 April 2018	-	901	8,340	13,510	-	3	12	-	**22,766**
Depreciation charge	3,053	1,043	804	905	-	1	-	-	**5,806**
Depreciation written out to the Revaluation Reserve	(1,536)	(680)	-	-	-	-	-	-	**(2,216)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,511)	(106)	-	-	-	-	-	-	**(1,617)**
Derecognition - Disposals	(6)	-	(200)	-	-	-	-	-	**(206)**
Derecognition - Other	-	(17)	(2,138)	-	-	-	-	-	**(2,155)**
Other movements in Depreciation and Impairment	1	(1)	4	-		(3)	3	-	**4**
At 31 March 2019	**1**	**1,140**	**6,810**	**14,415**	**-**	**-**	**15**	**-**	**22,382**
Net Book Value									
At 31 March 2019	**203,758**	**52,346**	**2,651**	**16,092**	**1,610**	**743**	**8,884**	**3,690**	**289,773**
At 31 March 2018	**199,667**	**51,715**	**3,331**	**16,948**	**1,588**	**716**	**4,966**	**2,733**	**281,664**

***Comparative Movements in 2017/18 (Restated):**

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction: Construction £'000	Assets Under Construction: Land £'000	Total PPE £'000
Cost or Valuation									
At 1 April 2017	187,849	58,359	11,155	31,792	2,197	494	1,231	1,618	**294,695**
Additions	2,649	107	521	103	-	65	3,915	906	**8,266**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	2,877	1,879	-	-	-	445	-	-	**5,201**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	7,170	(1,374)	-	-	-	(185)	-	-	**5,611**
Derecognition - Disposals	(1,518)	(36)	(79)	-	-	-	-	-	**(1,633)**
Derecognition - Other	(53)	(5,948)	-	(416)	(609)	(886)	-	-	**(7,912)**
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	201	-	-	**201**
Other movements in Cost or Valuation	693	(371)	74	(1,021)	-	585	(168)	209	**1**
At 31 March 2018	**199,667**	**52,616**	**11,671**	**30,458**	**1,588**	**719**	**4,978**	**2,733**	**304,430**
Accumulated Depreciation and Impairment									
At 1 April 2017	-	2,276	7,307	13,012	-	-	-	-	**22,595**
Depreciation charge	2,860	1,005	1,110	904	-	38	-	-	**5,917**
Depreciation written out to the Revaluation Reserve	(1,065)	(1,785)	-	-	-	-	-	-	**(2,850)**
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1,781)	(130)	-	-	-	(40)	-	-	**(1,951)**
Derecognition - Disposals	(13)	(22)	(75)	-	-	-	-	-	**(110)**
Derecognition - Other	(1)	(291)	-	(392)	-	(148)	-	-	**(832)**
Other movements in Depreciation and Impairment	-	(152)	(2)	(14)	-	153	12	-	**(3)**
At 31 March 2018	**-**	**901**	**8,340**	**13,510**	**-**	**3**	**12**	**-**	**22,766**
Net Book Value									
At 31 March 2018	**199,667**	**51,715**	**3,331**	**16,948**	**1,588**	**716**	**4,966**	**2,733**	**281,664**
At 1 April 2017	**187,849**	**56,083**	**3,848**	**18,780**	**2,197**	**494**	**1,231**	**1,618**	**272,100**

* Reason for restatement can be found in Note 34 – Prior period adjustment

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	35 to 60	Other land and buildings	30 to 60
HRA garages	10 to 25	Vehicles, plant and equipment	5 to 20
Infrastructure assets	40 to 60	Community assets	60
Other depreciating assets	40 to 60		

Fair Value Measurement of Surplus Assets

Fair Value Hierarchy - all the Councils' surplus assets have been assessed as having level 2 inputs as at 31st March 2019. Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets was Significant Observable Inputs (Level 2). 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 Council area. The fair value of surplus assets as at 31st March 2019 was £743k (31st March 2018 was £716k).

Capital commitments – At 31st March 2019, the Council had contractual commitments of £6m relating to the Lowestoft Flood Risk Management Project Phase 1 (nil in 2017/18).

Effects of changes in estimates - There were no material changes to accounting estimates for property, plant and 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, with the exception of Council dwellings were carried out by the Council's in-house valuers. NPS Property Services Ltd carried out the beacon valuations of Council Dwellings. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. 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 2018/19 was:

- 31st December 2018 for assets measured at current value, fair value and those assets at risk of material movements in their valuation during the year; and
- 31st March 2019 for assets measured at social housing discount.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction: Construction £'000	Assets Under Construction: Land £'000	Total PPE £'000
Carried at historical cost	-	334	9,461	30,507	1,610	-	8,899	3,690	54,501
Value at current value as at:									
31 March 2019	203,759	23,177	-	-	-	743	-	-	227,679
31 March 2018	-	8,503	-	-	-	-	-	-	8,503
31 March 2017	-	2,284	-	-	-	-	-	-	2,284
31 March 2016	-	10,536	-	-	-	-	-	-	10,536
31 March 2015	-	8,652	-	-	-	-	-	-	8,652
Total Cost or Valuation	**203,759**	**53,486**	**9,461**	**30,507**	**1,610**	**743**	**8,899**	**3,690**	**312,155**

15. Investment properties

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

	2018/19	2017/18
	£'000	£'000
Rental income from investment properties	454	398
Direct operating expenses arising from investment properties	(125)	(131)
Net gain/(loss)	**329**	**267**

There are no restrictions on the Council's ability to realise the value inherent in its investment properties or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	2,882	2,883
Net gains/losses from fair value adjustments	-	(1)
Balance at 31 March	**2,882**	**2,882**

Fair Value Measurement of Investment Properties

Fair Value Hierarchy - all the Council's investment properties have been assessed as having level 2 inputs as at 31st March 2019 and as at 31st March 2018.

Valuation Techniques used to determine Level 2 Fair Values for Surplus Assets are Significant Observable Inputs (Level 2). 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.

16. Financial instruments

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

All of the Council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board;
- short-term loans from other local authorities;
- overdraft with Lloyds bank;
- lease payables; and
- trade payables for goods and services received.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

- amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) comprising:

  - cash in hand;
  - bank current and deposit accounts with Lloyds, Barclays and Santander banks;
  - fixed term deposits with banks and building societies;
  - loans to other local authorities;
  - lease receivables; and
  - trade receivables for goods and services provided.
- Fair value through profit and loss (all other financial assets) comprising pooled property fund managed by CCLA fund managers.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

Financial Liabilities	Long Term		Short Term	
	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s
Loans at amortised cost:				
Principal sum borrowed	(87,574)	(87,734)	-	-
Total Borrowing	**(87,574)**	**(87,734)**	-	-
Liabilities at amortised cost:				
Creditors	-	(76)	(3,446)	(2,665)
Finance leases	(6,359)	(6,621)	(262)	(245)
Financial Liabilities in Creditors	**(6,359)**	**(6,697)**	**(3,708)**	**(2,910)**
Non Financial Liabilities	**(45,357)**	**(38,346)**	**(8,139)**	**(7,641)**
Total Financial Liabilities	**(139,290)**	**(132,777)**	**(11,847)**	**(10,551)**

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

Financial Assets	Long Term		Short Term	
	31/03/2019 £000s	31/03/2018 £000s	31/03/2019 £000s	31/03/2018 £000s
At amortised cost:				
Principal	-	-	31,000	34,000
Accrued Interest	-	-	99	87
At fair value through profit & loss:				
Principal	2,428	2,401	-	-
Total Investments	**2,428**	**2,401**	**31,099**	**34,087**
At amortised cost:				
Principal	-	-	15,137	8,180
Accrued Interest	-	-	6	9
Total Cash & Cash Equivalents	-	-	**15,143**	**8,189**
At amortised cost:				
Debtors	420	299	1,645	611
Loss Allowance	-	-	-130	-
Financial Assets in Debtors	**420**	**299**	**1,515**	**611**
Non Financial Assets	**498**	**487**	**7,830**	**6,559**
Total Assets	**3,346**	**3,187**	**55,587**	**49,446**

Offsetting Financial Assets and Liabilities

Financial assets and liabilities are set off against each other where the Council has a legally enforceable right to set off and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The table below shows those instruments that have been offset on the balance sheet.

	31/03/2019			31/03/2018		
	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s	Gross assets (liabilities) £000s	(Liabilities) assets set off £000s	Net position on balance sheet £000s
Bank accounts in credit	44,806	-	44,806	47,338	-	47,338
Bank overdrafts	-	(42,668)	-42,668	-	(44,159)	-44,159
Total Financial Assets/Liabilities			**2,138**			**3,179**

Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following:

	2018/19			2017/18		
	Amortised cost £'000	Fair Value through Profit and Loss £'000	Total £'000	Amortised cost £'000	Fair Value through Profit and Loss £'000	Total £'000
Interest expense	2,987	-	**2,987**	2,942		2,942
Losses from change in fair value	-	73	**73**	-	-	-
Impairment losses	159	-	**159**	-	-	-
Interest payable and similar charges	**3,146**	**73**	**3,219**	2,942	-	**2,942**
Interest income	(308)	-	**(308)**	(250)	-	**(250)**
Interest and investment income	**(308)**	**-**	**(308)**	**(250)**	-	**(250)**
Net gain / (loss) for the year	**2,838**	**73**	**2,911**	**2,692**	-	**2,692**

Fair Values

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including pooled property funds, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of finance lease assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

	31/03/2018		31/03/2019	
	Carrying Amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
PWLB Loans (Level 2)	87,734	100,370	87,574	100,913

The fair value of financial liabilities held at amortised cost is higher than their balance sheet carrying amount because the authority's portfolio of loans includes a number of loans where the interest rate payable is higher than the current rates available for similar loans as at the Balance Sheet date.

Recurring Fair Value Measurement	Input level in Fair Value Hierarchy	Valuation technique used to measure Fair Value	31/03/2018 Fair Value £000	31/03/2019 Fair Value £000
Fair Value through Profit and Loss				
CCLA Property Fund	1	Unadjusted quotes prices in active markets for identical shares	2,401	2,429

Risks

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.
- *Market Risk:* The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

Credit Risk: Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £9m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £9m applies. The Council also sets limits on investments in certain sectors. No more than £5m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31/03/2019 Long-term £000s	31/03/2019 Short-term £000s	31/03/2018 Long-term £000s	31/03/2018 Short-term £000s
AAA	2,429	-	2,391	-
AA+	-	-	-	-
AA	-	-	-	8,000
AA-	-	-	-	-
A+	-	-	-	5,000
A	-	-	-	15,000
A-	-	-	-	-
BBB+	-	-	-	-
Unrated local authorities	-	31,000	-	6,000
Total Investments	**2,429**	**31,000**	**2,391**	**34,000**

Credit Risk: Trade and Lease Receivables and Contract Assets

The Council's credit risk on lease receivables is mitigated by its legal ownership of the assets leased, which can be repossessed if the debtor defaults on the lease contract.

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included.

	31.3.2019 Debtors £000s	31.3.2018 Debtors £000s
Past due < 3 months	1,311	1,473
Past due 3-6 months	32	56
Past due 6-12 months	173	45
Past due 12+ months	81	59
Total Receivables	1,597	1,634

Loss allowances on trade receivables have been calculated by reference to the Council's historic experience of default. Receivables are determined to have suffered a significant increase in credit risk where they are 90 or more days past due and they are determined to be credit-impaired where they are 365 or more days past due.

Receivables are collectively assessed for credit risk in the following groupings:

	Range of allowances set aside	31.3.2019 Gross Receivables £000s	31.3.2019 Loss Allowance £000s	31.3.2018 Gross Receivables £000s	31.3.2018 Loss Allowance £000s
trade receivable	*5%-100%*	1,078	(85)	860	(67)

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are three years past due and all recovery action has been taken.

Liquidity Risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 50% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

	31/03/2019 £000s	31/03/2018 £000s
Public Works Loan Board	87,574	87,734
Repayable within		
2 years	10,000	10,000
2 to 5 years	11,286	11,286
5 to 10 years	12,007	12,000
over 10 years	54,281	54,448

Maturity of Fixed Rate Debt:	Upper Limit %	Lower Limit %	31/03/2019 %
Under 12 months	50	0	0
12 months and within 24 months	50	0	0
24 months and within 5 years	75	0	1
5 years and within 10 years	75	0	18
10 years and within 20 years	75	0	45
20 years and above	100	0	36

Market Risks: Interest Rate Risk

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

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates. At 31 March 2019, £36.45m (2018: £33.45m) of net principal borrowed (i.e. borrowing net of investments) was exposed to fixed rates and £4.90m (2018: £12.89m) to variable rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2018/19 £,000	2017/18 £,000
Increase in interest payable on variable rate borrowings	200	203
Increase in interest receivable on variable rate investments	(136)	(64)
Increase in government grant receivable for financing costs	(25)	(14)
Impact on Surplus or Deficit on the Provision of Services	39	125
Share of overall impact debited to the HRA	20	60

*No impact on Comprehensive Income and Expenditure.

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

Market Risks: Price Risk

The Council's investment in a pooled property fund is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £2.43m. A 5% fall in commercial property prices at 31st March 2019 would result in a £0.12m (2018: £0.12m) charge to Other Comprehensive Income and Expenditure / the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Investment Funds Adjustment Account.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018. The main changes include the reclassification and remeasurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made use of the transitional provisions in IFRS 9 to not restate the prior year's financial statements, and the effect of the remeasurement is instead shown as an additional line in the Movement in Reserves Statement. The changes made on transition to the balance sheet are summarised below:

	IAS 39 31/03/2018 £000s	Reclassification £000s	IFRS 9 01/04/2019 £000s
Financial Assets			
Investments			
Loans & Receivables / Amortised cost	34,087	-	34,087
Available for sale	2,401	(2,401)	-
Fair value through profit and loss	-	2,401	2,401
Total Investments	**36,488**	-	34,087
Debtors			
Loans & Receivables / Amortised cost	909	-	909
Total Debtors	**909**	-	**909**
Cash & cash equivalents			
Loans & Receivables / Amortised cost	8,189	-	8,189
Total cash & cash equivalents	**8,189**	-	**8,189**
Total Financial Assets	**45,586**	-	**43,185**
Financial Liabilities			
Borrowing			
Amortised cost	**(87,734)**	-	**(87,734)**
Creditors			
Amortised cost	**(9,530)**	-	**(9,530)**
Total Financial Liabilities	**(97,264)**	-	**(97,264)**
Net Financial Assets	**(51,678)**	-	**(51,678)**

	IAS 39 31/03/2018 £000s	Reclassification £000s	IFRS 9 01/04/2019 £000s
Reserves			
Usable Reserves			
General Fund	(4,000)	-	(4,000)
HRA	(34,858)	-	(34,858)
Other usable reserves	(23,487)	-	(23,487)
Total usable reserves	(62,345)	-	(62,345)
Unusable Reserves			
Available for sale reserve	109	-	109
Capital adjustment account	(137,971)	-	(137,971)
Deferred capital receipts	-	-	-
FI adjustment account	809	-	809
FI revaluation reserve	(31,927)	-	(31,927)
Other unusable reserves	36,458	-	36,458
Total unusable reserves	(132,522)	-	(132,522)

17. Debtors

	2018/19 £'000	2017/18 £'000
Central Government bodies	1,810	1,006
Other Local Authorities	2,562	1,402
NHS bodies	21	16
Council Taxpayers	1,329	1,588
Other entities and individuals	7,769	6,594
Prepayments	103	273
Total	**13,594**	**10,879**
less Bad Debt Impairment Provisions:		
Council Taxpayers	(588)	(755)
Other service debtors	(3,680)	(3,031)
Total	**9,326**	**7,093**

Debtors for local taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2018/19 £'000	2017/18 £'000
Less than 12 months	944	787
More than one year	2,033	1,635
	2,977	**2,422**

18. Creditors

	2018/19	2017/18
	£'000	£'000
Central Government bodies	409	2,165
Other Local Authorities	3,172	3,510
Other entities and individuals	5,903	2,814
Receipts in Advance	1,587	1,197
Total	**11,071**	**9,686**

19. Provisions

	Other	Business Rates Appeals	Total
	£'000	£'000	£'000
Long Term Provisions			
Balance at 1 April 2018	**16**	**1,560**	**1,576**
100% Pilot Provision Movement		**1,560**	**1,560**
Movement in Provision in 2018/19	**-**	**(876)**	**(876)**
Amounts used in 2018/19	**-**	**(43)**	**(43)**
Unused amounts reversed in 2018/19	**(16)**	**(214)**	**(230)**
Balance at 31 March 2019	**-**	**1,987**	**1,987**

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 £2.484m, of which the Council's share is 80% for 2018/19 due to the Council being part of the Suffolk 100% Business Rates pilot, which is why an additional line has been added this year entitled ‘100% Pilot Provision Movement.

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 2019 and an element for 2018/19 liabilities created by raising bills, therefore the Council has taken all the necessary measures to ensure that a sufficient provision is set aside for 2018/19.

20. Grant income

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

	2018/19 £'000	2017/18 £'000
Credited to Taxation and Non Specific Grant Income		
Non-ringfenced grants:		
Revenue Support Grant	-	(1,296)
New Homes Bonus	(635)	(1,234)
Business Rates Reliefs	(3,267)	(1,356)
Other Non-ringfenced grants	(110)	(11)
Capital grants and contributions:		
Lowestoft Ness regeneration	(295)	(501)
Coastal protection	(2,116)	(450)
Community Infrastructure Levy	(676)	547
Homes and Communities Agency	-	(225)
s106 contributions	(95)	(300)
Other capital grants and contributions	(24)	(1,325)
Total	**(7,218)**	**(6,151)**
Credited to Services		
Housing Benefits Subsidy	(27,317)	(30,640)
Benefits Administration Grant	(551)	(584)
Disabled Facilities Grants	(934)	(978)
Discretionary Housing Payments Grant	(313)	(264)
Homelessness Grants	(301)	(151)
Other Grants	(653)	(525)
Total	**(30,069)**	**(33,142)**

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

	2018/19 £'000	2017/18 £'000
Capital Grants Receipts in Advance (Short-Term)		
s106 Contributions	139	191
DEFRA - Coastal Change Pathfinder Grant	-	427
Housing related Grants	-	132
Coast Protection Grants	-	115
Other grants	648	-
Total	**787**	**865**
Capital Grants Receipts in Advance (Long-Term)		
Other grants	(1)	-
s106 Contributions	993	677
Total	**992**	**677**

21. Unusable Reserves

	2018/19	2017/18
	£'000	£'000
Revaluation Reserve	(34,245)	(31,927)
Available for Sale Financial Instruments Reserve	-	109
Capital Adjustment Account	(143,333)	(137,354)
Financial Instruments Adjustment Account	724	809
Pooled Investment Funds Adjustment Account	72	-
Pensions Reserve	42,004	36,093
Collection Fund Adjustment Account	(1,255)	365
Total Unusable Reserves	**(136,033)**	**(131,905)**

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.

	2018/19	*2017/18 (Restated)
	£'000	£'000
Balance at 1 April	**(31,927)**	**(27,349)**
Upward revaluation of assets	(4,619)	(8,897)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	1,715	846
Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services	**(2,904)**	**(8,051)**
Difference between fair value depreciation and historical cost depreciation	474	371
Accumulated gains on assets sold or scrapped	112	3,102
Amount written off to the Capital Adjustment Account	**586**	**3,473**
Balance at 31 March	**(34,245)**	**(31,927)**

* Reason for restatement can be found in Note 34 – Prior period adjustment

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. With the adoption of IFRS 9 this has been replaced by the 'Pooled Investment Funds Adjustment Account'.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**109**	**-**
Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	109
Reverse Revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(109)	-
Transfer of Revaluations under IFRS 9	109	-
Transfer of Avaialable for Sale Opening Balance to Pooled Investment Funds Adjustment Account	(109)	-
Balance at 31 March	**-**	**109**

Pooled Investment Funds Adjustment Account

With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Instruments Reserve' category is no longer available and has been replaced with the 'Pooled Investment Funds Adjustment Account'. The new standard requires that where the relevant criteria are met for fair value gains and losses on a pooled investment fund, the charge must be applied to an account established, charged and used solely for the purpose of recognising fair value gains and losses, this being the 'Pooled Investment Funds Adjustment Account'.

	2018/19 £'000	2017/18 £'000
Balance at 1 April	**-**	**-**
Transfer in from Financial Instruments Available for Sale Reserve	109	-
Financial Instruments held under Fair Value through Profit and Loss subject to MHCLG statutory over-ride	(37)	-
Balance at 31 March	**72**	**-**

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.

***** Reason for restatement can be found in Note 34 – Prior period adjustment

	2018/19	*2017/18 (Restated)
	£'000	£'000
Balance at 1 April	**(137,354)**	**(134,025)**
Non Material Prior Period Adjustment	-	**47**
	(137,354)	**(133,978)**
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	5,806	5,918
- Revaluation losses on Property, Plant and Equipment	(645)	(7,564)
- Amortisation of intangible assets	83	78
- Revenue expenditure funded from capital under statute	1,035	770
- Revenue expenditure funded from section 106 receipts	95	253
- Revenue expenditure funded from community infrastructure levies	154	-
- 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	1,892	8,876
Adjusting amounts written out of the Revaluation Reserve:		
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(474)	(371)
- Amounts written out on disposal of assets	(112)	(3,102)
Net written out amount of the cost of non current assets consumed in the year	**7,834**	**4,858**
Capital financing applied in the year:		
- Use of Capital Receipts Reserve to finance new capital expenditure	(3,239)	(2,470)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	89	-
- Application of grants to capital financing from the Capital Grants Unapplied Account	(2,432)	(988)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(805)	(334)
- Application of grants to capital financing from Receipts in Advance	(122)	(387)
- Use of Major Repairs Reserve to fianance new capital expenditure	(2,525)	-
- Capital expenditure charged against the General Fund and HRA balances	(4,779)	(4,115)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-	1
Other Movements	-	59
Balance at 31 March	**(143,333)**	**(137,354)**

Financial Instruments Adjustment Account

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

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	**809**	**894**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(85)	(85)
Balance at 31 March	**724**	**809**

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.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	**36,093**	**39,363**
Remeasurements of the net defined benefit liability / (asset)	4,587	(4,593)
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	5,179	5,102
Employer's pensions contributions and direct payments to pensioners payable in the year	(3,855)	(3,779)
Balance at 31 March	**42,004**	**36,093**

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.

	2018/19	2017/18
	£'000	£'000
Balance at 1 April	**365**	**180**
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.	(1,620)	185
Balance at 31 March	**(1,255)**	**365**

22. Members' allowances

There are 48 elected members of the Council. The Council paid the following amounts to elected Members during the year.

	2018/19	2017/18
	£'000	£'000
Basic, Attendance and Special Responsibility Allowances	333	334
Subsistence and Expenses	15	13
Total	348	347

23. 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.

	2018/19	2017/18
	£'000	£'000
Fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the year	42	54
Additional fees payable to the Ernst and Young LLP with regard to external audit services carried out by the appointed auditor for the previous year	13	1
Fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the year	29	14
Additional fees payable to the Ernst and Young LLP for the certification of grant claims and returns for the previous year	7	7
Total	91	76

24. 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 2019 are shown in Note 20.

Suffolk Coastal 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 Suffolk Coastal DC is disclosed in the Narrative Report and note 26 to the Core Financial Statements.

Suffolk County Council

Transactions included income and expenditure, precept payments and Business Rates pooling (Collection Fund statement), pension payments (Note 29), and funding of partnership arrangements. Income relating to Waste Recycling Credits totalled £1.052m with a year-end debtor of £0.071m (2017/18 £1.104m with a year-end debtor of £0.148m).

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 2018/19 is shown in note 23. The Council made payments in 2018/19 totalling £0.053m (£0.033m in 2017/18) to other organisations in which Members had an interest. The Council also received income from other organisations totalling £0.012m 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 £25k (£24k in 2017/18) as shown in note 11.

Waveney Norse Ltd

As part of the contract with Waveney Norse Ltd, two Council employees, Andrew Jarvis (Strategic Director) and Kerry Blair (Head of Operations, are named as Directors of Waveney Norse Ltd due to their representation of the Council's interests through the Partnership Board. Kerry Blair became a Director on 12th October 2016 when Arthur Charvonia (Strategic Director & Monitoring Officer) resigned on the same date.

25. Officers' remuneration and exit packages

The remuneration paid to senior employees is set out in the table below. No bonuses were paid in 2018/19 or 2017/18.

		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 (2017/18 Part Year)	**2018/19**	**94,555**	**-**	**-**	**94,555**	**24,433**	**118,988**	**-**
	2017/18	71,540	-	-	71,540	14,551	86,091	-
Head of Housing Operations & Landlord Services (2017/18 Part Year)	**2018/19**	**-**	**-**		**-**	**-**	**-**	**-**
	2017/18	67,269	-	30,780	98,049	14,991	113,040	-
Head of ICT Services	**2018/19**	**63,330**	**-**	**-**	**63,330**	**15,190**	**78,520**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Customer Services (2018/19 Part Year)	**2018/19**	**35,979**	**-**	**-**	**35,979**	**8,239**	**44,218**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Communities	**2018/19**	**66,330**	**-**	**-**	**66,330**	**15,190**	**81,520**	**-**
	2017/18	62,430	-	-	62,430	14,296	76,726	-
Head of Operations	**2018/19**	**66,330**	**-**	**-**	**66,330**	**15,190**	**81,520**	**-**
	2017/18	62,430	-	-	62,430	5,957	68,387	-

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	2018/19 Number of employees		2017/18 Number of employees	
	Total	Left in Year	Total	Left in Year
£55,000 - £59,999	**1**	**-**	-	-
£65,000 - £69,999	**-**	**-**	1	1
	1	**-**	1	1

The above numbers include officers who were made redundant voluntarily during the 2018/19 and 2017/18 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, Suffolk Coastal District Council, appointed a new shared senior management team. This has since been extended to include majority of the 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. Eight of the Senior Management Team are employed by Suffolk Coastal District Council (SCDC) 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. The Chief Executive is the Head of Paid Service and paid a nominal fee by the Council, although employed by Suffolk Coastal DC.

Extract from Note 24 of Suffolk Coastal District Council's 2018/19 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 £
Chief Executive	**2018/19**	**146,572**	-	-	**146,572**	**33,272**	**179,844**	-
	2017/18	130,634	-	-	130,634	29,654	160,288	-
Strategic Director	**2018/19**	**95,800**	-	-	**95,800**	**22,084**	**117,884**	-
	2017/18	91,115	-	-	91,115	21,021	112,136	-
Chief Finance Officer*	**2018/19**	**38,766**	-	-	**38,766**	**8,800**	**47,566**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Chief Finance Officer**	**2018/19**	**37,145**	-	-	**37,145**	**17,383**	**54,528**	-
	2017/18	-	-	-	-	-	-	-
Head of Internal Audit	**2018/19**	**66,330**	-	-	**66,330**	**15,057**	**81,387**	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-
Head of Planning Services & Coastal Management	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Legal and Democratic Services	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Environmental Services and Port Health	**2018/19**	**77,533**	-	-	**77,533**	**17,600**	**95,133**	-
	2017/18	72,835	-	-	72,835	16,533	89,368	-
Head of Economic Development and Economic Services	**2018/19**	**66,330**	-	-	**66,330**	**15,057**	**81,387**	-
	2017/18	62,430	-	-	62,430	14,172	76,602	-

* postholder left employment at the end of September 2018.
** postholder was Interim Chief Finance Officer from October 2018 and then appointed permanently from January 2019.

In addition other transactions are disclosed in Note 25, 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 packages by cost band		Total cost of exit packages in each band	
	2018/19	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**	2017/18
£							**£**	£
0 to 20,000	**5**	-	**4**	1	**9**	1	**72,054**	6,920
20,001 to 40,000	**1**	-	**-**	1	**1**	1	**20,769**	32,584
40,001 to 60,000	**-**	1	**-**	-	**-**	1	**-**	42,440
60,001 to 80,000	**1**	1	**-**	-	**1**	1	**-**	77,980
80,001 to 100,000	**-**	1	**-**	-	**-**	1	**-**	92,379
TOTAL	**7**	3	**4**	2	**11**	5	**92,823**	252,303

The total cost in the above table covers exit packages (also known 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 were two at a cost of £239k (2017/18 - two at a cost of £21k) as they are not discretionary and do not therefore meet the definition of termination benefits under the CIPFA Code of Practice.

26. Capital expenditure and capital financing

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

	2018/19	2017/18
	£'000	£'000
Opening Capital Financing Requirement	**115,750**	**114,703**
Capital investment		
Property, Plant and Equipment*	12,485	8,266
Intangible Assets	73	91
Capital Prepayment	-	(39)
Revenue Expenditure Funded from Capital under Statute	1,284	1,023
Property, Plant and Equipment written out to Revenue	(227)	
Total Capital Investment	**13,615**	**9,341**
Sources of finance		
Capital receipts	3,239	2,470
Government grants and other contributions	2,465	1,375
Direct revenue contributions	4,779	4,115
Minimum Revenue Provision	805	334
Long Term Loans / Investments	-	-
Assets acquired under finance leases	-	-
Major Repairs Reserve	2,525	-
Closing Capital Financing Requirement	**115,552**	**115,750**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	(198)	1,047
Increase/(decrease) in Capital Financing Requirement	**(198)**	**1,047**

* These figures match to the Additions lines in Notes 14 and 15 detailing movements on the non-current assets.

27. Leases

<u>Disclosures as Lessee</u>

Finance Leases

No assets under finance leases were acquired by the Council in the year. Assets acquired under finance leases prior to 1st April 2018 are carried as property, plant and equipment in the Balance Sheet at the following net amounts below:

	2018/19	2017/18
	£'000	£'000
Other Land and Buildings	8,497	13,070
	8,497	**13,070**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the

Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2018/19 £'000	2017/18 £'000
Finance lease liabilities (net present value of minimum lease payments):		
- current	262	245
- non current	6,359	6,621
Finance costs payable in future years	4,338	4,824
Minimum lease payments	**10,959**	**11,690**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Not later than one year	731	731	262	245
Later than one year and not later than five years	2,922	2,922	1,246	1,164
Later than five years	7,306	8,036	5,113	5,457
	10,959	**11,689**	**6,621**	**6,866**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into. There were no material contingent rents payable by the Council under finance leases for 2018/19 and 2017/18.

In relation to one of the Council's finance leases, the Lessor had to secure financing to be able to fulfil the capital project it was undertaking for the Council. It was agreed between the Lessor and Santander, that as part of the Council's monthly lease payment, the Council would make direct payment to Santander to cover the cost of the Lessor's monthly repayment of the financing.

Operating Leases

The Council has no material operating leases as a lessee.

<u>Disclosures as Lessor</u>

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.; or
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

	2018/19 £'000	2017/18 £'000
Not later than one year	**995**	**697**
Later than one year and not later than five years	**3,348**	**2,698**
Later than five years	**21,580**	**21,624**
	25,923	**25,019**

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 2018/19 and 2017/18.

All assets provided under operating lease assets by the Council are shown within the movements included within Property, Plant and Equipment (Note 14).

28. Pensions

Pension costs are accounted for in accordance with the accounting standard IAS19. 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, it is only the actual payments that impact on the accounts, and 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 £42.004m in 2018/19 (2017/18 was £36.093m). 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.

The Suffolk Pension Fund scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Suffolk County Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the committee and consist of the Head of Finance (S151 Officer) of Suffolk County Council and Investment Fund managers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

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 and Housing Revenue Account 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:

	Local Government Pension Scheme	
Comprehensive Income and Expenditure Statement	**2018/19 £'000**	**2017/18 £'000**
Cost of Services:		
- Current service cost	4,189	4,021
- Past Service cost	48	95
Financing and investment income and expenditure:		
- Net interest expense	942	986
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,179	5,102
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)	(4,428)	(1,711)
- Actuarial gains and losses arising on changes in financial assumptions	9,070	(2,805)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	4,642	(4,516)
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	(5,179)	(5,102)
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to scheme	3,910	3,856

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	
	2018/19 £'000	**2017/18 £'000**
Present value of the defined benefit obligation	(171,813)	(158,814)
Fair value of plan assets	129,809	122,721
Net liability arising from defined benefit obligation	**(42,004)**	**(36,093)**

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

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£'000	**£'000**
Opening fair value of scheme assets	122,721	118,577
Interest Income	3,182	2,956
Remeasurement gain / (loss):		
- The return on plan assets, excluding the amount included in net interest expense	4,428	1,711
Contributions from employer	3,910	3,856
Contributions by employees into the scheme	661	608
Benefits paid	(5,093)	(4,987)
Closing fair value of scheme assets	**129,809**	**122,721**

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

	Local Government Pension Scheme	
	2018/19	**2017/18**
	£'000	**£'000**
Opening balance 1 April	158,814	157,940
Current service cost	4,189	4,021
Interest cost	4,124	3,942
Contributions from scheme participants	661	608
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in financial assumptions	9,070	(2,805)
Past service costs	48	95
Benefits paid	(5,093)	(4,987)
Closing balance at 31 March	**171,813**	**158,814**

Local Government Pension Scheme assets comprised: (Active Markets unless otherwise stated)	**Fair Value of Scheme Assets**	
	2018/19	**2017/18**
	£'000	**£'000**
Equity instruments:		
- Consumer	8,469	8,890
- Manufacturing	3,943	3,152
- Energy and Utilities	2,060	1,858
- Financial Institutions	3,873	4,094
- Health and Care	2,229	1,903
- Information Technology	4,048	3,587
- Other	1,130	1,282
	25,752	24,766
Debt Securities:		
- Corporate (Investment Grade)	29,231	29,749
- UK Government	-	4,666
	29,231	34,415
Private Equity (Non-active Market 2018/19 - 4,016 (2017/18 - 4,423)	5,344	4,423
Real Estate:		
- UK Property	13,247	11,897
Investment Funds & Unit Trusts:		
- Equities	28,494	28,454
- Bonds	5,052	-
- Hedge Funds	12,453	5,004
- Infrastructure (Non-active Market)	5,774	3,200
- Other (Non-active Market - 2018/19 - 2,569 (2017/18 - 2,458))	2,569	9,292
	54,342	45,950
Derivatives:		
- Foreign exchange	63	(5)
Cash and cash equivalents	1,830	1,275
Total Assets (Non-active Market 2018/19 - 12,359 (2017/18 - 10,081))	129,809	122,721

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 2018/19	2017/18
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	**21.9**	**21.9**
- Women	**24.4**	**24.4**
Longevity at 65 for future pensioners:		
- Men	**23.9**	**23.9**
- Women	**26.4**	**26.4**
Rate of inflation	**2.5%**	**2.4%**
Rate of increase in salaries	**2.8%**	**2.7%**
Rate of increase in pensions	**2.5%**	**2.4%**
Rate for discounting scheme liabilities	**2.4%**	**2.6%**

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 2019	**Approx. increase in Employers Liability**	**Approx. amount £'000**
0.5% decrease in Real Discount Rate	10%	16,487
0.5% increase in the Salary Increase Rate	1%	1,972
0.5% increase in the Pension Increase Rate	8%	14,270

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 £3.734m in contributions to the scheme in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members is 16.7 years 2018/19 (16.7 years 2017/18).

29. Contingent liabilities

At 31st March 2019, the Council had the following material contingent liabilities:

- With effect from 1st April 2011, the Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a management agreement. In the event that the Trust default on the agreement, the Council would be responsible for the continuation of payments to a third party in respect of funding works carried out to leisure facilities. Disclosure on this matter has been restricted due to the commercially sensitive nature of the transaction.

- Guaranteed Minimum Pension (GMP) - relates to, in summary, situations where a pension scheme was ‘contracted out’ of additional state pension arrangements. If the contracted out pensions benefits are less than the pensioner would have received if the contracting out had not applied the pension scheme would be required to increase the pension paid to reach the GMP.

  We expect the GMP equalisation impact to be shown as a ‘past service cost’ in the Council. However, key points for discussion are (i) when the ‘past service cost’ will be triggered and fed into the accounts, and (ii) how material any impact may be.

  The general expectation is that a ‘trigger event’ is yet to occur in the Local Government Pension Scheme and the Actuaries’ default approach was to ignore any GMP equalisation impact in the Council’s 31st March 2019 IAS19 report.

- McCloud judgement – the Council has noted that a legal ruling has been made regarding age discrimination arising from pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (e.g. McCloud) and firefighter pensions (e.g. Sergeant) which had previously been considered by employment tribunals.

  The ruling may have implications for other pension schemes which have implemented transitional arrangements for benefit changes. As a consequence the government has paused the ‘cost cap’ arrangements for a number of schemes.

  Given the uncertainty around this judgement and with the government awaiting news of its right to an appeal, it is too early to know what the likely impact may be on Local Government Pension Scheme members’ benefits. As a default approach, the Actuary has not making any allowance within the Council’s 31st March 2019 IAS19 report for potential outcomes of this judgement.

30. Contingent assets

As 31st March 2019, the Council had no material contingent assets.

31. 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 Waveney Norse Limited, an Associate of which the Council owns a 19.9% share.

Waveney Norse Limited

In 2008/09, Waveney District Council entered into an arrangement with Norse Commercial Services Limited (NCS) for the provision of a package of services including Refuse, Cleansing and Maintenance. A new company, Waveney Norse Ltd, was formed to deliver this service.

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

Waveney Norse Ltd prepared its accounts for 1st April 2019, a day after Waveney District 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 Waveney Norse Ltd to make it co-terminus with Waveney District Council. The Group Accounts are included in this document as additional columns to Waveney District Council's Primary Statements, showing the extent of the Council's 19.9% interest in Waveney Norse Ltd.

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 Waveney District Council's Statement of Accounts.

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

b) Nature of the business - the principal activity of Waveney Norse Ltd 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) Waveney Norse Ltd's ultimate controlling party is Norfolk County Council, by virtue of them owning 100% of the ordinary share of Norse Group Limited;

f) Waveney District Council holds fully paid Ordinary Share capital of £2, with no special rights or constraints. It has a 19.9% share of Waveney Norse Ltd and also receives a 50-50 profit / loss share at year-end;

g) Waveney Norse Ltd's contribution to its pension scheme is treated as if they are contributions to a defined contribution scheme. Waveney Norse Lts pays a set contribution over the life of the Agreement, with any increase or decrease in funding being met by the Council.

h) Payments made to Waveney Norse Limited in respect of refuse, cleansing and maintenance services are included within the Cost of Services in the Comprehensive Income and Expenditure Statement of Waveney District Council. Total payments to Waveney Norse Ltd were £7.068m in 2018/19 (£6.721m in 2017/18) and included in the Accounting Statements as follows:

	2018/19	2017/18
	£'000	£'000
Housing Operations and Landlord Services	**664**	**627**
Legal and Democratic Services	**9**	**9**
Operations	**6,384**	**6,074**
Planning and Coastal Management	**11**	**11**
	7,068	6,721

i) Details of Waveney Norse Limited's draft annual financial results to 1st April 2019 are set out below. Previous year's figures are based on audited accounts.

	2019 Waveney Norse	**2019 Council Investment (19.9%)**	2018 Waveney Norse	2018 Council Investment (19.9%)
	£000	**£000**	£000	£000
Current Assets				
Stock	**208**	41	314	62
Debtors	**2,928**	583	2,661	530
Cash at Bank	**187**	37	5	1
Gross Assets	**3,323**	661	2,980	593
Creditors falling due within one year	**(1,150)**	(229)	(1,057)	(210)
Net Assets / Shareholder's Funds	**2,173**	432	1,923	383
Turnover	**9,840**	1,958	9,085	1,808
Profit on ordinary activity before taxation	**301**	60	368	73
Tax on profit on ordinary activity	**(50)**	(10)	(62)	(12)
Profit for the Financial Period	**251**	50	306	61
Tax components included in the above figures are as follows:	**£000**	£000	£000	£000
Debtors				
- Deferred Tax asset	**24**	5	37	7
Creditors falling due within one year				
- Corporation Tax	**48**	10	81	16
Tax on profit on ordinary activity				
- Current Tax	**(37)**	(7)	(79)	(16)
- Deferred Tax	**(13)**	(3)	17	3
	(50)	(10)	(62)	(12)

Other Partnerships

Sentinel Leisure Trust

With effect from 1st April 2011 the Council transferred the management and operation of its leisure operations to the newly formed Sentinel Leisure Trust. Seven volunteers were initially appointed as Trustees and Directors of the new Trust and were joined by two Council representatives on the Board. The Council have granted a 15 year partnership management agreement with Sentinel. The facilities and equipment remain the property of the Council throughout the Partnership, with the Trust operating under a lease.

32. Long term creditors

	2018/19	**2017/18**
	£'000	**£'000**
Finance Leases	6,359	6,621
Receipts in Advance	374	76
	6,733	**6,697**

33. Long term investments

During the 2017/18 financial year, the Council invested £2.5m in the CCLA LAMIT Property Fund. As part of the investment, an element was used to fund legal costs and Stamp Duty Land Tax, which equated to £109k and could been seen on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets), reducing the investment to £2.391m on the Balance Sheet.

With the introduction of IFRS 9 – Financial Instruments, the 'available for sale' category of financial instruments is no longer allowed, which is why the £109k has been reversed on the face of the Comprehensive Income and Expenditure Statement (under (Surplus) or deficit on revaluation of available for sale financial assets).

The £109k has now been charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement to ensure the long term investment on the Balance Sheet remains as £2.391m as at 31st March 2018.

During 2018/19, the Council has receives dividend on the investment and the principal invested has also appreciated in value by £38k, which was also charged to Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement and added to the long term investment balance resulting in the balance increasing to £2.429m.

The Council also had £10k invested in ARP Trading Ltd, which was the only long term investment during 2017/18, but during 2018/19 the decision was taken to make the company dormant and the investment was returned.

34. Prior period adjustment

As part of the 2018/19 valuation of the Council's non-current assets, it was identified that an error was made in 2017/18 valuation of the Council's Housing Revenue Account (HRA) garages. In 2017/18, all HRA garages had their land valued at fair value on the basis that the land could be redeveloped for housing, but the correct valuation method would have been to only value land at fair value where the garages had been or was going to be demolished, with all other garage land being valued at existing use.

The result of this error was that HRA garages were overvalued by more than £4 million and depreciation was overcharged by £0.207m. The impact of this valuation error on each primary statement and accompanying notes is shown below

Prior Period Adjustments

Recalculation of HRA Garages Valuations and Reclassification of Community Asset to Other Land & Buildings

The effects of the restatement are as follows:	**2017/2018**	**Restatement**	**2017/2018 (Restated)**
Summary:			
Decrease in Net HRA Expenditure Included in the CEIS		(207)	(207)
Increase in Housing Revenue Account Balance		(207)	(207)
Change in Balance Sheet - Property, Plant and Equipment	286,373	(4,710)	281,663
Change in Balance Sheet Useable Funds - Major Repairs Reserve	(19,099)	207	(18,892)
Change in Balance Sheet Unusable Funds - Revaluation Reserve	(35,687)	3,760	(31,927)
Change in Balance Sheet Unusable Funds - Capital Adjustment Account	(138,304)	950	(137,354)
Change in Adjustments to Movement in Reserves		207	207

In addition to this HRA adjustment, during an Asset Management review it was identified that an asset previously classified as a Community Asset carried at Historic Cost should be classified as Other Land & Buildings carried at Current Value – Existing Use. As a result, Property, Plant and Equipment had been overstated by £0.617m.

Housing Revenue Account	Net Expenditure		
	2017/2018	Restate-ment	2017/2018 (Restated)
Depreciation of HRA non-current assets:			
- Other assets	452	(207)	245
Revaluation & impairment of HRA non-current assets	(8,973)	336	(8,637)
Total expenditure	**3,602**	**130**	**3,732**
Net expenditure or (income) of HRA services as included in the whole authority CIES	**(17,082)**	**130**	**(16,952)**
Net expenditure or (income) of HRA services	**(17,019)**	**130**	**(16,889)**
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets	(660)	(97)	(757)
(Surplus) or deficit for the year on HRA services	**(15,252)**	**32**	**(15,220)**
Adjustments between accounting basis and funding	12,874	(240)	12,634
(Increase) or decrease in year on the HRA	**2,311**	**(207)**	**2,104**
Balance on the HRA at the end of the year	**(4,936)**	**(207)**	**(5,143)**

Comprehensive Income and Expenditure Statement	Gross Expenditure			Net Expenditure		
	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)
Cost of Services						
Housing Revenue Account	3,602	130	3,732	(17,082)	130	(16,952)
Total Cost of Services	**62,008**	130	**62,138**	**(2,855)**	130	**(2,725)**
Other Operating Expenditure				**9,291**	(97)	9,194
(Surplus) or Deficit on Provision of Services				**(7,851)**	**32**	**(7,819)**
Surplus or deficit on revaluation of non-current assets				(12,112)	4,061	(8,051)
Other Comprehensive Income and Expenditure				**(16,596)**	**4,061**	**(12,535)**
Total Comprehensive Income and Expenditure				**(24,447)**	**4,093**	**(20,354)**

Comprehensive Income and Expenditure Statement - Other Operating Expenditure	2017/2018	Restate-ment	2017/2018 (Restated)
Gains/losses on the disposal of non current assets	6,642	(97)	6,545
Total	**9,291**	(97)	**9,194**

Balance Sheet

	2017/2018	Restate-ment	2017/2018 (Restated)
Property, Plant and Equipment	286,374	(4,093)	282,281
Long Term Assets	**292,842**	**(4,093)**	**288,749**
Net Assets	**198,958**	**(4,093)**	**194,865**
Major Repairs Reserve	(19,099)	207	(18,892)
Housing Revenue Account	(4,937)	(207)	(5,144)
Unusable reserves	(136,615)	4,093	(132,522)
Total Reserves	**(198,958)**	**4,093**	**(194,865)**

Property, Plant & Equipment

	Other Land & Buildings			Surplus Assets			Land Awaiting Development			Total		
	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)
Cost or Valuation												
At 1 April 2017	58,359	-	58,359	494	-	494	1,618	-	1,618	295,312	-	295,312
Additions	107	-	107	65	-	65	906	-	906	8,266	-	8,266
Revaluation increases/(decreases) recognised in the Revaluation Reserve	5,796	(3,917)	1,879	393	52	445	-	-	-	9,066	(3,865)	5,201
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,040)	(334)	(1,374)	(178)	(7)	(185)	-	-	-	5,952	(341)	5,611
Derecognition - Disposals	(36)	-	(36)	-	-	-	-	-	-	(1,633)	-	(1,633)
Derecognition - Other	(5,996)	48	(5,948)	(886)	-	(886)	-	-	-	(7,960)	48	(7,912)
Assets reclassified (to)/from Held for Sale	-	-	-	201	-	201	-	-	-	201	-	201
Other movements in Cost or Valuation	(519)	148	(371)	631	(46)	585	311	(102)	209	1	-	1
At 31 March 2018	**56,671**	**(4,055)**	**52,616**	**720**	**(1)**	**719**	**2,835**	**(102)**	**2,733**	**309,205**	**(4,158)**	**305,047**
Accumulated Depreciation and Impairment												
At 1 April 2017	2,276	-	2,276	-	-	-	-	-	-	22,595	-	22,595
Depreciation charge	1,212	(207)	1,005	38	-	38	-	-	-	6,124	(207)	5,917
Depreciation written out to the Revaluation Reserve	(1,982)	197	(1,785)	-	-	-	-	-	-	(3,047)	197	(2,850)
Depreciation written out to the Surplus/Deficit on the	(125)	(5)	(130)	(40)	-	(40)	-	-	-	(1,946)	(5)	(1,951)
Derecognition - Disposals	(22)	-	(22)	-	-	-	-	-	-	(110)	-	(110)
Derecognition - Other	(243)	(48)	(291)	(148)	-	(148)	-	-	-	(784)	(48)	(832)
Other movements in Depreciation and Impairment	(152)	-	(152)	153	-	153	-	-	-	(1)	(2)	(3)
At 31 March 2018	**964**	**(63)**	**901**	**3**	**-**	**3**	**-**	**-**	**-**	**22,831**	**(65)**	**22,766**
Net Book Value at 31 March 2018	**55,707**	**(3,992)**	**51,715**	**717**	**(1)**	**716**	**2,835**	**(102)**	**2,733**	**286,374**	**(4,093)**	**282,281**

Revaluation Reserve

	2017/2018	Restate-ment	2017/2018 (Restated)
Balance at 1 April	**(27,349)**		**(27,349)**
Upward revaluation of assets	(12,950)	4,053	(8,897)
Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	838	8	846
Surplus or deficit on revaluation of non-current assets posted to the Surplus or Deficit on the Provision of Services	**(12,112)**	**4,061**	**(8,051)**
Difference between fair value depreciation and historical cost depreciation	575	(204)	371
Accumulated gains on assets sold or scrapped	3,199	(97)	3,102
Amount written off to the Capital Adjustment Account	**3,774**	**(301)**	**3,473**
Balance at 31 March	**(35,687)**	**3,760**	**(31,927)**

Capital Adjustment Account

	2017/2018	Restate-ment	2017/2018 (Restated)
Balance at 1 April	**(134,642)**	**-**	**(134,642)**
Non Material Prior Period Adjustment	47	-	47
	(134,595)	-	(134,595)
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	6,125	(207)	5,918
- Revaluation losses on Property, Plant and Equipment	(7,900)	336	(7,564)
- Amortisation of intangible assets	78	-	78
- Revenue expenditure funded from capital under statute	770	-	770
- Revenue expenditure funded from section 106 receipts	253	-	253
- Revenue expenditure funded from community infrastructure levies	-		-
- 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	8,973	(97)	8,876
Adjusting amounts written out of the Revaluation Reserve:			
- Difference between fair value depreciation and historical cost depreciation in Revaluation Reserve	(575)	204	(371)
- Amounts written out on disposal of assets	(3,199)	97	(3,102)
Net written out amount of the cost of non current assets consumed in the year	4,525	333	4,858
Capital financing applied in the year:			
- Use of Capital Receipts Reserve to finance new capital expenditure	(2,470)	-	(2,470)
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	-	-
- Application of grants to capital financing from the Capital Grants Unapplied Account	(988)	-	(988)
- Statutory provision for the financing of capital investment charged against the General Fund and and HRA balances	(334)	-	(334)
- Application of grants to capital financing from Receipts in Advance	(387)	-	(387)
- Use of Major Repairs Reserve to fianance new capital expenditure	-	-	-
- Capital expenditure charged against the General Fund and HRA balances	(4,115)	-	(4,115)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1	-	1
Other Movements	59	-	59
Balance at 31 March	**(138,304)**	**333**	**(137,971)**

Movement In Reserves Statement

	Housing Revenue Account			Major Repairs Reserve			Unuseable Reserves		
	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)	2017/2018	Restate-ment	2017/2018 (Restated)
Balance at 31 March 2017	**(7,247)**	**-**	**(7,247)**	**(15,787)**	**-**	**(15,787)**	**(121,553)**	**617**	**(120,936)**
Movement in reserves during 2017/18									
(Surplus) or deficit on provision of services	(15,252)	32	(15,220)	-	-	-	-	-	-
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(16,596)	4,061	(12,535)
Total Comprehensive Income and Expenditure	**(15,252)**	**32**	**(15,220)**	**-**	**-**	**-**	**(16,596)**	**4,061**	**(12,535)**
Adjustment between Group and Authority Accounts:									
- Purchase of Goods and Services from Associate (note 31)	-	-	-	-	-	-	-		-
Net (Increase) / Decrease before Transfers	**(15,252)**	**32**	**(15,220)**	**-**	**-**	**-**	**(16,596)**	**4,061**	**(12,535)**
Adjustments between accounting basis and funding basis under regulations (note 9)	12,874	(240)	12,634	(3,312)	207	(3,105)	1,534	32	1,566
Net (Increase) / Decrease before Transfers to Earmarked Reserves	**(2,379)**	**(207)**	**(2,586)**	**(3,312)**	**207**	**(3,105)**	**(15,062)**	**4,093**	**(10,969)**
Transfer to / from Earmarked Reserves (note 10)	4,690	-	4,690	-		-	-	-	-
(Increase) / Decrease in Year	**2,311**	**(207)**	**2,104**	**(3,312)**	**207**	**(3,105)**	**(15,062)**	**4,093**	**(10,969)**
Balance at 31 March 2018 carry forward	**(4,937)**	**(207)**	**(5,144)**	**(19,099)**	**207**	**(18,892)**	**(136,615)**	**4,710**	**(131,905)**

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

	HRA Note	2018/19	2017/18 (Restated)
		£'000	£'000
Income			
Gross rental income:			
- Dwelling rents		(18,730)	(18,852)
- Non-dwelling rents		(168)	(205)
Charges for services and facilities		(1,276)	(1,243)
Lease holders charges for services and facilities		3	(27)
Contributions towards expenditure		(41)	(161)
Reimbursement of costs		(382)	(196)
Total income		**(20,594)**	**(20,684)**
Expenditure			
Repairs, maintenance and management:			
- Repairs and maintenance		4,271	4,164
- Supervision and management		3,483	3,631
- Special Services		1,778	1,354
- Redundancy and associated pension costs		60	-
Rents, rates and other charges		42	70
Movement in the allowance for bad debts		-	25
Depreciation of HRA non-current assets:			
- Dwellings	8	3,053	2,860
- Other assets	8	209	245
Revaluation & impairment of HRA non-current assets		264	(8,637)
Debt management costs	4	12	20
Total expenditure		**13,172**	**3,732**
Net expenditure or (income) of HRA services as included in the whole authority CIES		**(7,422)**	**(16,952)**
- HRA share of Corporate and Democratic Core		66	63
Net expenditure or (income) of HRA services		**(7,356)**	**(16,889)**
HRA share of the operating income and expenditure included in the whole authority CIES:			
- (Gain) or loss on sale of HRA non-current assets		(239)	(757)
- Interest payable and similar charges	4	2,300	2,245
- Pension Cost Contribution		528	581
- HRA interest and similar income	4	(138)	(128)
- HRA Impairment Losses including Reversals of Impairment Losses or Impairment Gains		131	-
- HRA Capital Grants & Contributions		-	(272)
(Surplus) or deficit for the year on HRA services		**(4,774)**	**(15,220)**

		2018/19		2017/18 (Restated)
		£'000		£'000
Movement on the HRA Statement				
HRA balance brought forward		**(5,143)**		**(7,247)**
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(4,774)		(15,220)	
Adjustments between accounting basis and funding basis under statute (Note 9 to the Core Statements)	3,558		12,634	
Net (increase) or decrease before transfers to or from reserves	**(1,216)**		**(2,586)**	
Transfers (from) or to HRA Earmarked Reserves (Note 10 to the Core Statements)	1,500		4,690	
(Increase) or decrease in year on the HRA		**284**		**2,104**
Balance on the HRA at the end of the year		**(4,859)**		**(5,143)**

1. Dwelling rents and charges for services and facilities

The account shows the rent and charges for services and facilities due in the year after allowing for voids and other losses in collection. 2018/19 is a 52 week rent year. Charges for Services and Facilities relate to heating, warden and other communal services provided to residents in sheltered accommodation. They also include charges to tenants for central heating servicing.

	2018/19	2017/18
Average dwelling rent per week (£)	81.13	81.47
Arrears at 31 March (£'000)	1,119	936
Arrears at 31 March as % of the gross income collectable	5.7%	4.7%
Provision for bad debts at 31 March (£'000)	822	690

2. Major repairs reserve

	2018/19 £'000	2017/18 (Restated) £'000
The movement on the Major Repairs Reserve (MRR) for the financial year is analysed below:		
MRR opening balance	18,892	15,787
Amounts transferred to the MRR during the year	3,262	3,105
Debits to the MRR during the year in respect of HRA capital expenditure	(2,525)	-
MRR closing balance	**19,629**	**18,892**

Under Self-Financing accumulated depreciation is transferred into the MRR where is it ring-fenced to be used to repay the principal elements of HRA debt as well as to finance new capital expenditure. Movements and balances on the MRR are also detailed in the Movement in Reserves Statement and Note 9 to the Core Statements.

3. Capital receipts – disposal of council dwellings

	2018/19	2017/18
Capital receipts from sales of council houses (Right to Buys) can be summarised as follows:		
- Number of disposals under Right to Buy	22	30
- Value of disposals under Right to Buy (£'000)	1,569	2,012
Value of capital receipts from the disposal of other HRA land, houses and property	-	537

4. Capital related charges

	2018/19 £'000	2017/18 (Restated) £'000
Depreciation charge	3,262	3,105
Debt management expenses	12	20
Interest payable	2,259	2,204
Premium charges for early repayment of debt	41	41
Transfer to Capital Financing Account via MRR	2,525	-
Interest income on notional cash balances	(138)	(128)

5. Housing stock

	2018/19	2017/18
The stock of dwellings has changed as follows:		
Opening stock of dwellings	4,435	4,467
Add: new build/purchases/additions	37	3
Less: sales	(22)	(33)
Less: properties lost to conversion, disposal and deletion	(4)	(2)
Closing stock of dwellings	**4,446**	**4,435**
Analysis of closing stock numbers:		
Houses	2,012	2,029
Bungalows	1,211	1,211
Flats	1,223	1,195
	4,446	**4,435**

6. Capital expenditure

	2018/19 £'000	2017/18 £'000
Dwellings	2,418	2,547
Dwelling acquisitions	2,132	25
Other Land and Buildings	1,764	1,298
Vehicles	80	114
IT Infrastructure	46	53
Assets Under Construction	3,054	2,340
Capital Prepayment	1	1
	9,495	**6,378**
Financed by:		
Usable capital receipts	2,733	2,470
Revenue contributions	4,237	3,636
Grants and contributions	-	272
Major Repairs Reserve	2,525	-
	9,495	**6,378**

7. Non-current assets

The Balance Sheet value of land, dwellings and other property within the HRA as at 1st April in the financial year and the closing Balance Sheet value as at 31st March is included within Note 14 to the Core Statements. The Balance Sheet values of HRA non-current assets are disclosed below:

	2018/19 £'000	2017/18 (Restated) £'000
Council dwellings	203,758	199,667
Other land and buildings	1,984	1,742
Vehicles, plant, furniture and equipment	391	426
Assets under construction	5,098	-
Land Awaiting Development	3,275	2,205
Assets Under Construction	5,098	2,519
Assets held for sale	4	4
Total Balance Sheet value of HRA non-current assets (PPE)	**219,608**	**206,563**
Intangibles	53	46
Total Balance Sheet value of HRA non-current assets	**219,661**	**206,609**
Dwellings - Vacant Possession Value	536,206	525,439

Vacant possession value and Balance Sheet value of council dwellings within the HRA show the economic cost to Government of providing council housing at less than market rents.

8. Depreciation

The depreciation charge for the year, for all of the HRA's non-current assets are disclosed as follows:

	2018/19	2017/18 (Restated)
	£'000	£'000
Council dwellings	3,053	2,860
Other land and buildings	65	53
Vehicles, plant, furniture and equipment	124	187
Total charge for depreciation within the HRA (PPE)	**3,242**	**3,100**
Intangibles	2	6
Total charge for depreciation within the HRA	**3,244**	**3,106**

9. Revaluation and impairment charges

The 2018/19 financial results include £264k debit (restated 2017/18 £8.637m credit) for Revaluation Gains against HRA Assets charged to the Comprehensive Income and Expenditure Statement.

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	2018/19		2017/18	
		Business rates £'000	Council tax £'000	Business rates £'000	Council tax £'000
Income					
Income from council tax	1	-	(61,536)	-	(58,072)
Transfer from General Fund - council tax benefits		-	(10)	-	(3)
Income from business rates	2	(27,757)	-	(25,205)	-
Transitional protection payments		(1,687)	-	(2,475)	-
		(29,444)	**(61,546)**	**(27,680)**	**(58,075)**
Expenditure					
Precepts, demands and shares:					
- Central Government		-	-	13,274	-
- Suffolk County Council		5,361	44,972	2,655	42,163
- Police and Crime Commissioner for Suffolk		-	6,834	-	6,300
- Waveney District Council		22,091	8,433	11,090	7,915
Transitional protection payments		973	-	1,939	-
Charges to Collection Fund					
- Write offs of uncollectable amounts		129	1,849	55	26
- Increase / (decrease) in bad debt provision		149	(1,141)	382	678
- Increase / (decrease) in provision for appeals		(1,417)	-	790	-
- Cost of collection allowance		200	-	202	-
Apportionment of previous years surplus / (deficit)					
- Central Government		21	-	(1,208)	-
- Suffolk County Council		4	898	(241)	587
- Police and Crime Commissioner for Suffolk		-	134	-	89
- Waveney District Council		16	169	(966)	89
		27,527	**62,148**	**27,972**	**57,847**
(Surplus) / deficit for year	3	**(1,917)**	**602**	**292**	**(228)**
Balance brought forward - (surplus) / deficit		1,479	(1,398)	1,187	(1,170)
Balance carry forward - (surplus) / deficit		**(438)**	**(796)**	**1,479**	**(1,398)**

NOTES TO THE COLLECTION FUND

1. Income from council tax

Council tax is set to meet the demands of Suffolk County Council, The Police and Crime Commissioner for Suffolk, Waveney 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.

	2018/19	2017/18
	£	£
The average Band D Council Tax set was:	**1,664.36**	1,582.51
The Council estimated its Tax Base for 2018/19 as follows:	Chargeable dwellings	Band D Equivalents
Valuation Band		
A	16,491	10,994
B	13,827	10,754
C	9,594	8,528
D	6,006	6,006
E	2,904	3,549
F	963	1,391
G	536	894
H	31	61
	50,351	42,177
Less: local council tax reduction scheme		(5,432)
provision for bad and doubtful debts (1.50%)		(551)
Tax Base 2018/19 (Band D equivalents)		36,194

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%), Waveney District Council (40%) and Suffolk County Council (10%). As 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. 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.

	2018/19	2017/18
The rateable value at 31 March was	**£78.1m**	£77.3m
The multiplier was	**49.3p**	47.9p

3. Collection Fund balances

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

(Surplus) / Deficit relating to:	2018/19 £'000	2017/18 £'000
Council Tax		
Suffolk County Council	**449**	(155)
Police and Crime Commissioner for Suffolk	**67**	(23)
Waveney District Council	**86**	(50)
Total Council Tax	**602**	(228)
Business Rates		
Central Government	**20**	146
Suffolk County Council	**(388)**	29
Waveney District Council	**(1,549)**	117
Total Business Rates	**(1,917)**	292

Auditors Opinion to be inserted once audited

Auditors Opinion to be inserted once audited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WAVENEY DISTRICT COUNCIL

Auditors Opinion to be inserted once audited

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 and the Housing Revenue Account 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, (excluding the Housing Revenue Account (HRA) - see below).

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.

Housing Revenue Account (HRA)

The statutory account to which are charged the revenue costs of providing, maintaining and managing Council owned dwellings. These are financed by rents charged to tenants and subsidies received from the government. (See later paragraph on self-financing HRA).

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.

Public Works Loan Board

A Government agency which provides longer-term loans to local authorities at interest rates slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

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.

Self-Financing for the HRA

The self-financing HRA commenced on 1st April 2012 and is based on authorities “buying” themselves out of a negative housing subsidy position. This involves the Council no longer paying into housing subsidy and in return the Council’s debt is adjusted upwards to an appropriate level. It is a once and for all settlement between central and local Government, after which all responsibility for maintaining social housing will rest with the Council.

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

GLOSSARY OF FINANCIAL TERMS

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
HRA	Housing Revenue Account
IFRS	International Financial Reporting Standards
MRP	Minimum Revenue Provision
NDR	Non-Domestic Rates
SSAP	Statement of Standard Accounting Practice

Agenda Item 11

ES/0498

AUDIT & GOVERNANCE COMMITTEE

Tuesday 22 September 2020

EXTERNAL AUDIT PLAN 2019/20

EXECUTIVE SUMMARY

1. Ernst and Young's (EY) external audit plan summarises their assessment of the key risks driving the development of an effective audit for the Council and outlines their planned audit strategy in response to those risks.
2. The Audit Plan also summarises the evaluation criterion EY will use as part of their Value for Money Conclusion.
3. Materiality has initially been set at £2.86 million for the audit of the Council's financial statement.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 EY are required to set out how they intend to carry out their responsibilities as the Council's external auditors. The Audit Plan presented to the Audit & Governance Committee details the proposed audit approach and scope to be undertaken ensuring compliance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd and auditing standards.

2 EXTERNAL AUDIT PLAN 2019/20

2.1 The proposed External Audit Plan for 2019/20 is attached as Appendix A. Section Two details EY's assessment of the financial statement risks that apply to the Council and their audit approach to gain assurance that the Council has controls in place to mitigate these risks.

2.2 The two significant financial statement risks identified are generic across all local authorities due to the reductions in local government funding. Five other risks have been identified in relation to:

- Pension Liability Valuation;
- Land and Buildings and Investment Property Valuations;
- Establishment of East Suffolk Council and Determining Opening Balances;
- Going Concern Assessment due to Covid-19; and
- Covid-19 Impacts.

With the exception of the establishment of East Suffolk Council the above risks are also generic across all local authorities due to their size and potential impact on the statement of accounts.

2.3 EY set out in Section Three of the Audit Plan, their overall evaluation criterion when considering whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources, which is:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

2.4 Section Four of the Audit Plan details materiality for the audit of the financial statements which has initially been determined as £2.86 million based on 2% gross operating expenditure. Materiality is subject to change. Any uncorrected errors identified over £143,000 will be reported to the Audit & Governance Committee via the External Auditors Audit Results Report.

2.5 Section Five, Six and Seven of the Audit Plan details the audit scope and process, the audit team and timelines.

3 CONSULTATION

3.1 None.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 EY, as the Council's external auditors, will be aware of the Council's Strategic Plan and through their value for money assessment will comment on the Council's Financial Sustainability and review the accounting treatment via their audit of the financial statements of critical success factors and planned actions.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 Included in Section Two.

6 OTHER KEY ISSUES

6.1 None.

7 OTHER OPTIONS CONSIDERED

7.1 None.

8 REASON FOR RECOMMENDATION

8.1 To provide the Committee with an opportunity to review and consider the External Audit Plan for 2019/20.

RECOMMENDATION
That the Committee considers the 2019/20 External Audit Plan and comments on the content of the report.

APPENDICES	
Appendix A	External Audit Plan for 2019/20

BACKGROUND PAPERS - none

East Suffolk Council
Provisional Audit Planning Report

Year ended 31 March 2020

September 2020

EY
Building a better working world

Audit and Governance Committee Members

East Suffolk District Council
East Suffolk House, Station Road
Melton
IP12 1RT

10 September 2020

Dear Audit and Governance Committee Members

2019/20 Provisional Audit Plan

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit and Governance Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the Committee.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 22 September 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

Debbie Hanson
For and on behalf of Ernst & Young LLP

Enc

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Committee and management of East Suffolk Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of East Suffolk Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of East Suffolk Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council's general fund capital programme outturn for 2019/20 was £10.8 million and the HRA capital programme was £3.1 million. Capital expenditure in year is therefore material. Therefore, we have identified this as a significant fraud risk.
Land and buildings, dwellings and Investment property valuations	Higher inherent risk	Other land and buildings and dwellings are significant balances in the Council's accounts, totalling £305 million at 31 March 2020. Investment property is also material at £2.9 million. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk these balances may be under/overstated or the associated accounting entries incorrectly posted. The valuation of land and buildings, dwellings and investment property at 31 March 2020 is also likely to be impacted by Covid-19, with valuers disclosing a material uncertainty in relation to their year end valuations. The Council will need to consider the impact of this material uncertainty on the land and building balances in their accounts as well as in relation to their disclosures relating to estimation uncertainty and key judgements. Covid-19 is expected to have a greater impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions as they can no longer trade effectively. There is a therefore a risk that land and buildings, dwellings and investment property may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Pension liability valuation	Higher inherent risk	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. At 31 March 2020 this totalled £53 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. In addition, every three years, a formal valuation of the whole fund is carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 report for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Establishment of East Suffolk Council and determining opening balances	Higher inherent risk	The establishment of East Suffolk Council from the former Districts Council of Suffolk Coastal and Waveney from the 1 April 2019 will necessitate the establishment of opening balances for the new Council as well as the merger of accounting systems and processes. As the establishment of these opening balances is a one off and unusual exercise we have concluded that there is a risk of error in establishing the opening balances in East Suffolk Council. We have not identified this as a significant risk due to the fact that the predecessor councils have been aligning for some time and used the same general ledger and chart of accounts and new ledger codes have been created for East Suffolk Council.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Going concern assessment and disclosures	Higher inherent risk	Covid-19 has created a number of financial pressures throughout Local Government and is creating financial stress. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Covid-19 impacts	Higher inherent risk	The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. The financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Within this Plan, we have identified those areas of the financial statements which we have currently identified as being the main areas impacted by Covid-9. However we recognise that due to the uncertainty about the duration and extent of disruption, there may be other risks which emerge during the audit process. We have included details of some of the potential areas in this Plan and will update the Audit Committee if we identify further areas.

Overview of our 2019/20 audit strategy

Materiality

We set materiality for both the Council and Group. As gross expenditure is the same for both the Council and Group there is no difference between materiality levels.

Planning materiality

£2.86m

Materiality has been set at £2.86 million, which represents 2% of the gross expenditure on provision of services in the draft 2019/20 accounts.

Performance materiality

£1.43m

Performance materiality for the Council has been set at £1.43 million and Group performance materiality has been set at £0.79 million. Which represents 50% of planning materiality. We have set at 50% to reflect the fact that 2019/20 is the first year of existence of East Suffolk Council.

Audit differences

£143k

We will report all uncorrected misstatements relating to the group primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £143,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Overview of our 2019/20 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of East Suffolk Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of East Suffolk Council's audit, we will discuss these with management as to the impact on the scale fee.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

.

What will we do?

We will:

- Identify the risk of fraud during the planning stage of our audit, and keep that assessment under review throughout the duration of our audit;
- Inquire of management about the risks of fraud, and the controls established to mitigate those risks;
- Understand the oversight given by those charged with governance of management's processes over fraud;
- Consider the effectiveness of management's controls to address the risk of fraud;
- Determine an appropriate strategy to address the identified risks of fraud.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates, such as bad debt and business rate appeals provision, for evidence of management bias, and
- Evaluating the business rationale for any significant unusual transactions.

In addition to our overall response, we consider where this risk may specifically manifest itself and identify a separate fraud risk below.

Our response to significant risks (continued)

Incorrect capitalisation of revenue expenditure *

Financial statement impact

Misstatements that occur in relation to the risk incorrect capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.

Amounts reported in the draft 2019/20 financial statements were:

Capital additions (reported in Note 14): £12.59 million

What is the risk?

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure.

The Council's general fund capital programme outturn for 2019/20 was £10.8 million and the HRA capital programme was £3.1 million. Capital expenditure in year is therefore material. Therefore, we have identified this as a significant fraud risk.

We also consider this risk to manifest itself through inappropriate classification of expenditure as revenue expenditure funded from capital under statute (REFCUS). However as REFCUS in 2019/20 is only £1.4 million and therefore not material we have not identified this as an area of significant risk for 2019/20.

What will we do?

We will undertake additional procedures to address the specific risk we have identified, which will include:

- Sample testing additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- As part of our journal testing strategy, we will review unusual journals related to capital expenditure posted around the year-end; for example where the debit is to capital expenditure and the credit to income and expenditure

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Pension liability valuation The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. At 31 March 2020 this totalled £53 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. In addition, every three years, a formal valuation of the whole fund is carried out in accordance with the LGPS Regulations 2013 to assess and examine the ongoing financial position of the fund. The IAS19 report for 2019/20 will reflect the updated membership numbers provided for this triennial valuation. We will therefore need to seek additional assurances from the Pension Fund auditor over this data. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ▸ Liaise with the auditors of Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Suffolk Council; ▸ Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; ▸ Review Suffolk Pension Fund's draft financial statements and compare the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and consider the impact on he Council's pension fund liability and IAS19 disclosures; ▸ Assess the results of the triennial valuation, including the assumptions used and the impact on the Council's pension liability; ▸ Engage early with the Council, and their actuary, to understand any ongoing impact of the McCloud judgement and any new rulings which may impact on the IAS19 liability; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. ▸ Consider the nature and value of level 3 investments held by Suffolk Pension Fund and the proportion of the overall Fund relating to East Suffolk in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2020.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Land and buildings and investment property valuations Property, plant and equipment (PPE) (of which land and buildings represent the vast majority) and investment property are significant balances in the Council's accounts, with PPE totalling £363 million and investment property £2.9 million as at 31 March 2020. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk these balances may be under/overstated or the associated accounting entries incorrectly posted. The valuation of land and buildings and investment property at 31 March 2020 is also likely to be impacted by Covid-19, with valuers disclosing a material uncertainty in relation to their year end valuations. The Council will need to consider the impact of this material uncertainty on the land and building balances in their accounts as well as in relation to their disclosures relating to estimation uncertainty and key judgements. Covid-19 is expected to have a greater impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions as they can no longer trade effectively. There is a therefore a risk that land and buildings and investment property may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ➢ Assess the classification of the assets and whether the appropriate valuation basis has been applied; ➢ Identify and obtain evidence to support any material increases or impairments that arise during the year; ➢ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ➢ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ➢ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme for property, plant and equipment and annually for investment property assets as required by the Code. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ➢ Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; ➢ Consider changes to useful economic lives as a result of the most recent valuation; and ➢ Test accounting entries have been correctly processed in the financial statements. As we have identified a higher degree of risk in relation to the valuation of property assets and in particular investment property assets as at 31 March 2020 as a result of Covid-19, we will also consider how the Council's valuer has addressed the impact of Covid-19 in the year-end valuation of this assets and their assessment of any impairments. We will also consider whether we need to engage EY valuation specialists to assist the audit team in relation to this assessment.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Establishment of East Suffolk Council and determining opening balances The establishment of East Suffolk Council from the former Districts Council of Suffolk Coastal and Waveney from the 1 April 2019 will necessitate the establishment of opening balances for the new Council as well as the merger of accounting systems and processes. As the establishment of these opening balances is a one off and unusual exercise we have concluded that there is a risk of error in establishing the opening balances in East Suffolk Council. We have not identified this as a significant risk due to the fact that the predecessor councils have been aligning for some time and used the same general ledger and chart of accounts and new ledger codes have been created for East Suffolk Council.	In order to address this risk we will carry out a range of procedures including: ▸ Establishing the process the Council has used to produce the 2019/20 accounts and establish opening balances; ▸ Testing the opening balance sheet position for East Suffolk Council and the process for merging balances of the demised Councils; ▸ Comparing the opening reserve balance position to the Council's budget; ▸ Reviewing accounting disclosures relating to Council's opening balances disclosed in the Statement of Accounts and comparing this to the disclosures required by the CIPFA Code of Practice; and ▸ Using our testing of journals to identify transactions not appropriately included in the Council's statement of accounts, such as those denoted Suffolk Coastal or Waveney Council, which should be part of East Suffolk Councils statement of accounts.

Other areas of audit focus

What is the risk/area of focus?	What will we do?
Going concern assessment and disclosures Covid-19 has created a number of financial pressures throughout Local Government and is creating financial stress. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 states that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis. However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.	In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of future government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure. We will review your going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We will consider whether you have included necessary disclosures regarding any material uncertainties that do exist. We will consider whether these disclosures also include details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19). Our audit procedures to review these will include consideration of: ▸ Current and developing environment; ▸ Liquidity (operational and funding); ▸ Mitigating factors; ▸ Management information and forecasting; ▸ Sensitivities and stress testing; and ▸ Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.

Other areas of audit focus

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. The financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Within this Plan, we have identified those areas of the financial statements which we have currently identified as being the main areas impacted by Covid-9. However we recognise that due to the uncertainty about the duration and extent of disruption, there may be other risks which emerge during the audit process. We have included details of some of the potential areas in this Plan and will update the Audit Committee if we identify further areas.

- **Revenue recognition –** there may be an impact on income collection (council tax and business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to Covid-19.
- **Tangible asset valuations –** there may be impairment of tangible assets such as land and buildings if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- **Holiday and sickness pay** – the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- **Government support –** any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- **Pension liability valuation -** An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Norfolk Pension Fund (for example private equity investments) where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.
- **Annual Governance Statement –** the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce good quality financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.

03 Value for Money Risks

Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:
"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

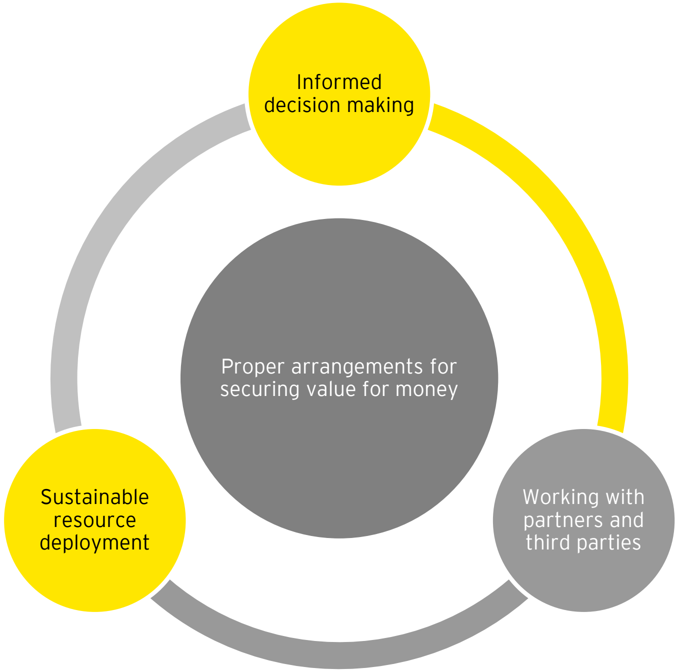
- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:
"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

We have not yet completed our value for money planning risk assessment for 2019/20. Our risk assessment will consider both the potential financial impact of the issues we identify, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. Although we have not yet completed our value for money planning procedures, based on the planning work we have undertaken to date and our knowledge of the Council we have not currently identified any significant risks. We will update the Audit and Risk Committee if we identify any risks once we have completed our planning.

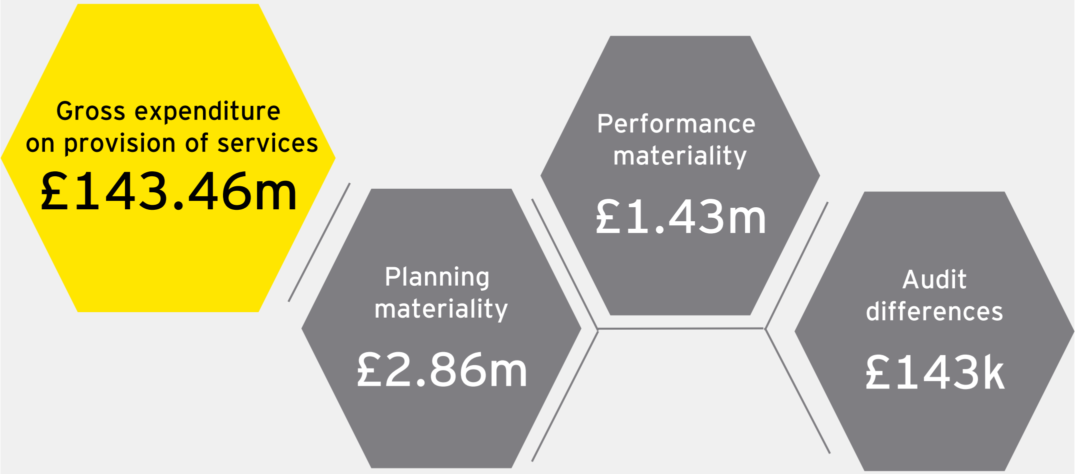


04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £2.86 million. This represents 2% of the gross expenditure on provision of services. It will be reassessed throughout the audit process.



We request that the Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1.43 million which represents 50% of planning materiality. We have set at 50% to reflect the fact that 2019/20 is the first year of existence of East Suffolk Council.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality – We will set a lower level of materiality for the following: Remuneration disclosures (including severance payments, exit packages and termination benefits), related party transactions, members' allowances and audit fees. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will meet with the Head of Internal Audit as required, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

1	A	Full scope audits
0	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
2	E	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

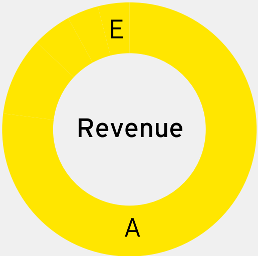
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scope of our audit

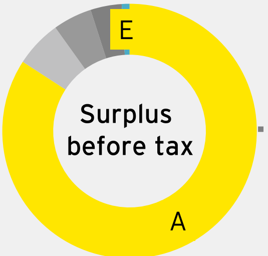
Scoping the group audit (continued)

Coverage of Revenue/Profit before tax/Total assets

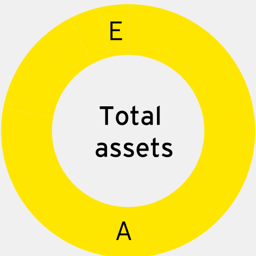
Based on the group's draft 2019/20 results, our scoping is expected to achieve the following coverage of the group's revenue, surplus on the provision of services and total assets.



100% (2018: 100%) of the group's forecast revenue will be covered by full scope audits.



99.9% (2018: 99%) of the group's forecast surplus on the provision of services tax will be covered by full scope audits, with the remainder covered by other procedures



100% (2018: 100%) of the group's forecast total assets will be covered by full scope audits.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Details of other procedures

Our audit approach is risk based. Due to the immaterial nature of the components consolidated in the Group accounts, the procedures we perform will be limited to:

- Analytical procedures
- Agreeing the consolidation adjustments to source documentation.

We will also review the Council's group boundary assessment to identify any additional investment activity that could materially impact on the group position.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of auditors of significant components. We have not classified any of the Council's components as significant and therefore do not plan to rely on the work of component auditors.

06 Audit team

Audit team

Audit team structure:

Pension Specialist

EY Actuaries

Property Valuer

Debbie Hanson
Associate Partner

Tony Poynton
Manager

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2019/20 audit.

We will continue to keep our audit approach under review to streamline it where possible.

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are outlined below. Once we have received the 2019/20 valuation information we will consider whether we require EY valuation specialists to review specific assets and the underlying assumptions related to these valuations:

Area	Specialists
Valuation of Land and Buildings	Management's valuation specialist: Internal valuer and Norfolk Property Services EY Real Estate if required
Pensions disclosure	PwC (Consulting Actuary to the National Audit Office) Hymans Robertson (Suffolk Pension Fund Actuary) EY Pensions Advisory

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit and Risk Committee and we will discuss them with the Audit and Risk Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	**August/September 2020**	Audit Committee: September 2020	Audit Planning Report
Year end audit	**November/December 2020**		
Audit Completion procedures	December 2020	Audit Committee: date to be confirmed	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	**January 2021**	Audit Committee: date to be confirmed	Annual Audit Letter

08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard	▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the only non audit service we provide is the certification of the Council's housing benefit subsidy claim for an estimated fee of £15,829 (based on the estimate level of additional testing required). No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2019

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2019:

https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf

09 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Scale fee 2019/20
	£
Scale Fee – Code work	£69.964
Additional Fee (note 1)	TBC
Non-audit Fee – Housing Subsidy claim (estimate)	£15,829
Total Fees	**TBC**

(1) For 2019/20, the scale fee will be impacted by a range of factors, for example the valuations of land and buildings, investment properties and pension obligations which will result in additional work. The impact of Covid-19 will also impact the work that is required to be done.

In addition, we are in an unprecedented period of change. A combination of pressures are impacting Local Audit and has meant that the sustainability of delivery is now a real challenge. As a an illustration, 85 organisations within the PSAA regime had not yet received their 2018/19 audit opinion as at the end of January 2020.

This in combination, is requiring us to revisit with PSAA the basis on which the scale fee was set. The factors behind this are explained in more detail on the following pages, with a summary of the estimate of the impact of the scale fee set out on this page. This results in an increase in the scale fee of £39,360. We have discussed our estimate and position on audit fees with the Chief Finance Office. The Council have not currently agreed to our variation to the scale fee but understand that we are submitting our fee estimate to PSAA for them to determine for 2019/20

The issues we have identified at the planning stage which will impact on the fee include:

- Additional risks – financial statements: £4,930
- Group accounts - £4,170
- Costs associated with regulatory compliance changes: £28,490 (this includes use of experts for areas such as pensions and PPE)
- Costs associated with use of IT and working papers: £1,770

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix A

Fees

We do not believe the existing scale fees provide a clear link with both a public sector organisation's risk and complexity.

Summary of key factors

1. **Status of sector.** Financial reporting and decision making in local government has become increasingly complex, for example from the growth in commercialisation, speculative ventures and investments. This has also brought increasing risk about the financial sustainability / going concern of bodies given the current status of the sector.

    - To address this risk our procedures now entail higher samples sizes of transactions, the need to increase our use of analytics data to test more transactions at a greater level of depth. This requires a continual investment in our data analytics tools and audit technology to enhance audit quality. This also has an impact on local government with the need to also keep pace with technological advancement in data management and processing for audit.

2. **Audit of estimates.** There has been a significant increase in the focus on areas of the financial statements where judgemental estimates are made. This is to address regulatory expectations from FRC reviews on the extent of audit procedures performed in areas such as the valuation of land and buildings and pension assets and liabilities.

    - To address these findings, our required procedures now entail higher samples sizes, increased requirements for corroborative evidence to support the assumptions and use of our internal specialists.

3. **Regulatory environment.** Other pressures come from the changing regulatory landscape and audit market dynamics:

    - Parliamentary select committee reports, the Brydon and Kingman reviews, plus within the public sector the Redmond review and the new NAO Code of Audit practice are all shaping the future of Local Audit. These regulatory pressures all have a focus on audit quality and what is required of external auditors.

    - This means continual investment in our audit quality infrastructure in response to these regulatory reviews, the increasing fines for not meeting the requirements plus changes in auditing and accounting standards. As a firm our compliance costs have now doubled as a proportion of revenue in the last five years. The regulatory lens on Local Audit specifically, is greater. We are three times more likely to be reviewed by a quality regulator than other audits, again increasing our compliance costs of being within this market.

Appendix A

Fees

Summary of key factors (cont'd)

4. As a result Public sector auditing has become less attractive as a profession, especially due to the compressed timetable, regulatory pressure and greater compliance requirements. This has contributed to higher attrition rates in our profession over the past year and the shortage of specialist public sector audit staff and multidisciplinary teams (for example valuation, pensions, tax and accounting) during the compressed timetables.

    - We need to invest over a five to ten-year cycle to recruit, train and develop a sustainable specialist team of public sector audit staff. We and other firms in the sector face intense competition for the best people, with appropriate public sector skills, as a result of a shrinking resource pool. We need to remunerate our people appropriately to maintain the attractiveness of the profession, provide the highest performing audit teams and protect audit quality.

    - We acknowledge that local authorities are also facing challenges to recruit and retain staff with the necessary financial reporting skills and capabilities. This though also exacerbates the challenge for external audits, as where there are shortages it impacts on the ability to deliver on a timely basis.

Appendix B

Required communications with the Audit and Risk Committee

We have detailed the communications that we must provide to the Audit and Risk Committee**.**

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan – September 2020
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – December 2020

Required communications with the Audit and Risk Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report – December 2020
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report – December 2020
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report – December 2020
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – December 2020

Required communications with the Audit and Risk Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan - September 2020 Audit Results Report – December 2020
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – December 2020
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit Results Report – December 2020
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – December 2020
Group audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Results Report – December 2020

Appendix B

Required communications with the Audit and Risk Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – December 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – December 2020
Auditors report	▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – December 2020
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Plan – September 2020 Audit Results Report – December 2020 Annual Audit Letter – January 2021

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Risk Committee reporting appropriately addresses matters communicated by us to the Audit and Risk Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▸ Maintaining auditor independence.

Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Agenda Item 12

ES/0499

AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 22 September 2020

INTERNAL AUDIT: ANNUAL INTERNAL AUDIT PLAN 2020-21

EXECUTIVE SUMMARY

1. This report presents the proposed Internal Audit Plan for East Suffolk Council 2020-21 as agreed with the Corporate Management Team in February 2020 and again with relevant Head of Service in September 2020. Presentation of the Plan to the Audit and Governance Committee but has been deferred due to the Coronavirus Pandemic. The development of the Plan involves many factors and drivers and greatest weight has been given the current risks facing the Council, and a diagram is incorporated within this report, which illustrates the overall methodology.

2. Coronavirus has resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. Internal Audit has and will continue to carry out work to assess whether there have been any changes to the Council's key activities where workarounds to normal business practices have occurred in response to COVID-19. Examples include democratic decisions, statutory responsibilities, financial systems / processes, and procurement practices. Where needed, Internal Audit has been proactive in providing input, advice, and assurance to services on any proposed changes.

3. It is not possible at this date to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control. This plan has been developed to consider these impacts and to present the work that we intend to undertake during 2020-21. The committee should be aware that this plan may have to be reviewed and adjusted in response to any changes to risk or business need during these unprecedented times.

4. This report is being presented to the Audit & Governance Committee in accordance with the Committee's terms of reference which stipulate that the Committee is to *'approve, (but not direct) internal audit's work plan*.' Also '*to* promote *the value of the audit process.'*

5. Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and follows the Public Sector Internal Audit Standards (2017) (PSIAS) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsuffolk.gov.uk

1 PURPOSE OF THE REPORT/PLAN

1.1 Internal Audit Services acts in accordance with the Accounts and Audit Regulations (2015) and aims to follow the Public Sector Internal Audit Standards (2017) and Local Government Application Note (2019). This report has been prepared in accordance with our Audit Charter. The Council is required under the Accounts and Audit Regulations to maintain an adequate and effective Internal Audit Service.

1.2 This report presents the strategic risk based Internal Audit Plan for 2020-21 as agreed with the Chief Executive and Corporate Management Team.

1.3 The Internal Audit work planned for the coming year (September 2020 to March 31st 2021) is aligned to the East Suffolk Strategic Plan, which aims to deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk. Planned and emerging Internal Audit reviews will directly support the good governance and risk management approach to the Council's priorities: Growing Our Economy; Enabling Our Communities; Maintaining Financial Sustainability; Delivering Digital Transformation and Caring For Our Environment, described in detail in the draft East Suffolk Strategic Plan.

1.4 The Audit and Governance Committee is responsible for overseeing the application of audit resources and monitoring performance of the audit function.

2 INTRODUCTION

2.1 The work of the Internal Audit Service is to provide independent assurance and report upon the effective and efficient application of internal controls, governance arrangements and value for money at the Council. All Internal Audit reports form part of the crucial evidence to enable the Chief Executive and Leader of the Council to sign the Annual Governance Statement (the obligatory statement along with the Annual Accounts). External Audit may also consider Internal Audit work to ensure that system controls are adequate and effective.

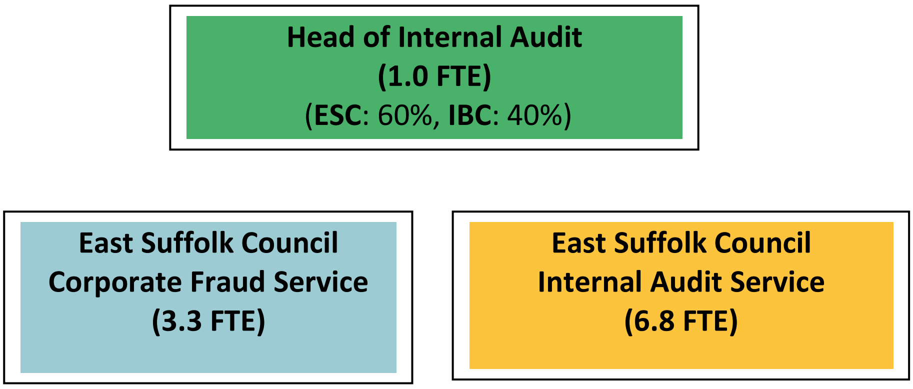
2.2 Internal Audit work aims to ensure services comply with the Council's Constitution and Code of Corporate Governance. Internal Audit reports make recommendations to address any weaknesses identified and give direction on how to support continual improvements by providing professional advice and guidance.

3 STRUCTURE AND RESOURCES

3.1 Since 1 June 2004 Internal Audit Service has been in partnership with Ipswich Borough Council (IBC) with the Head of Internal Audit and an Audit Manager shared with Ipswich Borough Council.

3.2 Such partnerships have enabled greater operational efficiency and effectiveness in the delivery of Internal Audit Services and provides the opportunity for each partner to call upon a wider skills base, which can be used to achieve greater flexibility and effectiveness in all areas of audit operations.

3.3 The table below represents the current structure of the Internal Audit Service:



3.4 The Internal Audit Plan is directly linked to the resources available i.e. 6.8 FTE's. An additional 1.3 FTE staff are employed by the Council and contracted to provide audit services to Ipswich Borough Council as part of the audit partnership contact. It is anticipated that the resources available from September 2020 to 31st March 2021 will provide 520 (September to March 2020) productive audit days for 2020-21. Non-productive days are training, administration, holidays, and ad-hoc sickness.

3.5 The Head of Internal Audit is also the Data Protection Officer and Senior Information Risk Owner for the Council, and the team support associated work in these areas. To prevent the perception of impairment to the independence and objectivity of Internal Audit whilst undertaking these additional roles, details of anticipated non-audit work are reported separately from the Annual Audit Plan in Appendix B.

3.6 The service was reviewed in 2016, streamlined and efficiency savings targets achieved. The service is not currently sufficiently resourced to be effective, but appointments have been made to fill current vacancies.

4. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

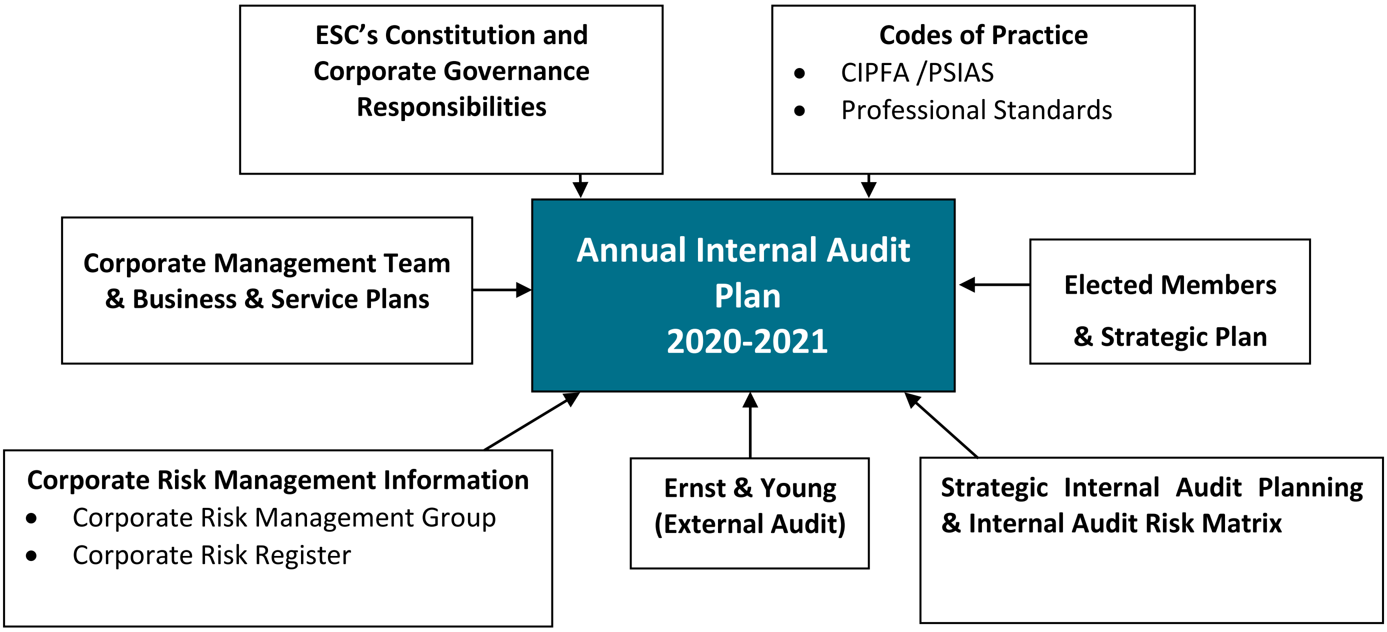
4.1 Internal Audit Services within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1 April 2013 and were last revised in 2017. The standards require periodic self-assessments and an assessment by an external professional every five years.

4.2 East Suffolk Council's Internal Audit function was reviewed in August 2019 by an External Quality Assessor (EQA). The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS.

4.3 The review identified no areas of non-compliance within the PSIAS at East Suffolk Council. The Committee can therefore have confidence that the Annual Audit Plan has been developed in accordance with national standards and best practice.

5 SOURCES OF ASSURANCE

5.1 The risk based Internal Audit Plan considers many factors and ensures that all stakeholders' contributions are included. The main drivers used to formulate the Audit Plan are detailed below.



5.2 The risk based Internal Audit Plan for 2020-21 is aimed to be a product of all the drivers listed above, and the unprecedented impact of Coronavirus. Initially developed from Internal Audit's own Risk Matrix, the Internal Audit planning and assurance process has considered how Services will be delivered and is aligned to organisational objectives, priorities, and risks.

5.3 The Head of Internal Audit holds audit planning meetings with the Chief Executive, Strategic Directors and Heads of Service. These meetings enable Internal Audit to develop assurance maps for each service area to identify any national and local issues or emerging risks that the Council may seek to gain assurance over.

5.4 The Internal Audit Plan for 2020-21 has been reviewed by the Corporate Management Team. The Council's External Auditors have also been apprised of the Internal Audit Plan for 2020-21. The Internal Audit Plan for 2020-21 meets all professional Standards relating to Internal Audit in the Public Sector and should be treated as a working document, subject to amendment, as necessary, to reflect changing corporate conditions or demands as well as reflecting any changes or refinement in the Council's risk profile.

5.5 The Coronavirus pandemic has resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. Internal Audit has and will continue to carry out work to assess whether there have been any changes to the Council's key activities or where workarounds to normal business practices have occurred in response to COVID-19. Examples include democratic decisions, statutory responsibilities, financial systems / processes, and procurement practices. Where needed, Internal Audit has been proactive in providing input, advice, and assurance to services on any proposed changes.

5.6 It is not possible at this date to quantify the additional risk arising from the current short-term measures or the overall impact on the framework of governance, risk management and control. However, this plan has been developed to consider this impact and to present the work may be undertaken for the period 1st September 2020 to 31st March 2021.

5.7 Where other external assurance providers may have undertaken relevant assurance work, Internal Audit will seek to rely on the work of these where professional standards would make it appropriate to do so e.g. Health and Safety Executive, Her Majesty's Revenues and Customs, External Audit i.e. Ernst and Young LLP, Local Government and Social Care Ombudsman (not an exhaustive list).

5.8 The creation of East Suffolk Council from two former Councils has come into effect and remains an important strategic driver. Internal Audit Services will play a role in assisting service areas to achieve progress in this respect, move towards change and secure even greater efficiency and improvement.

5.9 Each year the Audit and Governance Committee is given the opportunity to request Internal Audit to undertake specific reviews or to provide guidance on specific concerns. A total of 15 days has been allocated to allow for this in 2020-21.

5.10 A detailed report on all the work undertaken in the previous year 2019-20 was provided in June 2020 Audit and Governance Committee which included any significant issues arising from the work performed.

6 INTERNAL AUDIT STRATEGY

6.1.1 The Internal Audit Service must be adequate, effective, and efficient to help the Council meet their objectives. The Internal Audit Service is clearly positioned within each Council's Constitution. The Internal Audit Charter is deemed the Internal Audit Strategy. The Audit Charter was reviewed 2019-20 to comply with the PSIAS.

6.2 Internal Audit Services apply a strategic risk-based assessment process to develop annual plans. Multiyear budgets are considered along with an assessment of the necessary skills required to deliver the service. Modern methodologies and technologies are utilised to perform reviews and provide advice to drive corporate improvements across the Council. Reviews and support listed within the Annual Internal Audit Plan are aligned to the Council's objectives demonstrating the strategic nature of the Internal Audit Service. These reviews can be evaluated to assess Internal Audit and Council-wide performance.

7 THE ANNUAL INTERNAL AUDIT PLAN 2020-21

7.1 This risk based Internal Audit Plan details the work that will provide assurance to the Council in terms of the adequacy and effectiveness of financial and management controls in the areas under review.

7.2 The risk based Internal Audit Plan is influenced by the resources made available by the Council for Internal Audit work. A careful balance must be achieved in terms of keeping audit costs at a realistic level, whilst recognising that there is a minimum level of coverage that must be undertaken to ensure good governance and internal controls are in operation. In this respect, the Internal Audit Plan for 2020-21 is a realistic plan of action.

7.3 Internal Audit work consists of consultancy reports, advice notes, probity / assurance reports (economic, effective and efficiency reviews), along with value for money reports and computer audit reports, all agreed at the scoping stage of each exercise.

7.4 A risk assessment model is employed to score the relative risks of each of the identified systems in the "audit universe", which consists of all the potential auditable areas identified either by internal audit, or by other stakeholders and includes systems or other activity identified from risk registers. The scoring methodology requires that several risk attributes are assessed, including (not exhaustive) the following:

- Key System i.e. materially affecting the general ledger
- Risk maturity of the organisation
- Length of time since last audit
- Impact on the organisation, based on reputational and fiduciary risks
- System complexity and vulnerability
- Issues identified through previous Internal Audit reviews/the Corporate Risk Register
- Likelihood of occurrence, based on soundness of internal control, or change
- Potential for fraud and corruption
- Size of budget/number of employees
- Evidenced compliance with law, regulations
- Concerns raised by Stakeholders
- COVID-19 impact

7.5 The risks are then weighted to provide a level of relative risk for each system. The relative risk determines the likelihood of inclusion in the plan for the year.

7.6 The proposed Internal Audit Plan 2020-21 in relation to all high risk rated areas is listed in Appendix A.

7.7 Internal Audit will continue to provide regular reports to the Audit and Governance Committee on the activities detailed in the Internal Audit Plan and any significant issues arising.

7.8 The Head of Internal Audit issues Internal Audit Reports to the Chief Executive, Members of the Audit and Governance Committee(s), Cabinet Member for the Service area under review, External Audit and the Council's Section 151 Officer when appropriate in accordance with best practice. Such distribution ensures that all key findings, recommendations and learning points are available for consideration and enables good governance. In addition, all Members have access to issued Internal Audit reports held on the Members' confidential section of the Council's Intranet.

7.9 The Chairman of the Audit and Governance Committee and any other elected Member have free access to the Head of Internal Audit and at least one private meeting per year will be held between the Chair of the Audit and Governance Committee and the Head of Internal Audit.

8 HOW DOES THIS RELATE TO EAST SUFFOLK STRATEGIC PLAN?

8.1 The Audit and Governance Committee is directly responsible for supporting good governance arrangements and practices at the Council, which underpin the Council's entire strategic and operational workings including the draft East Suffolk Strategic Plan. The Internal Audit Plan of work provides independent fact-based evidence to Senior Management and the Audit and Governance Committee upon the actual effectiveness of Council activities, which support the East Suffolk Strategic Plan.

9 FINANCIAL AND GOVERNANCE IMPLICATIONS

9.1 Internal Audit reports, advice and recommendations all aim to create and foster a robust corporate governance foundation to support sustainable services for all stakeholders. Consequently, the Internal Audit Service aims to mitigate the risk of losses arising from error, irregularity, and fraud. In addition, efficiency, effectiveness, and economy reviews form part of the work undertaken, and this represents a fundamental principle in delivering the Council's corporate governance responsibilities.

9.2 The Local Government Act 1972 and the Accounts and Audit Regulations 2015 require principal local authorities to '…undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control.'

9.3 The implications and benefits of agreed actions produced by the Internal Audit Service contribute to the Council's overall objectives by improving controls and processes, which contribute towards efficient and effective management of services.

10 OTHER KEY ISSUES

10.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment, or a Partnership Impact Assessment.

11 CONSULTATION

11.1 Internal consultation with the Corporate Management Team and external consultation with the Council's External Auditor has taken place.

12 OTHER OPTIONS CONSIDERED

12.1 No further options have been considered.

13 REASON FOR RECOMMENDATION

13.1 The Internal Audit Plan for 2020-21 has been considered by the Chief Executive and Corporate Management Team and aims to meet all the professional standards and the codes of practice relating to internal audit in the public sector. It should be viewed as a working document, subject to amendment as necessary to reflect changing corporate conditions or demands, as well as reflecting any changes or refinement in the council's corporate risk register.

13.2 To support the Council's overall governance arrangements and to ensure that the Audit and Governance Committee fulfils its terms of reference by reviewing the appropriateness of the proposed risk based Annual Internal Audit Plan 2020-21 for internal audit activity across the Council.

RECOMMENDATION

That the Audit and Governance Committee comments upon and approves the Annual Internal Audit Plan 2020-21.

APPENDICES	
Appendix A	Annual Internal Audit Plan 2020-21
Appendix B	Annual Governance Supporting Activity

BACKGROUND PAPERS		
Date	**Type**	**Available From**
Feb 2020	East Suffolk Strategic Plan	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
Feb 2020	Strategic Service Plans	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
June2020	Corporate Risk Register	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
March 2017	Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
2019	Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk

APPENDIX A: ANNUAL INTERNAL AUDIT PLAN 2020-21

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
Governance Support **Senior Management Team (SMT) & Corporate Management Team (CMT)**	Corporate Governance and Risk Management	Attendance on Corporate Governance Days and Provision of Independent professional advice. Responsible for Code of Corporate Governance. (C)	Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	In Progress
	Quality Assurance and Improvement Programme	Compliance with PSIAS.	Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2110 - Governance	September 2020 to March 2021

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
	Annual Planning/Committee Reporting and Attendance/Support and advice to services areas.	Attendance at Audit & Governance meetings and providing support to Service Areas, including FOI Internal Reviews	Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2). Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to promote and maintain ethical standards (E4).	2110 – Governance 2110.A1 – Ethics 2120 – Risk Management	September 2020 to March 2021
	Member Requests	As agreed by the Audit and Governance Committee. (P)	TBC in line with requests received.	TBC in line with requests received.	September 2020 to March 2021
	Contingency	As recommended by the PSIAS EQA process.	TBC in line with requirements.	TBC in line with requirements.	September 2020 to March 2021
	Head of Service Requests	As agreed by the Head of Internal Audit. (P)	TBC in line with requests received.	TBC in line with requests received.	September 2020 to March 2021
	NFI	Participation in mandatory exercises and identification of fraud through data matching exercises with the Cabinet Office. (P)	Failure to promote and maintain ethical standards (E4). Failure to produce and deliver sustainable Medium-Term Financial Strategy	2120.A2 – Managing the risk of fraud.	September 2020 to March 2021

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
			(Failure of MTFS) including the delivery of a balanced Annual Budget (C2).		
	Annual Governance Statement Framework	Attendance on AGS Working Group to support changes arising from any revisions to the CIPFA & SOLACE code of practice and provide controls advice/gap analysis in connection with Internal Audit work. (C)	Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2110 – Governance 2120 – Risk Management	In Progress
Audit Assurance **Corporate Management Team**	Coronavirus Business Grants	The Council has administered critical grant funding to local businesses on behalf of central government. Work will provide assurance to management and support any government returns required, as well as support any counter fraud activities. (P & C)	Failure to effectively manage impact of Coronavirus and managing the transition to, and delivery of, the recovery phase (A2)	2120 – Risk Management 2130 - Control	April 2020 to March 2021
	Payroll	Deferred from 2019-2020. Key control and audit follow up testing where control weaknesses have been identified. (KS)	Failure of MTFS (C2). Failure of the delivery of the East Suffolk Draft Strategic Plan (D4)	2130 - Control	In Progress.

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
	Consultancy and special investigations	Provide professional advice for emerging issues and any required financial, whistleblowing or maladministration investigations. (C)	Failure of programme and project delivery (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2). Failure of the delivery of the East Suffolk Draft Strategic Plan (D4)	2130 – Control 2110 - Governance	September 2020 to March 2021
	Local Government Transparency Code	A review of compliance with the Local Government Transparency Code (P)	Failure to promote and maintain Ethical Standards (E4)	2110 - Governance	September 2020 to March 2021
Chief Finance Officer and S151 Officer **Simon Taylor**	Council Tax Housing Benefits Bailiff Services NNDR	Internal Audit will review the systems and controls in place for NNDR across all 5 Councils in the Anglia Revenues Partnership as part of the Internal Audit Service Level Agreement signed in 2019/20. Housing Benefits, and Council Tax will be reviewed by West Suffolk Council, and Bailiff Service by Fenland District Council Internal Audit Service (P)	Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	213 - Control	September 2020 to March 2021

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
Chief Finance Officer and S151 Officer **Simon Taylor**	Key Financial Systems	Review of key financial controls. This audit will provide high level assurance over fundamental areas that have previously been considered as separate key financial systems. (P) (KS)	Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2130 - Control	September 2020 to March 2021
	Income (Paye.net)	Deferred from 2019-2020. Review of the Paye.Net card receipting system. (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2130 - Control	September 2020 to March 2021
	Treasury Management	Deferred from 2019-2020. Cyclical Key control testing, review of processes and audit follow up testing. (P) (KS)	Failure of the delivery of the East Suffolk Draft Strategic Plan (D4). Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2130 - Control	In Progress

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
Head of Environmental Services and Port Health **Phil Gore**	Port Health Cyber Essentials Accreditation	Deferred from 2019-2020. Review and gap analysis of the Cyber Essentials Accreditation. (P) (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance	September 2020 to March 2021
Head of Housing **Cairistine Foster-Cannan** .	Disabled Facilities Grant (Certification)	Financial assurance to feed into Suffolk County Council's assurance requirement. (P)	Failure to produce and deliver sustainable Medium-Term Financial Strategy (Failure of MTFS) including the delivery of a balanced Annual Budget (C2).	2130 - Control	In Progress
Head of ICT **Anne Carey**	User Role Management	Deferred from 2019-2020. Review of the governance arrangements and controls in relation to system access and user role management. (CA)	Failure of ICT (including Disaster Recovery for ICT) (D2)	2110 - Governance 2130 - Control	September 2020 to March 2021
Head of Operations **Kerry Blair**	Green Waste	Deferred from 2019-2020. Independent review of the effectiveness of the systems in operation, including cash collection and recording and reconciliations between	Failure to produce and deliver sustainable Medium-Term Financial Strategy	2130 – Control	September 2020 to March 2021

Responsible Officer/ Head of Service	Area of Activity	Comments[i]	Link to Corporate Risk Register & East Suffolk Council Strategic Plan 2019-2024	Link to Public Sector Internal Audit Standards	Timeline
Head of Operations **Kerry Blair**		systems. (P)	(Failure of MTFS) including the delivery of a balanced Annual Budget (C2). Failure of the delivery of the East Suffolk Draft Strategic Plan (D4).		
	Asset Management Follow-up	Deferred from 2019-2020. Audit follow up testing. A review of the system in place for the management of property assets. (P)	Failure of assets to meet financial requirements (C3).	2130 - Control	In Progress.
	CCTV review	A review of the controls and governance arrangements in relation to CCTV (C). Preliminary work in anticipation of the Surveillance Camera Commissioner Inspection.	Failure to Failure of service delivery contracts/partners (C2).	2110 - Governance 2130 - Control	September 2020 to March 2021

[i] Work performed will range from consultancy (C), probity (P), computer audit (CA), or key systems (KS) which feed into the general ledger, all detailed in each audit brief.

APPENDIX B: ANNUAL GOVERNANCE SUPPORTING ACTIVITY

Activities reported in this appendix are not considered part of Internal Audit Services, but are additional roles undertaken by the Head of Internal Audit and key to supporting the Council's governance and management of risk.

Role	Activity	Comments
Data Protection Officer	Data Protection – including administration, projects, self-assessment, and training.	Compliance with the Data Protection Act 2018 and GDPR.
Senior Information Risk Officer and Strategic Lead for Information Governance	Information Risk Management – provision of advice	Governance and risk management advice around information security, records, and information management
	Freedom of Information – provision of advice, oversight, and internal reviews	Compliance with the Freedom of Information Act 2000 and Environmental Information Regulations.

EASTSUFFOLK COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 22 September 2020

WHISTLEBLOWING POLICY

EXECUTIVE SUMMARY

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) suggest a regular review of the organisation's Whistleblowing Policy.

2. The Council has a legal obligation to adhere to the Public Interest Disclosure Act, commonly known as Whistleblowing.

3. The Council's Whistleblowing Policy was last reviewed in January 2019. The main content of the Policy remains compliant with expected good practices with minor changes made to the structure and length of the Policy following a training session delivered by Protect, formally known as Public Concern at Work, which is a leading independent whistleblowing charity in the United Kingdom. One key point to note is the change in emphasis to 'whistleblowing in the public interest' from 'whistleblowing in good faith'. The policy has also been revised in line with the EU Whistleblowing Directive April 2019.

4. This report enables the Audit and Governance Committee to fulfil its terms of reference, which includes … 'To review the Councils Whistleblowing Policy'.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources

Supporting Officer:	Mrs Siobhan Martin Head of Internal Audit 01394 444254 siobhan.martin@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The term 'whistleblowing' is the common phrase given to the Public Interest Disclosure Act 1998.

1.2 The Whistleblowing Policy has been in existence for some time across previous partner Councils Suffolk Coastal and Waveney District Council. The Committee is asked to review and comment upon the updated Policy applicable to East Suffolk Council, which remains consistent with legislation and Council procedures.

1.3 Format changes have been made to the existing Policy to make the document clearer and less legalistic. Additionally, there has been a change in emphasis to 'whistleblowing in the public interest' from 'whistleblowing in good faith'. The Policy remains consistent with standards expected by the Public Interest Disclosure Act 1998, the British Standards Institution PAS 1998:2008, the Advisory, Conciliation and Arbitration Service (ACAS), and the EU Whistleblowing Directive 2019.

1.4 Promotion of the updated Policy will commence in October 2020 via the Intranet, at team meetings and on the East Suffolk website along with any communication medium advised by the Communications Team.

2 MONITORING AND REVIEW

2.1 Any occurrences of Whistleblowing should be reported to the Head of Internal Audit and any leaning points will be reported in the Annual Internal Audit Report.

3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

3.1 Application of the law is an essential feature of how East Suffolk is accountable for the public purse and therefore having an effective Whistleblowing Policy enables the delivery of the East Suffolk Strategic Plan.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 Non-adherence to this Policy may facilitate serious financial and corporate governance weaknesses. It is a mandatory requirement that the Council adheres to the Public Interest Disclosure Act.

5 OTHER KEY ISSUES

5.1 This report does not require an Equality Impact Assessment, a Sustainability Impact Assessment, or a Partnership Impact Assessment.

6 CONSULTATION

6.1 The Cabinet Member with responsibility for Resources and the Chief Executive and Unison have been consulted.

7 OTHER OPTIONS CONSIDERED

7.1 No further options have been considered. This Policy represents the Councils statutory responsibility to act in accordance with the Public Interest Disclosure Act.

8 REASON FOR RECOMMENDATION

8.1 By reviewing and considering the refreshed Whistleblowing Policy in accordance with best practice the Audit and Governance Committee will fulfil its responsibility within its terms of reference.

RECOMMENDATIONS
That the Audit and Governance Committee comments upon the refreshed Whistleblowing Policy.

APPENDICES	
Appendix A	East Suffolk Council – Whistleblowing Policy (September 2020), V6

BACKGROUND PAPERS		
Date	**Type**	**Available From**
January 2019	V5. Whistleblowing Policy	Head of Internal Audit siobhan.martin@eastsuffolk.gov.uk
Dec 2018	Protect, previously known as Public Concern at Work (Charity)	www.protect-advice.org.uk

EASTSUFFOLK COUNCIL

Whistleblowing Policy

CONTENTS **PAGE**

Policy owner: Siobhan Martin, Head of Internal Audit
Issue date: September 2020
Review date: March 2022

1 What is whistleblowing?

1.1 Whistleblowing is a way for employees and 'other Council workers', plus staff working in partnership with the Council, to raise a genuine concern about danger or illegality, usually because it threatens others (e.g. customers, or the public). Persons able to raise a concern under this policy include, but are not limited to:

- employees;
- councillors;
- agency staff;
- contractors;
- suppliers;
- apprentices and trainees;
- volunteers;
- any persons working under the supervision and direction of contractors, subcontractors and suppliers;
- persons acquiring information on breaches in a work-based relationship which has since ended; and
- persons whose work-based relationship is yet to begin in cases where information on breaches has been acquired during the recruitment process or other pre-contractual negotiations.

1.2 The Council is committed to the highest possible standards of openness, propriety and integrity. In line with this commitment, employees and other Council workers with serious concerns are encouraged to come forward and voice those concerns.

1.3 Whistleblowing is the common name given to statutory law. This Whistleblowing Policy has been prepared in response to the Employment Rights Act 1996 (ERA) and the Public Interest Disclosure Act 1998 (PIDA) (as amended by the Enterprise and Regulatory Reform Act 2013), the British Standards Institution PAS 1998:2008 (Code of Practice), and the EU Whistleblowing Directive April 2019 . These documents set out a framework for raising genuine concerns and providing guarantees of full protection to employees and other Council workers who raise such issues.

1.4 This policy is intended to cover major concerns that may fall outside the scope of other procedures. The following are examples of issues that may be raised and are not intended to be an exhaustive list:

- Health and safety risks, including risks to the public as well as other employees
- Sexual or physical abuse of both employees and clients
- Damage to the environment
- Unauthorised use of public funds
- Theft or abuse of Council property
- Possible fraud and corruption
- Other unethical conduct
- Abuse of children and vulnerable adults
- Actions which are intended to conceal any of the above.

1.5 The Council will provide protection under the ERA and PIDA for any **disclosure** of information which, in the reasonable belief of the employee or other Council worker making the disclosure, intends to show one or more of the following:

a. A criminal offence that has been, is being, or is likely to be committed;
b. A person who has failed, or is failing or is likely to fail to comply with a legal obligation to which s/he is subject;
c. A miscarriage of justice that has occurred, is occurring or is likely to occur;
d. The health or safety of any individual that has been, is being or is likely to be endangered;
e. That the environment has been, is being, or is likely to be endangered.

1.6 Any disclosure that does not concern these matters falls outside the scope of the Acts.

1.7 To be a **qualified disclosure**, the following additional conditions must also be fulfilled:

a. The person making the disclosure must be an employee or other Council worker as defined in paragraph 1.1;
b. The disclosure must be made lawfully and without breaching legal professional privilege;
c. It must be made in the public interest;
d. The person making the disclosure must not act maliciously or make false allegations; and
e. The person making the disclosure must not seek any personal gain for it (where a disclosure has been made to a third party) such as financial payments, gifts or any other benefit or advantage.

1.8 This policy is aimed to complement and does not replace the Council's complaints procedure.

2 Differences between whistleblowing and grievances

2.1 There are existing procedures in place to enable employees and other Council workers to lodge a grievance relating to their employment. Whistleblowing can be undertaken where an employee or other Council worker has a concern about danger or illegality, usually because it threatens others (e.g. customers, or the public). A grievance or private complaint is, by contrast, a dispute about the employee's own employment position and would normally have no additional public interest dimension.

3 What is the Council's approach to whistleblowers?

3.1 The Council is committed to protecting whistleblowers and to learn lessons from any events.

3.2 This policy aims to:

a. Provide avenues for employees and other Council workers to raise serious concerns and report unsuitable and inappropriate behaviour (e.g. under the Safeguarding Children Policy, Bribery Policy and Safeguarding Vulnerable Adults Policy);
b. Question and act upon concerns;
c. Receive feedback on any action taken;
d. Take the matter further if they are dissatisfied with the Council's response; and
e. Reassure that they will be protected from victimisation for whistleblowing in the public interest.

4 How to raise a concern

4.1 Initially, a concern should be raised with an immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice.

4.2 If it is believed that management is involved, an approach to one of those listed in the table at 4.7 below is recommended, each of whom has been trained in handling whistleblowing cases.

4.3 Employees and other Council workers are encouraged to express their concern at the earliest opportunity so that timely action can be taken.

4.4 The Council has a Whistleblowing Hotline available, which is managed in a secure and confidential environment by the Head of Internal Audit. The **Whistleblowing Hotline number is 01394 444222**. A voicemail message greets all calls and you are requested to leave a message and contact details.

4.5 Concerns may also be raised in writing, or on request, in person by way of a meeting with the Head of Internal Audit.

4.6 Although employees and other Council workers are not expected to investigate the matter or to prove that the concern is well founded, they should be able to demonstrate to the person contacted that there are reasonable grounds for the concern.

4.7 If the employee or other Council worker needs advice and guidance on how matters of concern may be raised or pursued, the following Officers can be contacted:

OFFICER	EMAIL	TELEPHONE
Chief Executive	Stephen.baker@eastsuffolk.gov.uk	01502 523210
Monitoring Officer	Hilary.slater@eastsuffolk.go.uk	01394 444336
Head of Internal Audit	Siobhan.martin@eastsuffolk.gov.uk	01394 444254
Human Resources Manager	Carol.lower@eastsuffolk.gov.uk	01502 523228

4.8 Employees and other Council workers may raise their concern through their trade union or professional association.

4.9 If employees and other Council workers (see section 1.1) would prefer to speak with someone outside of the Council, advice and guidance can be obtained from an appropriate contact on the **Whistleblowing: List of prescribed people and bodies lists** rather than the Council. The list is available in this link: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2

In addition, you may choose to contact any of the following:

(a) Member of Parliament

A worker or non-worker can contact a member of the House of Commons. Contact details for any Member of Parliament are available in this link: http://www.parliament.uk/mps-lords-and-offices/

(b) Local Government Ombudsman

The Local Government Ombudsman will receive complaints of alleged maladministration against the Council. The contact details are on the LGO website: www.lgo.org.uk

(c) The Councils External Auditor

The External auditors (Ernst & Young) are appointed to address any concerns as to alleged financial irregularity, unlawful expenditure, or loss to the Council. The details of the Council's external auditors can be found on our website.

(d) Protect (previously called Public Concern at Work):

This is a whistleblowing charity, which helps to inform public policy and seek legislative change. They also provide advice to those with whistleblowing dilemmas at work and supports organisations with their whistleblowing arrangements. Tel: 020 3117 2520 or https://protect-advice.org.uk/

5 How the Council will respond

5.1 When leaving a voicemail message on the Whistleblowing Hotline, the Head of Internal Audit, who monitors the Hotline, will normally respond to the caller within two working days (excluding weekends).

5.2 Disclosures to the line manager or Human Resource Manager etc. must be reported to the Head of Internal Audit who maintains a confidential log of such events.

5.3 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle, which the Council will have in mind, is the public interest. (Note: the disclosure does not have to be in the public interest for the protection to be afforded). Concerns raised or allegations made which fall within the scope of other specific procedures (for example harassment or discrimination issues) will normally be referred for consideration under those procedures.

5.4 Following initial investigations by an impartial person the Council will respond to the concern, as appropriate. The action taken by the Council will depend on the nature of the concern. The matters raised may:

a. Be investigated by Internal Audit;
b. Be referred to the police;
c. Be referred to the external auditor; or
d. Form the subject of an independent inquiry.

5.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.

5.6 All concerns received will be acknowledged in writing or email, where appropriate, within seven days. Wherever possible the acknowledgement will:

a. Indicate how the Council proposes to deal with the matter. (Where appropriate follow-up is still being determined, provide an estimate of when the reporting person can expect this feedback);
b. Give an estimate of how long it will take to provide a final response (this should not exceed three months, however complex cases may require a longer timescale);
c. Advise whether any initial enquiries have been made;
d. Advise whether further investigations will take place, and if not, explain this decision; and

e. Indicate how the Council will proceed where the informant has chosen to remain anonymous.

5.7 When any meeting is arranged with an employee or other Council worker, they have the right, if they so wish, to be accompanied by a trade union or professional association representative or a workplace colleague who is not involved in the area of work to which the concern relates. The measures for the protection of whistleblowers set out in Section 6 below shall also apply, where relevant, to facilitators and third persons who are connected with the reporting person.

5.8 The Council will take steps to minimise any difficulties which employees and other Council workers may experience as a result of raising a concern. For instance, if employees and other Council workers are required to give evidence in criminal or disciplinary proceedings, advice about the procedure will be given.

5.9 The Investigating Officer will detail the outcome of the investigation in a written report. The report will outline the findings of the investigations and reasons for the judgement made. This report will be presented to the Chief Executive to decide the final action. In the event of management being involved in malpractice, the report will be presented to the Head of Internal Audit.

5.10 The Council recognises that employees and other Council workers need to be assured that the matter has been properly addressed. Thus, subject to any legal constraints, employees and other Council workers raising a concern will receive information about the outcome of any investigation.

5.11 If appropriate, a copy of the outcome will be passed to Internal Audit to review the relevant internal procedures.

5.12 If the informant is not satisfied that the concern has been properly dealt with by the Investigating Officer, they have the right to raise it in confidence with one of the designated persons stated in Section 4.7 above.

5.13 The Council hopes that employees and other Council workers will be satisfied with any action taken as a result of raising a concern. If they are not, and if they feel it is right to take the matter outside the Council, the possible contact points are detailed in 4.9 above.

5.14 If the informant does take the matter outside the Council, they should be careful not to disclose confidential information, and ensure that they comply with the requirements of the Public Interest Disclosure Act 1998 so that they do not lose the protection of the Act against dismissal or other detriment.

6 Protecting whistleblowers

6.1 Harassment or Victimisation

6.1.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation of the whistleblower and will take action in accordance with the ERA and PIDA to protect employees and other Council workers when a concern is raised in the public interest. This will include protection from retaliation in the form of dismissal; suspension; demotion; withholding of promotion or training; negative performance reviews; transfer of duties;

imposition of any disciplinary measures, intimidation, harassment or discrimination; disadvantageous or unfair treatment; failure to convert a temporary employment contract into a permanent one, where the worker had legitimate expectations that he or she would be offered permanent employment; failure to renew, or early termination of a temporary employment contract; harm, including to the person's reputation, or financial loss, including loss of business and loss of income; early termination or cancellation of a contract for goods or services; cancellation of a licence or permit; or psychiatric or medical referrals.

6.1.2 Individuals making a disclosure will be informed of the Officer investigating their concerns. The appointed Investigating Officer will regularly liaise with the individual concerned to ensure they are safeguarded from any reprisals.

6.1.3 However, this does not mean that where employees and other Council workers who whistleblow are already the subject of disciplinary or other employment related procedures, that the said procedures will be halted.

6.2 Confidentiality

6.2.1 The Council will do its best to protect the identity of employees and other Council workers who whistleblow and who do not want their name to be disclosed. However, in some circumstances the investigation process may reveal the source of the information and a statement may be required as part of the evidence.

6.2.2 Equally, when raising a concern, employees and other Council workers should consider confidentiality and the rights of any other person involved until an investigation of the concern has been concluded.

6.3 Anonymous Disclosure

6.3.1 The policy encourages employees and other Council workers to put their name to any concern raised or allegation made. Protection provided under the ERA and PIDA cannot be applied to an unnamed individual. Concerns expressed anonymously are much less powerful, but they may be considered at the discretion of the Head of Internal Audit.

6.3.2 In exercising the discretion, the factors to be taken into account would include:

a. The seriousness of the issues raised;
b. The credibility of the concern; and
c. The likelihood of confirming the allegation from attributable sources.

6.4 Incorrect use of the Whistleblowing Policy

6.4.1 The Whistleblowing Policy has been written to reassure the employees and other Council workers that there is a safe alternative to silence. No action will be taken against employees and other Council workers who raise concerns or make allegations in the public interest but which are not confirmed by the investigation.

6.4.2 Disciplinary action may, however, be taken in cases where malicious or vexatious allegations are raised. The policy cannot be used to secure or negotiate immunity from any disciplinary action.

7 The Responsible Officer

7.1 The Head of Internal Audit has overall responsibility for the administration of this policy.

7.2 The Responsible Officer will maintain a record of concerns raised and the outcomes in a format which does not endanger confidentiality.

7.3 The Responsible Officer will undertake a regular review and evaluation of the effectiveness of this Policy, the results of which will be included in the Internal Audit Annual Report.